

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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended **September 30, 2024**

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the period from _____ to _____
001-34049
(Commission File No.)

PRESIDIO PROPERTY TRUST, INC.
(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction
of incorporation or organization)

33-0841255
(I.R.S. employer
identification no.)

4995 Murphy Canyon Road, Suite 300 , San Diego, CA 92123
(Address of principal executive offices)

(760) 471-8536
(Registrant's telephone number, including area code)

<u>Title of each class of registered securities</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Series A Common Stock, \$0.01 par value per share	SQFT	The Nasdaq Stock Market LLC
9.375% Series D Cumulative Redeemable Perpetual Preferred Stock, \$0.01 par value per share	SQFTP	The Nasdaq Stock Market LLC
Series A Common Stock Purchase Warrants to Purchase Shares of Common Stock	SQFTW	The Nasdaq Stock Market LLC

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging Growth company	<input type="checkbox"/>		

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

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

At November 18, 2024, registrant had issued and outstanding 14,404,308 shares of its Series A Common Stock, \$0.01 par value per share.

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CAUTIONARY LANGUAGE REGARDING FORWARD-LOOKING STATEMENTS

This report contains "forward-looking statements" within the meaning of the federal securities laws that involve risks and uncertainties, many of which are beyond our control. Our actual results could differ materially and adversely from those anticipated in such forward-looking statements as a result of certain factors, including those set forth in this report and in our other filings with the Securities and Exchange Commission (the "SEC"). Forward-looking statements relate to matters such as our industry, business strategy, goals and expectations concerning our market position, future operations, margins, profitability, capital expenditures, financial condition, liquidity, capital resources, cash flows, results of operations and other financial and operating information. Forward-looking statements included in this report include, but are not limited to, statements regarding purchases and sales of properties, plans for financing and refinancing our properties, the adequacy of our capital resources, changes to the markets in which we operate, our business plans and strategies, and our payment of dividends. When used in this report, the words "will," "may," "believe," "anticipate," "intend," "estimate," "expect," "should," "project," "plan," and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. Important factors that may cause actual results to differ from projections include, but are not limited to:

- inherent risks associated with real estate investments and with the real estate industry;
- significant competition may decrease or prevent increases in our properties' occupancy and rental rates and may reduce the value of our properties;
- a decrease in demand for commercial space and/or an increase in operating costs;
- failure by any major tenant (or a substantial number of tenants) to make rental payments to us because of a deterioration of their financial condition, an early termination of their lease, a non-renewal of their lease or a renewal of their lease on terms less favorable to us;
- challenging economic conditions facing us and our tenants may have a material adverse effect on our financial condition and results of operations;
- our failure to generate sufficient cash to service and/or retire our debt obligations in a timely manner;
- our inability to borrow or raise sufficient capital to maintain and/or expand our real estate investment portfolio;
- adverse changes in the real estate financing markets, including potential increases in interest rates and/or borrowing costs;
- potential losses, including from adverse weather conditions, natural disasters and title claims, may not be covered by insurance;
- inability to complete acquisitions or dispositions and, even if these transactions are completed, failure to successfully operate acquired properties and/or sell properties without incurring significant defeasance costs;
- our reliance on third-party property managers to manage a substantial number of our properties, brokers and/or agents to lease our properties;

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- decrease in supply and/or demand for single family homes, inability to acquire additional model homes and increased competition to buy such properties;
- terrorist attacks or actions and/or risks relating to information technology and cybersecurity attacks, loss of confidential information and other related business disruptions;
- failure to continue to qualify as a REIT;
- adverse results of any legal proceedings;
- changes in laws, rules and regulations affecting our business;
- the possibility that if any of the banking institutions in which we deposit funds ultimately fails, we may lose any amounts of our deposits over federally insured levels which could reduce the amount of cash we have available to distribute or invest and could result in a decline in our value.
- the possibility that we may not comply with the continued listing requirements of the Nasdaq Capital Market ("Nasdaq"), which may result in our common stock being delisted, which could affect our common stock's market price and liquidity and reduce our ability to raise capital;
- actions of activist stockholders may cause us to incur substantial costs, divert management's attention and resources, and have an adverse effect on our business; and
- the other risks and uncertainties discussed in Risk Factors in our Annual Report on Form 10-K/A for the year ended December 31, 2023, filed with the SEC on April 16, 2024.

PART I — FINANCIAL INFORMATION
ITEM 1. Financial Statements

Presidio Property Trust, Inc. and Subsidiaries
Consolidated Balance Sheets

	September 30, 2024 (Unaudited)	December 31, 2023
ASSETS		
Real estate assets and lease intangibles:		
Land	\$ 17,525,059	\$ 21,660,644
Buildings and improvements	116,284,225	133,829,416
Tenant improvements	18,493,786	17,820,948
Lease intangibles	3,475,531	4,110,139
Real estate assets and lease intangibles held for investment, cost	155,778,601	177,421,147
Accumulated depreciation and amortization	(37,710,504)	(38,725,356)
Real estate assets and lease intangibles held for investment, net	118,068,097	138,695,791
Real estate assets held for sale, net	13,347,113	5,459,993
Real estate assets, net	131,415,210	144,155,784
Other assets:		
Cash, cash equivalents and restricted cash	7,199,448	6,510,428
Deferred leasing costs, net	1,582,820	1,657,055
Goodwill	1,574,000	1,574,000
Investment in Conduit Pharmaceuticals marketable securities (see Notes 2 & 9)	481,219	18,318,521
Deferred tax asset	346,762	346,762
Other assets, net (see Note 6)	3,245,771	3,400,088
Total other assets	14,430,020	31,806,854
TOTAL ASSETS	\$ 145,845,230	\$ 175,962,638
LIABILITIES AND EQUITY		
Liabilities:		
Mortgage notes payable, net	\$ 91,758,522	\$ 103,685,444
Mortgage notes payable related to properties held for sale, net	10,560,697	4,027,829
Mortgage notes payable, total net	102,319,219	107,713,273
Accounts payable and accrued liabilities	3,497,588	4,770,845
Accrued real estate taxes	1,656,919	1,953,087
Dividends payable	195,310	174,011
Lease liability, net	70,122	16,086
Below-market leases, net	9,535	13,266
Total liabilities	107,748,693	114,640,568
Commitments and contingencies (see Note 10)		
Equity:		
Series D Preferred Stock, \$0.01 par value per share; 1,000,000 shares authorized; 1,000,000 shares issued and outstanding (liquidation preference \$25.00 per share) as of September 30, 2024 and 890,946 shares issued and outstanding as of December 31, 2023	10,000	8,909
Series A Common Stock, \$0.01 par value per share, 100,000,000 shares authorized; 12,369,645 shares and 12,265,061 shares were issued and outstanding at September 30, 2024 and December 31, 2023, respectively	123,696	122,651
Additional paid-in capital	185,712,362	182,331,408
Dividends and accumulated losses	(156,309,316)	(131,508,785)
Total stockholders' equity before noncontrolling interest	29,536,742	50,954,183
Noncontrolling interest	8,559,795	10,367,887
Total equity	38,096,537	61,322,070
TOTAL LIABILITIES AND EQUITY	\$ 145,845,230	\$ 175,962,638

See Notes to Consolidated Financial Statements

Presidio Property Trust, Inc. and Subsidiaries
Consolidated Statements of Operations
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenues:				
Rental income	\$ 4,474,833	\$ 4,262,790	\$ 13,156,881	\$ 12,534,431
Fees and other income	248,541	221,384	943,095	615,107
Total revenue	<u>4,723,374</u>	<u>4,484,174</u>	<u>14,099,976</u>	<u>13,149,538</u>
Costs and expenses:				
Rental operating costs	1,598,015	1,478,479	4,654,087	4,452,628
General and administrative	1,629,919	1,635,610	5,917,286	5,413,413
Depreciation and amortization	1,455,882	1,351,705	4,158,270	4,054,109
Impairment of real estate assets	697,146	—	893,939	—
Total costs and expenses	<u>5,380,962</u>	<u>4,465,794</u>	<u>15,623,582</u>	<u>13,920,150</u>
Other income (expense):				
Interest expense - mortgage notes	(1,473,528)	(1,375,199)	(4,514,579)	(3,579,381)
Interest and other income, net	5,263	254,486	15,116	1,394,687
Gain on sales of real estate, net	361,151	757,285	3,191,149	2,294,574
Net loss in Conduit Pharmaceuticals marketable securities (see footnote 9)	(3,932,770)	(17,682,154)	(17,821,437)	(17,682,154)
Gain on deconsolidation of SPAC (see footnote 9)	—	40,321,483	—	40,321,483
Income tax (benefit) expense	(6,911)	(134,620)	(167,496)	(632,147)
Total other (expense) income, net	<u>(5,046,795)</u>	<u>22,141,281</u>	<u>(19,297,247)</u>	<u>22,117,062</u>
Net income (loss)	<u>(5,704,383)</u>	<u>22,159,661</u>	<u>(20,820,853)</u>	<u>21,346,450</u>
Less: Income attributable to noncontrolling interests	(355,153)	(673,279)	(2,328,386)	(2,155,212)
Net income (loss) attributable to Presidio Property Trust, Inc. stockholders	<u>\$ (6,059,536)</u>	<u>\$ 21,486,382</u>	<u>\$ (23,149,239)</u>	<u>\$ 19,191,238</u>
Less: Preferred Stock Series D dividends	(585,930)	(527,873)	(1,651,293)	(1,595,606)
Net income (loss) attributable to Presidio Property Trust, Inc. common stockholders	<u>\$ (6,645,466)</u>	<u>\$ 20,958,509</u>	<u>\$ (24,800,532)</u>	<u>\$ 17,595,632</u>
Net income (loss) per share attributable to Presidio Property Trust, Inc. common stockholders:				
Basic & Diluted	<u>\$ (0.53)</u>	<u>\$ 1.77</u>	<u>\$ (2.00)</u>	<u>\$ 1.49</u>
Weighted average number of common shares outstanding - basic & diluted	<u>12,476,567</u>	<u>11,851,343</u>	<u>12,399,798</u>	<u>11,841,847</u>

See Notes to Consolidated Financial Statements

Presidio Property Trust, Inc. and Subsidiaries
Consolidated Statements of Changes in Equity
For the Three and Nine Months Ended September 30, 2024 and 2023
(Unaudited)

	Preferred Stock Series D		Common Stock		Additional	Dividends and	Total	Non-	Total
	Shares	Amount	Shares	Amount	Paid-in Capital	Accumulated Losses	Stockholders' Equity	controlling Interests	Equity
Balance, December 31, 2023	890,946	\$ 8,909	12,265,061	\$ 122,651	\$ 182,331,408	\$ (131,508,785)	\$ 50,954,183	\$ 10,367,887	\$ 61,322,070
Net (loss) income	—	—	—	—	—	(5,241,663)	(5,241,663)	1,503,868	(3,737,795)
Dividends to Series D preferred stockholders	—	—	—	—	—	(522,032)	(522,032)	—	(522,032)
Distributions in excess of contributions received	—	—	—	—	—	—	—	(1,603,357)	(1,603,357)
Restricted stock-based compensation	—	—	—	—	317,077	—	317,077	—	317,077
Issuance of stock-based compensation Series A Common Stock	—	—	164,078	1,640	223,204	—	224,844	—	224,844
Balance, March 31, 2024	890,946	\$ 8,909	12,429,139	\$ 124,291	\$ 182,871,689	\$ (137,272,480)	\$ 45,732,409	\$ 10,268,398	\$ 56,000,807
Net (loss) income	—	—	—	—	—	(11,848,040)	(11,848,040)	469,365	(11,378,675)
Dividends to Series D preferred stockholders	—	—	—	—	—	(543,331)	(543,331)	—	(543,331)
Distributions	—	—	—	—	—	—	—	(1,002,976)	(1,002,976)
Issuance of preferred stock Series D preferred stock, net of issuance costs	109,054	1,091	—	—	1,194,764	—	1,195,855	—	1,195,855
Restricted stock-based compensation	—	—	—	—	343,108	—	343,108	—	343,108
Repurchase of Series A Common Stock, at cost	—	—	(10,446)	(104)	(7,509)	—	(7,613)	—	(7,613)
Balance, June 30, 2024	1,000,000	\$ 10,000	12,418,693	\$ 124,187	\$ 184,402,052	\$ (149,663,851)	\$ 34,872,388	\$ 9,734,787	\$ 44,607,175
Net (loss) income	—	—	—	—	—	(6,059,536)	(6,059,536)	355,153	(5,704,383)
Dividends to Series D Preferred Stockholders	—	—	—	—	—	(585,929)	(585,929)	—	(585,929)
Distributions	—	—	—	—	—	—	—	(477,566)	(477,566)
Restricted stock-based compensation	—	—	—	—	347,021	—	347,021	—	347,021
Issuance of Series A Common Stock	—	—	78,215	782	1,051,797	—	1,052,579	(1,052,579)	—
Repurchase of Series A Common Stock, at cost	—	—	(127,263)	(1,273)	(88,508)	—	(89,781)	—	(89,781)
Balance, September 30, 2024	1,000,000	\$ 10,000	12,369,645	\$ 123,696	\$ 185,712,362	\$ (156,309,316)	\$ 29,536,742	\$ 8,559,795	\$ 38,096,537

	Preferred Stock Series D		Common Stock		Additional	Dividends and	Total	Non-	Total
	Shares	Amount	Shares	Amount	Paid-in Capital	Accumulated Losses	Stockholders' Equity	controlling Interests	Equity
Balance, December 31, 2022	913,987	\$ 9,140	11,807,893	\$ 118,079	\$ 182,122,213	\$ (138,341,750)	\$ 43,907,682	\$ 9,013,446	\$ 52,921,128
Net (loss) income	—	—	—	—	—	(995,540)	(995,540)	387,081	(608,459)
Dividends paid to Series A common stockholders	—	—	—	—	—	(287,655)	(287,655)	—	(287,655)
Dividends to Series D preferred stockholders	—	—	—	—	—	(535,448)	(535,448)	—	(535,448)
Distributions in excess of contributions received	—	—	—	—	—	—	—	(518,642)	(518,642)
Remeasurement of SPAC shares to redemption value	—	—	—	—	(158,900)	—	(158,900)	—	(158,900)
Accrued excise tax on SPAC redemptions	—	—	—	—	(1,140,683)	—	(1,140,683)	—	(1,140,683)
Restricted stock-based compensation	—	—	—	—	232,106	—	232,106	—	232,106
Repurchase of Series D preferred stock, at cost	(386)	(4)	—	—	(6,943)	—	(6,947)	—	(6,947)
Issuance of stock-based compensation Common Stock	—	—	27,371	274	28,466	—	28,740	—	28,740
Balance, March 31, 2023	<u>913,601</u>	<u>\$ 9,136</u>	<u>11,835,264</u>	<u>\$ 118,353</u>	<u>\$ 181,076,259</u>	<u>\$ (140,160,393)</u>	<u>\$ 41,043,355</u>	<u>\$ 8,881,885</u>	<u>\$ 49,925,240</u>
Net (loss) income	—	—	—	—	—	(1,299,604)	(1,299,604)	1,094,852	(204,752)
Dividends paid to Series A Common Stockholders	—	—	—	—	—	(302,496)	(302,496)	—	(302,496)
Dividends to Series D preferred stockholders	—	—	—	—	—	(532,285)	(532,285)	—	(532,285)
Distributions in excess of contributions received	—	—	—	—	—	—	—	(1,442,668)	(1,442,668)
Remeasurement of SPAC shares to redemption value	—	—	—	—	(247,094)	—	(247,094)	—	(247,094)
Restricted stock-based compensation	—	—	—	—	228,657	—	228,657	—	228,657
Repurchase of Series D preferred stock, at cost	(12,226)	(122)	—	—	(204,803)	—	(204,925)	—	(204,925)
Vesting of Common Stock	—	—	14,446	144	50,855	—	50,999	—	50,999
Balance, June 30, 2023	<u>901,375</u>	<u>\$ 9,014</u>	<u>11,849,710</u>	<u>\$ 118,497</u>	<u>\$ 180,903,874</u>	<u>\$ (142,294,778)</u>	<u>\$ 38,736,607</u>	<u>\$ 8,534,069</u>	<u>\$ 47,270,676</u>
Net income	—	—	—	—	—	21,486,382	21,486,382	673,279	22,159,661
Vesting of restricted stock	—	—	10,016	100	17,027	—	17,127	—	17,127
Dividends paid to Series A Common Stockholders	—	—	—	—	—	(302,495)	(302,495)	—	(302,495)
Dividends to Series D Preferred Stockholders	—	—	—	—	—	(527,873)	(527,873)	—	(527,873)
Reversal of accrued excise tax on SPAC redemptions prior to deconsolidation	—	—	—	—	1,140,683	—	1,140,683	—	1,140,683
Restricted stock-based compensation	—	—	—	—	270,564	—	270,564	—	270,564
Repurchase of Series D Preferred Stock, at cost	(2,435)	(25)	—	—	(38,873)	—	(38,898)	—	(38,898)
Distributions in excess of contributions received	—	—	—	—	—	—	—	(1,052,521)	(1,052,521)
Balance, September 30, 2023	<u>898,940</u>	<u>\$ 8,989</u>	<u>11,859,726</u>	<u>\$ 118,597</u>	<u>\$ 182,293,275</u>	<u>\$ (121,638,764)</u>	<u>\$ 60,782,097</u>	<u>\$ 8,154,827</u>	<u>\$ 68,936,924</u>

See Notes to Consolidated Financial Statements

Presidio Property Trust, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

	For the Nine Months Ended September 30,	
	2024	2023
Cash flows from operating activities:		
Net (loss) income	\$ (20,820,853)	\$ 21,346,450
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Depreciation and amortization	4,158,270	4,054,109
Stock compensation	1,232,050	828,193
Bad debt expense	—	27,729
Gain on sale of real estate assets, net	(3,191,149)	(2,294,574)
Gain on deconsolidation of SPAC investment	—	(40,321,483)
Net loss in Conduit Pharmaceuticals fair value marketable securities	17,821,437	17,682,154
Net loss (gain) in fair value marketable securities	560	(169,530)
Net gain in fair value SPAC Trust Account	—	(1,209,542)
Impairment of real estate assets	893,939	—
Amortization of financing costs	286,491	263,863
Amortization of below-market leases	(3,731)	(3,731)
Amortization of deferred leasing costs	5,808	5,808
Straight-line rent adjustment	(113,491)	(280,619)
Changes in operating assets and liabilities:		
Other assets	158,524	(92,877)
Accounts payable and accrued liabilities	(1,172,517)	(472,157)
Accounts payable and accrued liabilities for the SPAC	—	652,577
Accrued real estate taxes	(296,168)	(373,343)
Net cash (used in) provided by operating activities	(1,040,830)	(356,973)
Cash flows from investing activities:		
Real estate acquisitions	(9,729,351)	(13,715,923)
Additions to buildings and tenant improvements	(1,939,641)	(1,966,868)
Investment in marketable securities	—	(2,083,328)
Proceeds from sale of marketable securities	60,467	2,302,456
Investment of SPAC IPO proceeds into Trust Account	—	(624,998)
Withdrawals from Trust Account for SPAC taxes	—	832,480
Withdrawals from Trust Account for Redemption of SPAC Shares	—	137,157,011
Proceeds from sales of real estate, net	22,273,254	7,113,065
Net cash provided by investing activities	10,664,729	129,013,895
Cash flows from financing activities:		
Proceeds from mortgage notes payable, net of issuance costs	13,602,291	13,400,934
Repayment of mortgage notes payable	(18,900,440)	(7,885,953)
Distributions to noncontrolling interests, net	(3,083,899)	(3,013,831)
Redemption of SPAC shares	—	(137,157,011)
Issuance of Series D Preferred Stock, net of offering costs	1,195,855	—
Repurchase of Series A Common Stock, at cost	(97,394)	—
Repurchase of Series D Preferred Stock, at cost	—	(250,770)
Dividends paid to Series D Preferred Stockholders	(1,651,292)	(1,595,606)
Dividends paid to Series A Common Stockholders	—	(892,646)
Net cash used in financing activities	(8,934,879)	(137,394,883)
Net change in cash, cash equivalents and restricted cash	689,020	(8,737,961)
Cash, cash equivalents and restricted cash - beginning of period	6,510,428	16,516,725
Cash, cash equivalents and restricted cash - end of period	\$ 7,199,448	\$ 7,778,764
Supplemental disclosure of cash flow information:		
Interest paid-mortgage notes payable	\$ 4,064,414	\$ 3,637,980
Paid additions to building and tenant improvements from prior year	\$ 295,567	\$ —
Income taxes paid	\$ 71,546	\$ —
Non-cash investing activities:		
Private warrants from Conduit Pharmaceuticals	\$ 642,600	\$ —
Non-cash financing activities:		
Issuance of Series A Common Stock for minority interest	\$ 1,052,579	\$ —
Unpaid additions to buildings and tenant improvements included in accounts payable	\$ 30,204	\$ 850,918
Dividends payable - Common Stock Series A	\$ —	\$ 302,495
Dividends payable - Preferred Stock Series D	\$ 195,310	\$ 175,758

See Notes to Consolidated Financial Statements

Presidio Property Trust, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (unaudited)
September 30, 2024

1. ORGANIZATION

Organization. Presidio Property Trust, Inc. ("we", "our", "us" or the "Company") is an internally-managed real estate investment trust ("REIT"), with holdings in office, industrial, retail and model home properties. We were incorporated in the State of California on September 28, 1999, and in August 2010, we reincorporated as a Maryland corporation. In October 2017, we changed our name from "NetREIT, Inc.," to "Presidio Property Trust, Inc." Through Presidio Property Trust, Inc., its subsidiaries, and its partnerships, we own 12 commercial properties in fee interest, two of which we own as a partial interest in various affiliates, in which we serve as general partner, member and/or manager, and a special purpose acquisition company (until deconsolidation in September 2023) as noted below.

The Company or one of its affiliates operates the following partnerships during the periods covered by these consolidated financial statements:

- The Company is the sole general partner and limited partner in two limited partnerships (NetREIT Palm Self-Storage LP and NetREIT Casa Grande LP), both of which, at September 30, 2024, had ownership interests in an entity that owns income producing real estate. The Company refers to these entities collectively as the "NetREIT Partnerships".
- The Company is the general and limited partner in six limited partnerships that purchase model homes and lease them back to homebuilders as commercial tenants (Dubose Model Home Investors #202, LP, Dubose Model Home Investors #203, LP, Dubose Model Home Investors #204, LP, Dubose Model Home Investors #205, LP, Dubose Model Home Investors #206, LP, and Dubose Model Home Investors #207, LP). The Company refers to these entities collectively as the "Model Home Partnerships".

The Company has determined that the limited partnerships in which it owns less than 100% should be included in the Company's consolidated financial statements as the Company directs their activities and has control of such limited partnerships.

We have elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code"), for federal income tax purposes. To maintain our qualification as a REIT, we are required to distribute at least 90% of our REIT taxable income to our stockholders and meet the various other requirements imposed by the Code relating to such matters as operating results, asset holdings, distribution levels, and diversity of stock ownership. Provided we maintain our qualification for taxation as a REIT, we are generally not subject to corporate-level income tax on the earnings distributed currently to our stockholders that we derive from our REIT qualifying activities. If we fail to maintain our qualification as a REIT in any taxable year and are unable to avail ourselves of certain savings provisions set forth in the Code, all our taxable income would be subject to federal income tax at regular corporate rates, including any applicable alternative minimum tax. We are subject to certain state and local income taxes.

We, together with one of our entities, have elected to treat certain subsidiaries as a taxable REIT subsidiary (a "TRS") for federal income tax purposes. Certain activities that we undertake must be conducted by a TRS, such as non-customary services for our commercial tenants, and holding assets that we cannot hold directly. A TRS is subject to federal and state income taxes. The Company has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements. Neither the Company nor its subsidiaries have been assessed any significant interest or penalties for tax positions by any tax jurisdictions.

Liquidity. The Company's anticipated future sources of liquidity may include existing cash and cash equivalents, cash flows from operations, refinancing of existing mortgages, future real estate sales, new borrowings, and the sale of equity or debt securities. Future capital needs include paying down existing borrowings, maintaining our existing properties, funding tenant improvements on our commercial buildings, paying lease commissions (to the extent they are not covered by lender-held reserve deposits), and the payment of dividends to our stockholders. The Company is also seeking investments that are likely to produce income and achieve long-term gains in order to pay dividends to our stockholders. To ensure that we can effectively execute these objectives, we routinely review our liquidity requirements and continually evaluate all potential sources of liquidity. If necessary, the Company may seek other short-term liquidity alternatives, such as bridge loans, refinancing property loans or a bank line of credit depending on the credit environment. See note 11 Stockholders' Equity for additional information on sale of securities.

Short-term liquidity needs include paying our current operating costs, satisfying the debt service requirements of existing mortgages, completing tenant improvements on our commercial buildings, paying leasing commissions, distributions to non controlling interests, and funding dividends, if any, to stockholders. Future principal payments due on mortgage notes payables, during 2024 and 2025 total approximately \$11.7 million and \$37.5 million, respectively, of which \$2.3 million in 2024 and \$8.9 million in 2025 are related to model home properties. See Note 7. Mortgage Notes Payable for additional information on the Dakota Center loan that matured on July 6, 2024. Management expects certain model home properties can be sold, and that the underlying mortgage notes will be paid off with sales proceeds while other mortgage notes can be refinanced, as the Company has historically been able to do in the past with all model home properties. Additional principal payments will be made with cash flows from ongoing operations.

As the Company continues its operations, it may re-finance or seek additional financing. However, there can be no assurance that any such re-financing or additional financing will be available to the Company on acceptable terms, if at all. If events or circumstances occur such that the Company does not obtain additional funding, it will most likely be required to reduce its plans and/or certain discretionary spending, which could have a material adverse effect on the Company's ability to achieve its intended business objectives. Management believes that the combination of working capital on hand and the ability to refinance commercial and model home mortgages will fund operations through at least the next twelve months from the date of the issuance of these unaudited interim financial statements.

The Company served as the sponsor of the former special purpose acquisition company Murphy Canyon Acquisition Corp. ("Murphy Canyon" or the "SPAC") since its creation in October 2021 and certain officers and directors of the Company also served as officers and directors of the SPAC. On September 22, 2023, Murphy Canyon completed its business combination with Conduit Pharmaceuticals Limited ("Conduit Pharma") and changed its name to Conduit Pharmaceuticals Inc. ("Conduit"). Immediately prior to the business combination, the Company owned approximately 65% of the SPAC's outstanding common stock. Upon consummation of the business combination, the SPAC's shares of Class B common stock were converted into shares of its Class A common stock and the shares of Class A common stock were then reclassified as a single class of Conduit common stock. As a result of the business combination, the Company was issued (i) 3,306,250 shares of Conduit's common stock due to the conversion of the shares of the SPAC's Class B common stock into shares of the SPAC's Class A common stock and then reclassification into shares of Conduit common stock, (ii) 754,000 shares of Conduit common stock, which prior to the business combination were shares of the SPAC's Class A common stock and (iii) private warrants to purchase 754,000 shares of Conduit common stock, which prior to the business combination were warrants to purchase 754,000 shares of the SPAC's Class A common stock. Also in the business combination, shareholders and debtholders of Conduit Pharma were issued 65,000,000 shares of Conduit common stock. Immediately following the consummation of the business combination, the Company transferred 45,000 shares of Conduit common stock and warrants to purchase 45,000 shares of Conduit common stock to the SPAC's independent directors as compensation for their services. As a result, the Company owned approximately 6.5% of Conduit following the consummation of the business combination. In connection with the business combination, the Company's officers and directors who also served as officers and directors of the SPAC resigned from the SPAC, with the exception of the Company's former Chief Financial Officer who resigned from the Company. See Note 9. Investment in Conduit Pharmaceuticals for additional information.

2. SIGNIFICANT ACCOUNTING POLICIES

There have been no significant changes to the Company's accounting policies since it filed its audited financial statements in the 2023 year end Annual Report. For further information about the Company's accounting policies, refer to the Company's consolidated financial statements and notes thereto for the year ended December 31, 2023, included in the Company's 2023 year end Annual Report.

Basis of Presentation. The accompanying consolidated financial statements have been prepared by the Company's management in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial statements and the instructions to Form 10-Q and Article 8 of Regulation S-X. Certain information and footnote disclosures required for annual consolidated financial statements have been excluded pursuant to rules and regulations of the SEC. In the opinion of management, the accompanying consolidated financial statements reflect all adjustments of a normal and recurring nature that are considered necessary for a fair presentation of our financial position as of September 30, 2024, and December 31, 2023, as well as results of our operations, and cash flows as of, and for the nine months ended September 30, 2024 and 2023, respectively. However, the results of operations for the interim periods are not necessarily indicative of the results that may be expected for the year ending December 31, 2024, due to real estate market fluctuations, available mortgage lending rates and other unknown factors. These consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto included in the 2023 year end Annual Report. The consolidated balance sheet as of December 31, 2023 has been derived from the audited consolidated financial statements included in the 2023 year end Annual Report.

Principles of Consolidation. The accompanying consolidated financial statements include the accounts of Presidio Property Trust, Inc. and its subsidiaries, NetREIT Advisors, LLC and Dubose Advisors LLC (collectively, the "Advisors"), and NetREIT Dubose Model Home REIT, Inc. The consolidated financial statements also include the results of the NetREIT Partnerships and the Model Home Partnerships. As used herein, references to the "Company" include references to Presidio Property Trust, Inc., its subsidiaries, and the partnerships. All significant intercompany balances and transactions have been eliminated in consolidation.

The consolidated financial statements also include the accounts of (a) Murphy Canyon up until September 22, 2023, when it completed its business combination. Murphy Canyon was a special purpose acquisition company ("SPAC") for which we served as the financial sponsor (as described herein), and which was deemed to be controlled by us as a result of our 65% equity ownership stake, the overlap of three of our executive officers as executive officers of Murphy Canyon, and significant influence that we exercised over the funding and acquisition of new operations for an initial business combination (see Note 2, Variable Interest Entity). All intercompany balances, prior to deconsolidation and loss of control on September 22, 2023, have been eliminated in consolidation.

The Company classifies the noncontrolling interests in the NetREIT Partnerships as part of consolidated net (loss) income in 2024 and 2023 and has included the accumulated amount of noncontrolling interests as part of equity since inception in February 2010. If a change in ownership of a consolidated subsidiary results in loss of control and deconsolidation, any retained ownership interest will be remeasured, with the gain or loss reported in the consolidated statements of operations. Management has evaluated the noncontrolling interests and determined that they do not contain any redemption features.

Use of Estimates. The consolidated financial statements were prepared in conformity with U.S. GAAP, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant estimates include, private warrants, the allocation of purchase price paid for property acquisitions between the components of land, building and intangible assets acquired including their useful lives, valuation of long-lived assets, and the allowance for doubtful accounts, which is based on an evaluation of the tenants' ability to pay. Actual results could differ from those estimates.

Real Estate Assets and Lease Intangibles. Land, buildings and improvements are recorded at cost, including tenant improvements and lease acquisition costs (including leasing commissions, space planning fees, and legal fees). The Company capitalizes any expenditure that replaces, improves, or otherwise extends the economic life of an asset, while ordinary repairs and maintenance are expensed as incurred. The Company allocates the purchase price of acquired properties between the acquired tangible assets and liabilities (consisting of land, buildings, tenant improvements, and long-term debt) and identified intangible assets and liabilities (including the value of above-market and below-market leases, the value of in-place leases, unamortized lease origination costs and tenant relationships), in each case based on their respective fair values.

The Company allocates the purchase price to tangible assets of an acquired property based on the estimated fair values of those tangible assets, assuming the property was vacant. Estimates of fair value for land, building and building improvements are based on many factors, including, but not limited to, comparisons to other properties sold in the same geographic area and independent third-party valuations. In estimating the fair values of the tangible assets, intangible assets, and liabilities acquired, the Company also considers information obtained about each property as a result of its pre-acquisition due diligence, marketing and leasing activities.

The value allocated to acquired lease intangibles is based on management's evaluation of the specific characteristics of each tenant's lease. Characteristics considered by management in allocating these values include, but are not limited, to the nature and extent of the existing business relationships with the tenant, growth prospects for developing new business with the tenant, the remaining term of the lease, the tenant's credit quality, and other factors.

The value attributable to the above-market or below-market component of an acquired in-place lease is determined based upon the present value (using a market discount rate) of the difference between (i) the contractual rents to be paid pursuant to the lease over its remaining term, and (ii) management's estimate of rents that would be paid using fair market rates over the remaining term of the lease. The amounts allocated to above or below-market leases are amortized on a straight-line basis as an increase or reduction of rental income over the remaining non-cancelable term of the respective leases. Amortization of above and below-market rents resulted in a net increase in rental income of approximately \$1,244 and \$3,731 in each period for the three and nine months ended September 30, 2024 and for the three and nine months ended September 30, 2023.

The value of in-place leases and unamortized lease origination costs are amortized to expenses over the remaining term of the respective leases, which range from less than a year to ten years. The amount allocated to acquired in-place leases is determined based on management's assessment of lost revenue and costs incurred for the period required to lease the "assumed vacant" property to the occupancy level when purchased.

The amount allocated to unamortized lease origination costs is determined by what the Company would have paid to a third-party to secure a new tenant reduced by the expired term of the respective lease. The amount allocated to tenant relationships is the benefit resulting from the likelihood of a tenant renewing its lease. Amortization expense related to these assets was approximately \$4,382 and \$13,145 during each period for the three and nine months ended September 30, 2024 and for the three and nine months ended September 30, 2023.

Deferred Leasing Costs. Costs incurred in connection with successful property leases are capitalized as deferred leasing costs and amortized to leasing commission expense on a straight-line basis over the terms of the related leases which generally range from one to five years. Deferred leasing costs consist of third-party leasing commissions. Management re-evaluates the remaining useful lives of leasing costs as the creditworthiness of the tenants and economic and market conditions change. If management determines the estimated remaining life of the respective lease has changed, the amortization period is adjusted. At September 30, 2024 and December 31, 2023, the Company had net deferred leasing costs of approximately \$1.6 million and \$1.7 million, respectively. Total amortization expense for the three and nine months ended September 30, 2024, was approximately \$125,302 and \$369,401, respectively. Total amortization expense for the three and nine months ended September 30, 2023, was approximately \$123,408 and \$351,559, respectively.

Cash Equivalents and Restricted Cash. At September 30, 2024 and December 31, 2023, we had approximately \$ 7.2 million and \$6.5 million in cash, cash equivalents and restricted cash, respectively, of which approximately \$3.5 million and \$3.7 million represented restricted cash, respectively. The Company considers all short-term, highly liquid investments that are both readily convertible to cash and have an original maturity of three months or less at the date of purchase to be cash equivalents. Items classified as cash equivalents include money market funds and short-term bonds. Cash balances in individual banks may exceed the federally insured limit of \$250,000 by the Federal Deposit Insurance Corporation (the "FDIC"). No losses have been experienced related to such accounts. At September 30, 2024 and December 31, 2023, the Company had approximately \$1.3 million and \$0.7 million, respectively, in deposits in financial institutions that exceeded the federally insurable limits. Restricted cash consists of cash held in escrow by lenders pursuant to certain lender agreements, which are for payment of property taxes, insurance, leasing costs, future debt payments, and capital expenditures.

Real Estate Held for Sale and Discontinued Operations. We generally reclassify assets to "held for sale" when the disposition has been approved, it is available for immediate sale in its present condition, we are actively seeking a buyer, and the disposition is considered probable within one year. Additionally, real estate sold during the current period is classified as "real estate assets held for sale" for all prior periods presented in the accompanying consolidated financial statements. Mortgage notes payable related to the real estate sold during the current period are classified as "mortgage notes payable related to properties held for sale" for all prior periods presented in the accompanying consolidated financial statements. Additionally, we record the operating results related to real estate that has been disposed of as discontinued operations for all periods presented if the operations have been eliminated and represent a strategic shift and we will not have any significant continuing involvement in the operations of the property following the sale. As of September 30, 2024, two commercial properties, Union Town Center and Research Parkway, met the criteria to be classified as "held for sale", and 5 model homes were classified as "held for sale".

Deferred Offering Costs. Deferred offering costs represent legal, accounting and other direct costs related to our offerings. As of September 30, 2024 and December 31, 2023, we have incurred approximately zero and \$5,000, respectively, in deferred offering costs as of the end of each period related to our registration statement on Form S-3.

Impairments of Real Estate Assets. We regularly review for impairment on a property-by-property basis. Impairment is recognized on a property held for use when the expected undiscounted cash flows for a property are less than the carrying amount at which time the property is written-down to fair value. The calculation of both discounted and undiscounted cash flows requires management to make estimates of future cash flows, including, but not limited to, revenues, operating expenses, required maintenance and development expenditures, market conditions, demand for space by tenants and rental rates over long periods. Since our properties typically have a long life, the assumptions used to estimate the future recoverability of carrying value requires significant management judgment. Actual results could be significantly different from the estimates. These estimates have a direct impact on net income because recording an impairment charge results in a negative adjustment to net income. The evaluation of anticipated cash flows is highly subjective and is based in part on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results in future periods. Properties held for sale are recorded at the lower of the carrying amount or the expected sales price less costs to sell. Although our strategy is to hold our properties over the long-term, if our strategy changes or market conditions otherwise dictate an earlier sale date, an impairment loss may be recognized to reduce the property to fair value and such loss could be material.

We review the carrying value of each of our real estate properties regularly to determine if circumstances indicate an impairment in the carrying value of these investments exists. During the three and nine months ended September 30, 2024, we recognized non-cash impairment charges of approximately \$0.7 million and \$0.9 million, respectively, with approximately \$0.2 million related to model homes and approximately \$ 0.7 million related to our Dakota Center property.

The new impairment charges for the model homes, during the three months ended September 30, 2024, reflects the estimated sales prices for these specific model homes in October and November 2024 as a result of an abnormally short hold period, less than two years, on model homes purchased in 2022. The total impairment charges on model homes during the three and nine months ended September 30, 2024 was approximately \$41,656 and \$238,449, respectively. The builder changed their product style in the neighborhoods where these model homes are located, in Texas, after we had purchased the homes. We do not believe these losses are indicative of our overall model home portfolio. As noted below in footnote 3 - *Recent Real Estate Transactions*, during the nine months ended September 30, 2024, we sold 46 model homes for approximately \$22.3 million, net of sales costs, and the Company recognized a net gain of approximately \$3.2 million. The Company did not recognize a non-cash impairment to our real estate assets during the three and nine months ended September 30, 2023.

The Dakota Center property impairment of approximately \$0.7 million, is related to the maturing of our non-recourse real estate loan in July 2024 and the Company not being able to come to an agreement with the current lender on a modification or extension. In October 2024, we and the lender agreed to offer the property for sale with net proceeds being applied to pay off the loan balance, accrued interest and fees. Excess proceeds, if any, will go to the Company, while a shortfall of proceeds from the sale to pay down the lender will not be the Company's responsibility.

Fair Value Measurements. Certain assets and liabilities are required to be carried at fair value, or if long-lived assets are deemed to be impaired, to be adjusted to reflect this condition. The guidance requires disclosure of fair values calculated under each level of inputs within the following hierarchy:

- Level 1: unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;
- Level 2: quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which significant inputs and significant value drivers are observable in active markets; and
- Level 3: prices or valuation techniques where little or no market data is available that requires inputs that are both significant to the fair value measurement and unobservable.

When available, we utilize quoted market prices from independent third-party sources to determine fair value and classify such items in Level 1 or Level 2. In instances where the market for a financial instrument is not active, regardless of the availability of a nonbinding quoted market price, observable inputs might not be relevant and could require us to make a significant adjustment to derive a fair value measurement.

Additionally, in an inactive market, a market price quoted from an independent third-party may rely more on models with inputs based on information available only to that independent third-party. When we determine the market for a financial instrument owned by us to be illiquid or when market transactions for similar instruments do not appear orderly, we use several valuation sources (including internal valuations, discounted cash flow analysis and quoted market prices) and establish a fair value by assigning weights to the various valuation sources. As of September 30, 2024, we did not hold any marketable securities, excluding our investments in Conduit's common stock and common stock warrants. As of December 31, 2023, our marketable securities (excluding our investments in Conduit's common stock and common stock warrants), held at a third party broker, presented on the consolidated balance sheets within other assets were measured at fair value using Level 1 market prices and totaled approximately \$45,149, with a cost basis of approximately \$40,315. There were no financial liabilities measured at fair value as of September 30, 2024 and December 31, 2023.

On April 22, 2024, the Company entered into a lockup agreement with Conduit pursuant to which the Company agreed not to transfer or sell 2,700,000 of its 4,015,250 shares of Conduit common stock for a period of one year. In consideration for entering into the lockup agreement, Conduit issued the Company a warrant ("Private CDT Warrants") to purchase 540,000 shares of common stock at an exercise price of \$3.12 per share, with a two year term and exercisable one year after the date of issue. The Private CDT Warrants meet the ASC 321, *Investments - Equity Securities* ("ASC 321") scope exception for derivative instruments and are accounted for as a derivative under ASC 815, *Derivatives and Hedging* ("ASC 815"). As such, the Private CDT Warrants were recorded at fair value on the date of issuance and subsequently measured at fair value each period, with changes in fair value reported in gain or loss on Conduit Pharmaceuticals marketable securities. As of April 22, 2024, the Private CDT Warrants were valued at \$891,000 based on a Level 3 fair value measurement. As of September 30, 2024, the Private CDT Warrants fair value was adjusted to zero, and is included in the total Investment in Conduit Pharmaceuticals marketable securities on the September 30, 2024 consolidated balance sheet. Our investments in Conduit's common stock (CDT) and public common stock warrants (CDTTW) presented on the consolidated balance sheets were measured at fair value using Level 1 market prices, taking into account the adoption of ASU 2022-03, *Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*, and totaled approximately \$0.5 million as of September 30, 2024. The combined value of our Investment in Conduit Pharmaceuticals marketable securities, including the Private CDT Warrants, totaled \$0.5 million as of September 30, 2024. Our investments in Conduit's common stock and public common stock warrants presented on the consolidated balance sheet were measured at fair value using Level 1 market prices as of December 31, 2023, and totaled approximately \$18.3 million. The adjustments to the fair value of our investment in Conduit Pharmaceuticals marketable securities are recorded in net loss in Conduit Pharmaceuticals marketable securities on our consolidated statement of operations.

Earnings per share ("EPS"). The EPS on common stock has been computed pursuant to the guidance in FASB ASC Topic 260, *Earnings Per Share*. The guidance requires the classification of the Company's unvested restricted stock, which contains rights to receive non-forfeitable dividends, as participating securities requiring the two-class method of computing net income per share of common stock. In accordance with the two-class method, earnings per share have been computed by dividing the net income less net income attributable to unvested restricted shares by the weighted average number of shares of common stock outstanding less unvested restricted shares. Diluted earnings per share is computed by dividing net income by the weighted average shares of common stock and potentially dilutive securities outstanding in accordance with the treasury stock method.

Dilutive common stock equivalents include the dilutive effect of in-the-money stock equivalents, which are calculated based on the average share price for each period using the treasury stock method, excluding any common stock equivalents if their effect would be anti-dilutive. In periods in which a net loss has been incurred, all potentially dilutive common stock shares are considered anti-dilutive and thus are excluded from the calculation. Securities that are excluded from the calculation of weighted average dilutive common stock, because their inclusion would have been antidilutive, are:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Common Stock Warrants	2,000,000	2,000,000	2,000,000	2,000,000
Placement Agent Warrants	80,000	80,000	80,000	80,000
Series A Warrants	14,450,069	14,450,069	14,450,069	14,450,069
Unvested Restricted Common Stock Grants	2,034,663	1,292,238	2,034,663	1,292,238
Total potentially dilutive shares	<u>18,564,732</u>	<u>17,822,307</u>	<u>18,564,732</u>	<u>17,822,307</u>

Variable Interest Entity. We determine whether an entity is a Variable Interest Entity ("VIE") and, if so, whether it should be consolidated by utilizing judgments and estimates that are inherently subjective. Our determination of whether an entity in which we hold a direct or indirect variable interest is a VIE is based on several factors, including whether we participated in the design of the entity and the entity's total equity investment at risk upon inception is sufficient to finance the entity's activities without additional subordinated financial support. We make judgments regarding the sufficiency of the equity at risk based first on a qualitative analysis, and then a quantitative analysis, if necessary.

We analyze any investments in VIEs to determine if we are the primary beneficiary. In evaluating whether we are the primary beneficiary, we evaluate our direct and indirect economic interests in the entity. A reporting entity is determined to be the primary beneficiary if it holds a controlling financial interest in the VIE. Determining which reporting entity, if any, has a controlling financial interest in a VIE is primarily a qualitative approach focused on identifying which reporting entity has both: (i) the power to direct the activities of a VIE that most significantly impact such entity's economic performance; and (ii) the obligation to absorb losses or the right to receive benefits from such entity that could potentially be significant to such entity. Performance of that analysis requires the exercise of judgment.

We consider a variety of factors in identifying the entity that holds the power to direct matters that most significantly impact the VIE's economic performance, including, but not limited to, the ability to direct operating decisions and activities. In addition, we consider the rights of other investors to participate in those decisions. We determine whether we are the primary beneficiary of a VIE at the time we become involved with a variable interest entity and reconsider that conclusion continually. We consolidate any VIE of which we are the primary beneficiary.

The Company was involved in the formation of an entity considered to be a VIE, prior to September 22, 2023, when Murphy Canyon completed its business combination. The Company evaluated the consolidation of this entity as required pursuant to ASC Topic 810 relating to the consolidation of such VIE. The Company's determination of whether it is the primary beneficiary of the VIE is based in part on an assessment of whether or not the Company and its related parties have the power to direct activities of the VIE and are exposed to the majority of the risks and rewards of the entity.

Following the completion of the Murphy Canyon IPO in January 2022, we determined that Murphy Canyon was a VIE in which we had a variable interest because we participated in its formation and design, manage the significant activities, and Murphy Canyon did not have enough equity at risk to finance its activities without additional subordinated financial support. We have also determined that Murphy Canyon's public stockholders did not have substantive rights, and their equity interest constituted temporary equity, outside of permanent equity, in accordance with ASC 480-10-S99-3A. As such, we have concluded that, prior to the business combination, we were the primary beneficiary of Murphy Canyon as a VIE, as we had the right to receive benefits or the obligation to absorb losses of the entity, as well as the power to direct a majority of the activities that significantly impacted Murphy Canyon's economic performance. Since we were the primary beneficiary, Murphy Canyon was consolidated into our consolidated financial statements. See Note 9 Investment in Conduit Pharmaceuticals for additional details regarding Murphy Canyon.

Shares Subject to Possible Redemption. Given that the shares of Murphy Canyon Class A common stock issued to investors in its IPO were issued with other freestanding instruments (i.e., public warrants which were classified as permanent equity as described below), the proceeds and initial carrying value of the Class A common stock classified as temporary equity was allocated in accordance with ASC 470-20. The Murphy Canyon Class A common stock was subject to ASC 480-10-S99. In addition, because it was probable that the equity instrument would become redeemable, we had the option to either (i) accrete changes in the redemption value over the period from the date of issuance (or from the date that it became probable that the instrument will become redeemable, if later) to the earliest redemption date of the instrument or (ii) recognize changes in the redemption value immediately as they occurred and adjust the carrying amount of the instrument to equal the redemption value at the end of each reporting period. We elected to recognize the accretion resulting from changes in redemption value immediately during the three months ended March 31, 2022, and every quarter since then, until September 22, 2023 as noted above. See Note 9 Investment in Conduit Pharmaceuticals for additional details regarding Murphy Canyon.

Immaterial Error Corrections. During the second quarter of 2024, management determined that its prior treatment of accruing restricted compensation expense as a liability and included in accounts payable and accrued liabilities on the consolidated balance sheets should be treated differently. Management determined that the restricted stock compensation should be treated as equity and included in additional paid in capital in the Company's accompanying consolidated balance sheet for the prior years in accordance with ASC 718. *Compensation - Stock Compensation.* Accordingly, the Company's accompanying consolidated balance sheets and consolidated statements of changes in equity as of December 31, 2022, and December 31, 2023, respectively, and for the three months ended March 31, 2023, June 30, 2023, and March 31, 2024, respectively, reflects an adjustment to include restricted stock compensation.

On the balance sheet as of December 31, 2023, accounts payable and accrued liabilities reflects a reduction of \$21,189 and additional paid-in capital reflects an increases of \$21,189. On the consolidated statements of changes in equity, the three months ended March 31, 2023, June 30, 2023 and September 30, 2023 reflect the addition of restricted stock compensation of \$232,106, \$228,657, and \$270,564, respectively, and the three months ended March 31, 2024 includes restricted stock compensation of \$317,077. The corrections did not affect Consolidated Statements of Operations or Consolidated Statements of Cash Flows in any prior periods.

During the third quarter of 2024, management determined that the consolidated statements of cash flows for the nine months ended September 30, 2023 and the year ended December 31, 2023, overstated the amount of cash outflows for building and tenant improvements as a portion of those additions were in accounts payable at the end of each period. For the nine months ended September 30, 2023 and the year ended December 31, 2023, \$850,918 and \$295,567, respectively, should have been disclosed as a supplemental disclosure of cash flow information as unpaid building and tenant improvements. These errors impact the consolidated statement of cash flows and do not affect the consolidated balance sheets, consolidated statement of operations and consolidated statements of changes in equity.

As such, the Company's consolidated statement of cash flows for the nine months ended September 30, 2023, reflects an adjustment to reduce cash outflows for unpaid building and tenant improvements. For the nine months ended September 30, 2023, net cash provided by operating activities, as previously reported, of \$488,137 was reduced by \$850,918 and net cash provided by investing activities, as previously reported, of \$128,168,785 was increased by \$850,918. Additionally, the \$295,567 of unpaid building and tenant improvements that were recorded in accounts payable as of December 31, 2023, and paid in January 2024, are included in the statement of cash flows for the nine months ended September 30, 2024.

The effect of correcting the errors in operating and investing cash flows for unpaid building and tenant improvements for the three months ended March 31, 2024 was \$48,207 and for the six months ended June 30, 2024 was \$204,054, which will be reflected in the Company's interim financial statements the next time these periods are presented.

Reclassifications. Certain prior year balance sheet, statement of operations and statement of cash flows accounts have been reclassified to conform with the current year presentation. The reclassifications did not affect net income in the prior year's consolidated statement of operations.

Subsequent Events. We evaluate subsequent events up until the date the consolidated financial statements are issued.

Recently Issued and Adopted Accounting Pronouncements. In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-09, *Income Taxes*, to enhance income tax disclosures, provide more information about tax risks and opportunities present in worldwide operations, and to disaggregate existing income tax disclosures. The guidance is effective for annual periods beginning after December 15, 2024 on a prospective basis, with the option to apply the standard retrospectively. Early adoption is permitted. We have not yet adopted ASU 2023-09 and are currently evaluating the impact on our financial statement disclosures.

In November 2023, FASB issued Accounting Standards Update ASU 2023-07, *Segment Reporting*, establishing improvements to reportable segments disclosures to enhance segment reporting under Topic 280. This ASU aims to change how public entities identify and aggregate operating segments and apply quantitative thresholds to determine their reportable segments. This ASU also requires public entities that operate as a single reportable segment to provide all segment disclosures in Topic 280, not just entity level disclosures. The guidance will be effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024 and the amendments should be applied retrospectively to all periods presented in the financial statements. We have not yet adopted ASU 2023-07 and are currently evaluating the impact on our financial statement disclosures.

In August 2023, FASB issued Accounting Standards Update ("ASU") ASU 2023-05, *"Business Combinations - Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement"* ("ASU 2023-05"). ASU 2023-05 addresses the accounting for contributions made to a joint venture, upon formation, in a joint venture's separate financial statements. Prior to the amendment, the FASB did not provide specific authoritative guidance on the initial measurement of assets and liabilities assumed by a joint venture upon its formation. ASU 2023-05 requires a joint venture to recognize and initially measure its assets and liabilities at fair value (with exceptions to fair value measurement that are consistent with the business combinations guidance). ASU 2023-05 is effective for all joint venture formations with a formation date on or after January 1, 2025, with early adoption permitted. The Company has elected not to early adopt ASU 2023-05 and does not expect the adoption will have a significant impact on our consolidated financial statements.

In March 2024, the SEC issued final climate-disclosure rules to enhance and standardize climate-related disclosures by public companies. With regards to financial statements, the rules requires disclosure of (i) capitalized costs, expenditures expensed, charges, and losses incurred as a result of severe weather events and other natural conditions, subject to applicable one percent and de minimis disclosure thresholds; (ii) capitalized costs, expenditures expensed, and losses related to carbon offsets and renewable energy credits or certificates (RECs) if used as a material component of a company's plans to achieve its disclosed climate-related targets or goals; and (iii) if the estimates and assumptions the company uses to produce the financial statements were materially impacted by risks and uncertainties associated with severe weather events and other natural conditions or any disclosed climate-related targets or transition plans, a qualitative description of how the development of such estimates and assumptions was impacted. The rules are effective for

annual periods beginning January 1, 2025 and are to be applied prospectively. On April 4, 2024, the SEC voluntarily stayed the rules pending judicial review as a result of litigation.

In November 2024, FASB issued Accounting Standards Update ASU 2024-03, *Income Statement—Reporting Comprehensive, Income—Expense Disaggregation Disclosures, Disaggregation of Income Statement Expenses* ("ASU 2024-03"). This ASU is to improve the disclosures about a public business entity's expenses and address requests from investors for more detailed information about the types of expenses (including purchases of inventory, employee compensation, depreciation, amortization, and depletion) in commonly presented expense captions (such as cost of sales, SG&A, and research and development). The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. We have not yet adopted ASU 2024-03 and are currently evaluating the impact on our financial statement disclosures.

3. RECENT REAL ESTATE TRANSACTIONS

Acquisitions during the nine months ended September 30, 2024:

- The Company acquired 19 model homes for approximately \$9.7 million. The purchase price was paid through cash payments of approximately \$ 3.0 million and mortgage notes of approximately \$6.7 million.

Acquisitions during the nine months ended September 30, 2023:

- The Company acquired 25 model homes for approximately \$13.7 million. The purchase price was paid through cash payments of approximately \$4.2 million and mortgage notes of approximately \$ 9.5 million.

Dispositions during the nine months ended September 30, 2024:

- The Company sold 46 model homes for approximately \$22.3 million, net of sales costs, and recognized a gain of approximately \$ 3.2 million.

Dispositions during the nine months ended September 30, 2023:

- The Company sold 15 model homes for approximately \$7.8 million, net of sales costs, and recognized a gain of approximately \$ 2.3 million.

4. REAL ESTATE ASSETS

The Company owns a diverse portfolio of real estate assets. The primary types of properties the Company invests in are office, industrial, retail, and triple-net leased model home properties. We have five commercial properties located in Colorado, four in North Dakota, one in Southern California, one in Texas and one in Maryland. Our model home properties are located in three states. As of September 30, 2024, the Company owned or had an equity interest in:

- Eight office buildings and one industrial property ("Office/Industrial Properties") which total approximately 758,175 rentable square feet (unaudited);
- Three retail shopping centers ("Retail Properties") which total approximately 65,242 rentable square feet (unaudited); and
- 83 model home residential properties ("Model Homes" or "Model Home Properties"), totaling approximately 251,602 square feet (unaudited), leased back on a triple-net basis to homebuilders, that are owned by five affiliated limited partnerships and one wholly-owned corporation, all of which we control. As of September 30, 2024, all of the model homes in Dubose Model Home Investors #206, LP had been sold.

A summary of the properties owned by the Company, including their lease intangibles, as of September 30, 2024 and December 31, 2023 is as follows:

Property Name	Date Acquired	Location	Real estate assets and lease intangibles, net	
			September 30, 2024	December 31, 2023
Genesis Plaza (1)	August 2010	San Diego, CA	\$ 7,216,589	\$ 7,542,725
Dakota Center (2)	May 2011	Fargo, ND	8,268,657	9,201,883
Grand Pacific Center (3)	March 2014	Bismarck, ND	8,556,365	8,274,454
Arapahoe Center	December 2014	Centennial, CO	9,408,010	9,341,991
Union Town Center (4)	December 2014	Colorado Springs, CO	8,917,143	8,918,742
West Fargo Industrial	August 2015	Fargo, ND	6,626,155	6,819,765
300 N.P.	August 2015	Fargo, ND	2,711,700	2,774,176
Research Parkway (4)	August 2015	Colorado Springs, CO	2,220,283	2,266,173
One Park Center (5)	August 2015	Westminster, CO	5,651,067	5,700,000
Shea Center II (6)	December 2015	Highlands Ranch, CO	18,835,122	19,367,289
Mandolin (7)	August 2021	Houston, TX	4,623,490	4,692,274
Baltimore	December 2021	Baltimore, MD	8,297,634	8,466,165
Commercial properties			91,332,215	93,365,637
Model Home properties (8)	2017 - 2024	AZ, FL, IL, TX, WI	40,082,995	50,790,147
Total real estate assets and lease intangibles, net			\$ 131,415,210	\$ 144,155,784

- (1) Genesis Plaza is owned by two tenants-in-common, NetREIT Genesis and NetREIT Genensis II, each of which own 57% and 43%, respectively, and we beneficially own an aggregate of 92.0%, based on our ownership of each entity. We have 100% ownership of NetREIT Genesis and 81.5% ownership of NetREIT Genensis II, and we have control of both entities. During July 2024 the Company completed a minority ownership conversion option as result of a death in a noncontrolling trust within NetREIT Genensis II. The Company issued the trust 78,215 shares of SQFT Series A Common Stock in exchange for their 36.4% ownership in NetREIT Genensis II, as per the original exchange agreement.
- (2) The non-recourse loan on the Dakota Center property matured on July 6, 2024. During October 2024, management has agreed with the lender to sell the property to settle the loan balance. Due to the uncertainties in the Fargo market, we have impaired the property's book value and recorded an impairment charge of approximately \$0.7 million as of September 30, 2024.
- (3) Grand Pacific Center, Bismarck, ND, was removed from held-for-sale after signing a major lease with KLJ Engineering on December 7, 2022 for approximately 33,296 usable square feet, a term of 122 months, and starting annualized rent of \$ 532,736. KLJ Engineering moved into the building during December 2023, with rent that commenced on February 28, 2024.
- (4) As of September 30, 2024, Union Town Center and Research Parkway have been listed for sale, and included in the real estate assets held for sale, net on the consolidated balance sheet as of September 30, 2024. We expect a sale to take place during the fourth quarter of 2024, prior to the maturity of their loans. If the sales take longer than expected, we have options available to extend the maturity of the loans to accommodate for a longer sales period.
- (5) During the year ended December 31, 2023, we recorded a \$2.0 million impairment charge for One Park Center that reflects management's revised estimate of the fair market value based on sales comparable of like properties in the same geographical area as well as an evaluation of future cash flows or an executed purchase sale agreement. No additional impairment was deemed necessary during the nine months ended September 30, 2024.
- (6) On December 31, 2022, the lease for our largest tenant, Halliburton, expired. Halliburton was located in our Shea Center II property in Colorado, and made up approximately \$536,080 of our annual base rent. Halliburton did not renew the lease and we placed approximately \$ 1.1 million in a reserve account with our lender to cover future mortgage payments, if necessary, none of which has been used as of December 31, 2023. Our management team is working to fill the 45,535 square foot space and has leased approximately 35% of the space to a tenant during 2023 and 2024 and has reviewed various proposals for the remaining 65%. As of September 30, 2024, management is pursuing third party tenants who fit into our long-term plans, however, there is no guarantee we will be successful in signing new tenants.
- (7) A portion of the proceeds from the sale of Highland Court were used in like-kind exchange transactions pursued under Section 1031 of the Code for the acquisition of our Mandolin property. Mandolin is owned by NetREIT Palm Self-Storage LP, through its wholly owned subsidiary NetREIT Highland LLC, and the Company is the sole general partner and owns 61.3% of NetREIT Palm Self-Storage LP.
- (8) Includes Model Homes listed as held for sale as of September 30, 2024 and December 31, 2023. During the three and nine months ended September 30, 2024, we recorded an impairment charge for model homes totaling \$ 41,656 and \$238,449, respectively, which reflects the estimated sales prices for these specific model homes after the closing of each quarter in 2024. The short hold period, less than two years, and the builder changing their model style after we purchased the homes, contributed to the lower than expected sales price.

For the three and nine months ended September 30, 2024 depreciation expense totaled approximately \$1.3 million and \$3.8 million, respectively. For the three and nine months ended September 30, 2023 depreciation expense totaled approximately \$1.2 million and \$3.7 million, respectively.

5. LEASE INTANGIBLES

The following table summarizes the net value of other intangible assets acquired and the accumulated amortization for each class of intangible asset:

	September 30, 2024			December 31, 2023		
	Lease Intangibles	Accumulated Amortization	Lease Intangibles, net	Lease Intangibles	Accumulated Amortization	Lease Intangibles, net
In-place leases	\$ 2,515,264	\$ (2,502,353)	\$ 12,911	\$ 2,515,264	\$ (2,495,016)	\$ 20,248
Leasing costs	1,261,390	(1,250,143)	11,247	1,261,390	(1,244,335)	17,055
Above-market leases	—	—	—	333,485	(333,485)	—
	<u>\$ 3,776,654</u>	<u>\$ (3,752,496)</u>	<u>\$ 24,158</u>	<u>\$ 4,110,139</u>	<u>\$ (4,072,836)</u>	<u>\$ 37,303</u>

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At September 30, 2024, and December 31, 2023, there were no gross lease intangible assets and accumulated amortization related to the lease intangible assets included in real estate assets held for sale.

The net value of acquired intangible liabilities was approximately \$ 9,535 and \$13,266 relating to below-market leases at September 30, 2024 and December 31, 2023, respectively.

Future aggregate approximate amortization expense for the Company's lease intangible assets is as follows:

2024	\$	4,382
2025		15,669
2026		4,107
Total	\$	<u>24,158</u>

6. OTHER ASSETS

Other assets consist of the following:

	September 30, 2024	December 31, 2023
Deferred rent receivable	\$ 2,087,378	\$ 1,973,887
Prepaid expenses, deposits and other	636,704	349,160
Notes receivable	316,374	316,374
Accounts receivable, net	135,353	694,869
Right-of-use assets, net	69,962	15,649
Deferred offering costs	—	5,000
Investment in marketable securities (not including Conduit)	—	45,149
Total other assets	<u>\$ 3,245,771</u>	<u>\$ 3,400,088</u>

Periodically, the Company may sell an option in the marketable securities it holds to unrelated third parties for the right to purchase certain securities held within its investment portfolios ("covered call options"). These option transactions are designed primarily to increase the total return associated with holding the related securities as earning assets by using fee income generated from these options. These transactions are not designated as hedging relationships pursuant to accounting guidance ASC 815 and, accordingly, changes in fair values of these contracts, are reported in other income (expense). There are several risks associated with transactions in options on securities. For example, there are significant differences between the securities and options markets that could result in an imperfect correlation between these markets, causing a given transaction not to achieve its objectives. A transaction in options or securities may be unsuccessful to some degree because of market behavior or unexpected events. When we write a covered call option, we forgo, during the option's life, the opportunity to profit from increases in the market value of the security covering the call option above the sum of the premium and the strike price of the call but retain the risk of loss should the price of the underlying security decline. The writer of an option has no control over the time when it may be required to fulfill its obligation before the sold option expires, and once an option writer has received an exercise notice, it must deliver the underlying security in exchange for the strike price.

As of September 30, 2024, we did not own common shares of other publicly traded REITs. As of December 31, 2023, we owned common shares of 3 different publicly traded REITs and covered call options in zero of those same REITs. The gross fair market value on our publicly traded REIT securities was \$45,149, with covered call options totaling \$0. As of December 31, 2023, the net fair value of our publicly traded REIT securities was \$ 45,149 based on the December 31, 2023 closing prices.

7. MORTGAGE NOTES PAYABLE

Mortgage notes payable consist of the following:

Mortgage note property	Principal as of		Loan Type	Interest Rate (1)	Maturity
	September 30, 2024	December 31, 2023			
Dakota Center (2)	\$ 9,091,395	\$ 9,197,346	Fixed	4.74%	7/6/2024
Research Parkway (6)	1,542,559	1,588,742	Fixed	3.94%	1/5/2025
Arapahoe Service Center (6)	7,289,903	7,426,088	Fixed	4.34%	1/5/2025
Union Town Center (6)	7,751,042	7,870,468	Fixed	4.28%	1/5/2025
One Park Centre (6)	5,951,566	6,043,882	Fixed	4.77%	9/5/2025
Genesis Plaza (6)	5,845,630	5,937,251	Fixed	4.71%	9/6/2025
Shea Center II	16,735,875	16,951,095	Fixed	4.92%	1/5/2026
West Fargo Industrial (3)	5,750,000	3,922,829	Fixed	7.14%	7/6/2029
Grand Pacific Center (4)	6,477,723	5,470,305	Fixed	6.35%	5/5/2033
Baltimore	5,670,000	5,670,000	Fixed	4.67%	4/6/2032
Mandolin	3,525,307	3,573,201	Fixed	4.35%	4/20/2029
Subtotal, Presidio Property Trust, Inc. Properties	\$ 75,631,000	\$ 73,651,207			
Model Home mortgage notes (5)	27,537,755	34,815,699	Fixed		2024 - 2029
Mortgage Notes Payable	\$ 103,168,755	\$ 108,466,906			
Unamortized loan costs	(849,536)	(753,633)			
Mortgage Notes Payable, net	\$ 102,319,219	\$ 107,713,273			

(1) Interest rates as of September 30, 2024.

(2) The non-recourse loan on the Dakota Center property matured on July 6, 2024. Management has been in negotiations with the special servicer of the loan in modifying and/or extending the loan or possibly selling the building. We have not been able to come to an agreement regarding a situation in which the loan is modified or extended. As such, in October 2024 we have offered the property for sale in conjunction with the lender's approval in attempts to make the lender whole, although there is no guarantee we will be able to do so. The loan is considered non-recourse and we will not be required to make up the difference if the property sells for less than the loan balance. See Note 4. Real Estate Assets above for further discussion on impairment of the property.

(3) On June 20, 2024, the Company, through its subsidiary, refinanced the mortgage loan on our West Fargo Industrial properties, and entered into a loan agreement for approximately \$5.75 million, a term of five years, with an interest rate of 7.14%. The loan agreement has a Debt Service Coverage Ratio ("DSCR") minimum of 1.20 to 1.00 as calculated by Lender, in which: (a) the numerator is the Underwritten Net Cash Flow, and (b) the denominator is the annual Debt Service, tested at the end of each fiscal quarter.

(4) On May 5, 2023, the Company, through its subsidiary, refinanced the mortgage loan on our Grand Pacific Center property and entered into a construction loan related to the tenant improvement associated with the KLJ Engineering LLC lease to occupy 33,296 square feet of the building. The refinanced loan is for approximately \$3.8 million, a term of 10 years, with an interest rate of 6.35%, for the first 60 months. The interest rate is subject to reset in year five on June 10, 2028. The construction loan is for approximately \$2.7 million, a term of 10 years, and will begin amortizing in year three, with an interest rate of 6.35%, for the first 60 months. The interest rate is subject to reset in year five on June 10, 2028. As of September 30, 2024, we had fully drawn down the loan amount of approximately \$ 2.7 million on the construction loan.

(5) As of September 30, 2024, there were 5 model homes included as real estate assets held for sale. Our model homes have stand-alone mortgage notes at interest rates ranging from 4.51% to 8.0% per annum as of September 30, 2024.

(6) These mortgage loans mature within the next twelve months and management is reviewing various options for the loan maturity, including but not limited to refinancing, restructuring and or selling these properties. As we get closer to the loan maturity date, the Company will finalize our plans. Union Town Center and Research Parkway have been listed for sale, and included in the real estate assets held for sale, net on the consolidated balance sheet as of September 30, 2024. We expect a sale to take place during the fourth quarter of 2024, prior to the maturity of the loans for Union Town Center and Research Parkway. If the sales take longer than expected, we have options available to extend the maturity of the loan to accommodate for a longer sales period. As of September 30, 2024, we were reviewing terms sheets to refinance the loan on Arapahoe Service Center from third party lenders.

The loan agreement between NetREIT Model, Homes, Inc. ("NRMH") and its Lender has a covenant for a Fixed Charge Coverage Ratio ("FCCR") as defined for NRMH as of any date that equals (a) the sum of (i) EBITDA for the period ended as of such date minus (ii) distributions for the period ended as of such date divided by (b) the sum of (i) principal payments paid for the period ended as of such date plus (ii) interest expense for period ended as of such date. The FCCR is to be no less than 1.10 to 1.00, tested at the end of each fiscal quarter. As of December 31, 2023, NRMH was in compliance with this covenant. The Company and standalone subsidiaries have other various quarterly and annual reporting requirements to the individual property lenders and the Company is in compliance with all material conditions and covenants on those mortgage notes payable as of September 30, 2024, with the exception for Dakota Center's loan maturity.

Scheduled principal payments of mortgage notes payable were as follows as of September 30, 2024:

Years ending December 31:	Commercial Properties Notes Payable	Model Homes Notes Payable	Total Principal Payments
2024	\$ 9,367,570	\$ 2,321,811	\$ 11,689,381
2025	28,644,941	8,885,311	37,530,252
2026	16,521,100	1,008,650	17,529,750
2027	157,739	551,267	709,006
2028	168,907	9,119,969	9,288,876
Thereafter	20,770,743	5,650,747	26,421,490
Total	<u>\$ 75,631,000</u>	<u>\$ 27,537,755</u>	<u>\$ 103,168,755</u>

8. NOTES PAYABLE

On April 22, 2020, the Company received an Economic Injury Disaster Loan of \$ 10,000 from the Small Business Administration ("SBA") to provide economic relief during the COVID-19 pandemic. This loan advance is not required to be repaid, has no stipulations on use, and has been recorded as fees and other income in the consolidated statements of operations during fiscal 2020. On August 17, 2020, we received an additional Economic Injury Disaster Loan ("EIDL") of \$150,000, for which principal and interest payments are deferred for twelve months from the date of issuance, and interest accrues at 3.75% per year. The loan matures on August 17, 2050. We have used the funds for general corporate purposes to alleviate economic damage caused by the COVID-19 pandemic, which economic injury included abating or deferring rent to certain tenants (primarily retail tenants). As of September 30, 2024, the balance of this loan totaled approximately \$ 144,854 and is included in accounts payable and accrued liabilities on the consolidated balance sheet.

As of September 30, 2024, we had issued one promissory note to our majority owned subsidiary, Dubose Model Home Investors 202 LP, for the refinancing of one model home property in Texas, for approximately \$0.3 million with an interest rate of 5.55% per annum and original maturity date of August 15, 2024, which was extended for another year with an interest rate of 8.0% per annum. This note payable and note receivable, including interest expense and interest income related to this promissory note, is eliminated through consolidation on our financial statements. This property was subsequently sold in October 2024, and the loan was paid in full.

9. INVESTMENT IN CONDUIT PHARMACEUTICALS

Sponsorship of Special Purpose Acquisition Company. On January 7, 2022, we announced our sponsorship, through our wholly-owned subsidiary, Murphy Canyon Acquisition Sponsor, LLC (the "Sponsor"), of a special purpose acquisition company ("SPAC") initial public offering. The SPAC raised \$132,250,000 in capital investment to acquire one or more businesses. We, through our wholly-owned subsidiary, owned approximately 23.5% of the issued and outstanding stock in the entity upon the initial public offering being declared effective and consummated (excluding the private placement units described below). The SPAC offered 132,250,000 units, with each unit consisting of one share of common stock and three-quarters of one redeemable warrant. The warrants were evaluated using the guidance in ASC 480 "Distinguishing Liabilities from Equity" and we concluded that the warrants are indexed to Murphy Canyon's common stock and meet the criteria to be classified in stockholders' equity.

The Murphy Canyon IPO of 13,225,000 units of common stock and warrants, closed on February 7, 2022, raising gross proceeds for Murphy Canyon of \$132,250,000, including the exercise in full by the underwriters of their over-allotment option. In connection with the IPO, we purchased, through the Sponsor, 754,000 placement units (the "placement units") at a price of \$ 10.00 per unit, for an aggregate purchase price of \$ 7,540,000. These proceeds were deposited in a trust account established for the benefit of the Murphy Canyon public shareholders and are included in Investments held in Trust. In connection with the initial public offering, Murphy Canyon incurred \$7,738,161 in issuance costs, including \$2,645,000 of underwriting discounts and commission, \$4,628,750 of deferred underwriting fees and \$ 464,411 of other offering costs. These costs were allocated to temporary and permanent equity and offset against the proceeds.

On November 8, 2022, the SPAC entered into an agreement and plan of merger with Conduit Pharmaceuticals Limited, a Cayman Islands exempted company ("Conduit Pharma"), and Conduit Merger Sub, Inc., a Cayman Islands exempted company and the SPAC's wholly owned subsidiary. The merger agreement provided that the SPAC's Cayman Island subsidiary will merge with and into Conduit Pharma, with Conduit Pharma surviving the merger as the SPAC's wholly owned subsidiary and the public company renamed "Conduit Pharmaceuticals Inc." ("Conduit").

Initially, the SPAC was required to complete its initial business combination transaction by 12 months from the consummation of its initial public offering or up to 18 months if it extended the period of time to consummate a business combination in accordance with its Certificate of Incorporation. On January 26, 2023, at a special meeting of the stockholders, the stockholders approved a proposal to amend the SPAC's certificate of incorporation to extend the date by which it has to consummate a business combination up to 12 times, each such extension for an additional one-month period, from February 7, 2023 to February 7, 2024. The stockholders also approved a related proposal to amend the trust agreement allowing the SPAC to deposit into the trust account, for each one-month extension, one-third of 1% of the funds remaining in the trust account following the redemptions made in connection with the approval of the extension proposal at the special meeting. The Company has committed to providing additional funds if needed to make such a deposit for the extension. In connection with the stockholders' vote at the special meeting, 11,037,272 shares of common stock were tendered for redemption, which were redeemed in February 2023. Approximately \$114.1 million in cash was removed from the Trust Account to pay such stockholders and, accordingly, after giving effect to such redemptions, income tax withdrawals of \$200,050 and adding \$155,403 in extension payments, the balance in the Trust Account was approximately \$23.3 million. After the redemptions, there were 2,187,728 shares of SPAC Class A common stock subject to possible redemption.

On January 27, 2023, the merger agreement was amended to provide for only one class of authorized common stock of the SPAC following the business combination, instead of both authorized Class A common stock and Class B common stock as set forth in the original merger agreement. On May 11, 2023, the merger agreement was further amended to provide for (i) removal of the provision that indicates that no tax opinion would be delivered in connection with the closing, (ii) a closing obligation that that the SPAC either (a) be exempt from the provisions of Rule 419 promulgated under the Securities Act of 1933, as amended, other than through its net tangible assets or (b) have at least \$ 5,000,001 of net tangible assets either immediately prior to or upon consummation of the merger, and (iii) extension of the outside date for the closing of the merger from May 31, 2023 to February 7, 2024.

The investments held in Trust for the SPAC Class A common stockholders generated approximately \$ 1.2 million of income during the nine months ended September 30, 2023, and was included in interest and other income (expense), net on our consolidated statement of operations. As of September 22, 2023, the Trust account balance had been deconsolidated along with the other Conduit assets and liabilities.

As of immediately prior to the consummation of the SPAC's business combination, which occurred on September 22, 2023, the Company, through its subsidiary, had loaned the SPAC \$1.0 million to fund its trust account and for operating expenses. The loan was non-interest bearing, unsecured and was repaid in full upon the SPAC's business combination on September 22, 2023. The notes payable and notes receivable related to the SPAC were eliminated through consolidation on our financial statements.

On September 22, 2023, the SPAC completed its business combination with Conduit Pharma and changed its name to Conduit Pharmaceuticals Inc. ("Conduit"). Immediately prior to the business combination, the Company owned approximately 65% of the SPAC's outstanding common stock. Upon consummation of the business combination, the SPAC's shares of Class B common stock were converted into shares of its Class A common stock and the shares of Class A common stock were then reclassified as a single class of Conduit common stock. As a result of the business combination, the Company was issued (i) 3,306,250 shares of Conduit's common stock due to the conversion of the shares of the SPAC's Class B common stock into shares of the SPAC's Class A common stock and then reclassification into shares of Conduit common stock, (ii) 754,000 shares of Conduit common stock, which prior to the business combination were shares of the SPAC's Class A common stock and (iii) private warrants to purchase 754,000 shares of Conduit common stock, which prior to the business combination were warrants to purchase 754,000 shares of the SPAC's Class A common stock. Also in the business combination, shareholders and debtholders of Conduit Pharma were issued 65,000,000 shares of Conduit common stock. Immediately following the consummation of the business combination, the Company transferred 45,000 shares of Conduit common stock and warrants to purchase 45,000 shares of Conduit common stock to the SPAC's independent directors as compensation for their services. As a result, the Company owned approximately 6.5% of Conduit's common stock immediately following the business combination, assuming all warrants owned by the Company were exercised and as of September 30, 2024, we own approximately 5.4% of Conduit's common stock, assuming all warrants owned by the Company are exercised. In connection with the business combination, the Company's officers and directors who also served as officers and directors of the SPAC resigned from the SPAC, with the exception of the Company's former Chief Financial Officer who resigned from the Company.

Following the completion of the Murphy Canyon IPO in February 2022, we determined that Murphy Canyon is a Variable Interest Entity ("VIE") in which we had a variable interest because Murphy Canyon did not have enough equity at risk to finance its activities without additional subordinated financial support. Since the business combinations with Conduit on September 22, 2023, we have determined that Conduit's (formally Murphy Canyon) public stockholders have substantive rights and we no longer have control of Conduit's activity. Since we are no longer the controlling party, or have a majority of the issued and outstanding common stock, the Company deconsolidated Conduit from our consolidated financial statements. In connection with the deconsolidation we recorded a gain of approximately \$40.3 million. Of the total gain recognized on deconsolidation, approximately \$ 34.1 million relates to the remeasurement of our retained investment in Murphy Canyon via the Sponsor shares which converted into shares of Conduit's common stock on September 22, 2023, and approximately \$6.2 million relates to the deconsolidation of Murphy Canyon's assets and liabilities as of September 22, 2023.

Since deconsolidating Conduit, on September 22, 2023, our investments in Conduit's common stock (CDT) and public common stock warrants (CDTTW) and Private CDT Warrants presented on the consolidated balance sheets were measured at fair value using Level 1 and Level 3 market prices, taking into account the adoption of ASU 2022-03 *Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*, and totaled approximately \$0.5 million as of September 30, 2024, with a cost basis of approximately \$ 7.5 million. The Company entered into a lock-up agreement with Conduit regarding certain of the common stock held by the Company, for 180 days from the closing of the business combination which ended March 20, 2024.

On April 22, 2024, the Company entered into a lockup agreement with Conduit pursuant to which the Company agreed not to transfer or sell 2,700,000 of its 4,015,250 shares of Conduit common stock for a period of one year. In consideration for entering into the lockup agreement, Conduit issued the Company a warrant to purchase 540,000 shares of common stock at an exercise price of \$ 3.12 per share, with a two year term and exercisable one year after the date of issue. On September 30, 2024, our investments in Conduit's common stock ("CDT") and common stock warrants ("CDTTW") presented on the consolidated balance sheets were measured at fair value using Level 1 market prices, which closed at \$0.1185 per share and \$0.0118 per warrant. The Private CDT Warrants were measured at fair value using Level 3 pricing with no value per warrant.

10. COMMITMENTS AND CONTINGENCIES

The Company is obligated under certain tenant leases to fund tenant improvements and the expansion of the underlying leased properties. As of September 30, 2024, approximately \$1.0 million is estimated for such capital expenditures on existing properties, net of any construction financing, during the rest of the year.

Activist stockholder activities could adversely affect our business because responding to proxy contests and reacting to other actions by activist stockholders can be costly and time-consuming, disrupt our operations and divert the attention of management and our employees. We have or in the future may retain the services of various professionals to advise us on activist stockholder matters, including legal, financial, strategic and communication advisors, the costs of which may negatively impact our future financial results. In addition, perceived uncertainties as to our future direction, strategy or leadership created as a consequence of activist stockholders' initiatives may result in the loss of potential business opportunities, harm our ability to attract new investors, business partners, and employees, and cause our stock price to experience periods of volatility or stagnation. On March 13, 2024, a stockholder activist group announced its intention to file a preliminary proxy statement and accompanying WHITE universal proxy card with the Securities and Exchange Commission to be used to solicit votes for the election of director nominees at our next annual meeting of stockholders. On May 9, 2024, the Company entered into a cooperation agreement with this stockholder group pursuant to which Elena Pilipchak was appointed to our board of directors, effective immediately, as a Class III director with a term expiring at Presidio's 2026 Annual Meeting of Stockholders. In connection with this appointment, our board of directors has been increased from six to seven directors. Pursuant to the agreement, the stockholder group agreed to withdraw the director nominations it had previously submitted and support our board's slate of directors at the 2024 Annual Meeting of Stockholders, which was held on June 27, 2024. The stockholder group has also agreed to certain customary standstill provisions and voting commitments. We have evaluated this contingency and have determined a material loss is not probable or estimable at this time.

Litigation. From time to time, we may become involved in various lawsuits or legal proceedings which arise in the ordinary course of business. Neither the Company nor any of the Company's properties are presently subject to any material litigation nor, to the Company's knowledge, is there any material threatened litigation.

Environmental matters. The Company monitors its properties for the presence of hazardous or toxic substances. While there can be no assurance that a material environmental liability does not exist, the Company is not currently aware of any environmental liability with respect to the properties that would have a material effect on the Company's financial condition, results of operations and cash flow. Further, the Company is not aware of any environmental liability or any unasserted claim or assessment with respect to an environmental liability that the Company believes would require additional disclosure or recording of a loss contingency.

Financial Markets. The Company monitors concerns over economic recession, interest rate increases, policy priorities of the U.S. presidential administration, trade wars, labor shortages, and inflation, any of which may contribute to increased volatility and diminished expectations for the economy and markets. Additionally, the economic and geopolitical ramifications of the military conflicts in the Middle East and Ukraine, including sanctions, retaliatory sanctions, nationalism, supply chain disruptions and other consequences, could impact commercial real estate fundamentals and result in lower occupancy, lower rental rates, and declining values in our real estate portfolio and in the collateral securing our loan investments. We have not currently experienced a direct material impact to our Company or operations; however, we will continue to monitor the financial markets for events that could impact our commercial real estate properties.

11. STOCKHOLDERS' EQUITY

Preferred Stock. The Company is authorized to issue up to 1,000,000 shares of Preferred Stock (the "Preferred Stock"). The Preferred Stock may be issued from time to time in one or more series. The Board of Directors is authorized to fix the number of shares of any series of the Preferred Stock, to determine the designation of any such series, and to set the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each series of Preferred Stock.

On June 15, 2021, the Company completed its secondary offering of 800,000 shares of our Series D Preferred Stock for cash consideration of \$25.00 per share to a syndicate of underwriters led by The Benchmark Company, LLC, as representative, resulting in approximately \$18.1 million in net proceeds, after deducting the underwriting discounts and commissions and the offering expenses paid by the Company. The Company granted the underwriters a 45-day option to purchase up to an additional 120,000 shares of Series D Preferred Stock to cover over-allotments, which they exercised on June 17, 2021, resulting in approximately \$2.7 million in net proceeds, after deducting the underwriting discounts and commissions and the offering expenses paid by the Company. In total, the Company issued 920,000 shares of Series D Preferred Stock with net proceeds of approximately \$20.5 million, after deducting the underwriting discounts and commissions and the offering expenses paid by the Company and deferred offering costs. The Series D Preferred Stock is listed for trading on The Nasdaq Capital Market under the symbol SQFTP. The Company has used these proceeds for general corporate and working capital purposes, including acquiring additional properties.

On June 20, 2024, the Company entered into an underwriting agreement with The Benchmark Company, LLC pursuant to which the Company issued and sold in an underwritten public offering 109,054 shares of the Company's Series D Preferred Stock. The shares of Series D Preferred Stock were sold to the public at a price of \$16.00 per share. The Company agreed to an underwriting discount of 7% of the public offering price of the shares of Series D Preferred Stock sold in the offering. The offering closed on June 24, 2024, generating gross proceeds of approximately \$1.74 million, before deducting underwriting discounts and commissions and estimated offering expenses payable by the Company. The Company intends to use the net proceeds from the offering for general corporate and working capital purposes, including to potentially acquire additional properties. Below are some of the key terms of the Series D Preferred Stock:

Dividends:

Holders of shares of the Series D Preferred Stock are entitled to receive cumulative cash dividends at a rate of 9.375% per annum of the \$25.00 per share liquidation preference (equivalent to \$2.34375 per annum per share). Dividends will be payable monthly on the 15th day of each month (each, a "Dividend Payment Date"), provided that if any Dividend Payment Date is not a business day, then the dividend that would otherwise have been payable on that Dividend Payment Date may be paid on the next succeeding business day without adjustment in the amount of the dividend.

Voting Rights:

Holders of shares of the Series D Preferred Stock will generally have no voting rights. However, if the Company does not pay dividends on the Series D Preferred Stock for eighteen or more monthly dividend periods (whether or not consecutive), the holders of the Series D Preferred Stock (voting separately as a class with the holders of all other classes or series of the Company's preferred stock it may issue upon which like voting rights have been conferred and are exercisable and which are entitled to vote as a class with the Series D Preferred Stock in the election referred to below) will be entitled to vote for the election of two additional directors to serve on the Company's Board of Directors until the Company pays, or declares and sets apart funds for the payment of, all dividends that it owes on the Series D Preferred Stock, subject to certain limitations.

In addition, the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series D Preferred Stock (voting together as a class with all other series of parity preferred stock the Company may issue upon which like voting rights have been conferred and are exercisable) is required at any time for the Company to (i) authorize or issue any class or series of its stock ranking senior to the Series D Preferred Stock with respect to the payment of dividends or the distribution of assets on liquidation, dissolution or winding up or (ii) to amend any provision of the Company charter so as to materially and adversely affect any rights of the Series D Preferred Stock or to take certain other actions.

Liquidation Preference:

In the event of the Company's voluntary or involuntary liquidation, dissolution or winding up, the holders of shares of Series D Preferred Stock will be entitled to be paid out of the assets the Company has legally available for distribution to its stockholders, subject to the preferential rights of the holders of any class or series of its stock the Company may issue ranking senior to the Series D Preferred Stock with respect to the distribution of assets upon liquidation, dissolution or winding up, a liquidation preference of \$25.00 per share, plus any accumulated and unpaid dividends to, but not including, the date of payment, before any distribution of assets is made to holders of the Company's common stock or any other class or series of the Company's stock it may issue that ranks junior to the Series D Preferred Stock as to liquidation rights.

In the event that, upon any such voluntary or involuntary liquidation, dissolution or winding up, the Company's available assets are insufficient to pay the amount of the liquidating distributions on all outstanding shares of Series D Preferred Stock and the corresponding amounts payable on all shares of other classes or series of the Company's stock that it issues ranking on parity with the Series D Preferred Stock in the distribution of assets, then the holders of the Series D Preferred Stock and all other such classes or series of stock shall share ratably in any such distribution of assets in proportion to the full liquidating distributions to which they would otherwise be respectively entitled.

Redemption:

Commencing on or after June 15, 2026, the Company may redeem, at its option, the Series D Preferred Stock, in whole or in part, at a cash redemption price equal to \$25.00 per share, plus any accumulated and unpaid dividends to, but not including the redemption date. Prior to June 15, 2026, upon a Change of Control (as defined in the Articles Supplementary), the Company may redeem, at its option, the Series D Preferred Stock, in whole or part, at a cash redemption price of \$25.00 per share, plus any accumulated and unpaid dividends to, but not including the redemption date. The Series D Preferred Stock has no stated maturity, will not be subject to any sinking fund or other mandatory redemption, and will not be convertible into or exchangeable for any of our other securities.

In accordance with the terms of the Series D Preferred Stock, the Series D monthly dividend has been approved by the Board of Directors through September 30, 2024 in the amount of \$0.19531 per share payable on the 15th of every month to stockholders of record of Series D Preferred Stock as of the last day of the prior month. Total dividends paid to Series D Preferred stockholders during the three and nine months ended September 30, 2024 were approximately \$0.6 million and \$1.7 million, respectively. Total dividends paid to Series D Preferred stockholders during the three and nine months ended September 30, 2023 were approximately \$0.5 million and \$1.6 million, respectively.

Common Stock. The Company is authorized to issue up to 100,000,000 shares of Series A Common Stock, 1,000 shares of Series B Common Stock, and 9,000,000 shares of Series C Common Stock (collectively, the "Common Stock") each with \$ 0.01 par value per share. Each class of Common Stock has identical rights, preferences, terms, and conditions except that the holders of Series B Common Stock are not entitled to receive any portion of Company assets in the event of the Company's liquidation. No shares of Series B or Series C Common Stock have been issued. Each share of Common Stock entitles the holder to one vote. Shares of our Common Stock are not subject to redemption and do not have any preference, conversion, exchange, or preemptive rights. The Company's charter contains restrictions on the ownership and transfer of the Common Stock that prevents one person from owning more than 9.8% of the outstanding shares of common stock. The Board of Directors granted our CEO, Jack Heilbron, and CIO, Gary Katz, an exception to the 9.8% ownership limit and established an excepted holder limit permitting each of Jack Heilbron and Gary Katz to beneficially or constructively own up to 19% of the outstanding shares of our common stock, including warrants, subject to compliance with Article VII of the Company's charter.

On July 12, 2021, the Company entered into a securities purchase agreement with a single U.S. institutional investor for the purchase and sale of 1,000,000 shares of its Series A Common Stock, Common Stock Warrants to purchase up to 2,000,000 shares of Series A Common Stock and Pre-Funded Warrants to purchase up to 1,000,000 shares of Series A Common Stock. Each share of Common Stock and accompanying Common Stock Warrants were sold together at a combined offering price of \$5.00, and each share of Common Stock and accompanying Pre-Funded Warrants were sold together at a combined offering price of \$4.99. The Pre-Funded Warrants were exercised in full during August 2021 at a nominal exercise price of \$0.01 per share. The Common Stock Warrants have an exercise price of \$5.50 per share, were exercisable upon issuance and will expire five years from the date of issuance.

In connection with this additional offering, we agreed to issue the Placement Agent Warrants to purchase up to 80,000 shares of Series A Common Stock, representing 4.0% of the Series A Common Stock and shares of Series A Common Stock issuable upon exercise of the Pre-Funded Warrant. The Placement Agent Warrants were issued in August 2021, post exercise of the Pre-Funded Warrants with an exercise price of \$ 6.25 and will expire five years from the date of issuance. The Company evaluated the accounting guidance in ASC 480 and ASC 815 regarding the classification of the Pre-Funded Warrant, Common Stock Warrants, and Placement Agent Warrants as equity or a liability and ultimately determined that it should be classified as permanent equity. As of September 30, 2024, none of the Common Stock Warrants and Placement Agent Warrants have been exercised.

Genesis Plaza is owned by two tenants-in-common, NetREIT Genesis and NetREIT Genensis II, each of which own 57% and 43%, respectively, and we beneficially own an aggregate of 92.0%, based on our ownership of each entity. We have 100% ownership of NetREIT Genesis and 81.5% ownership of NetREIT Genensis II, and we have control of both entities. During July, 2024 the Company completed a minority ownership conversion option as result of a death in a noncontrolling trust within NetREIT Genensis II. The Company issued the trust 78,215 shares of SQFT Series A Common Stock in exchange for their 36.4% ownership in NetREIT Genensis II, as per the original exchange agreement at \$ 9.30 per share.

Stock Repurchase Program. While we will continue to pursue value creating investments, the Board of Directors believes there is significant embedded value in our assets that is yet to be realized by the market. Therefore, returning capital to stockholders through a repurchase program is an attractive use of capital currently. On September 15, 2022, the Board of Directors authorized a stock repurchase program of up to \$ 6.0 million of outstanding shares of our Series A Common Stock and up to \$4.0 million of our Series D Preferred Stock, which expired in September 2023. In November 2023, the Board of Directors authorized a stock repurchase program of up to \$6.0 million of outstanding shares of our Series A Common Stock and up to \$ 4.0 million of our Series D Preferred Stock which shall expire in November 2024. During the year ended December 31, 2023, the Company repurchased 23,041 shares of our Series D Preferred Stock at an average price of approximately \$16.06 per share, including a commission of \$ 0.035 per share, and no shares of our Series A Common Stock, for a total cost of \$0.4 million for the Series D Preferred Stock. During the nine months ended September 30, 2024, we repurchased 137,709 shares of our Series A Common Stock, for a total cost of \$ 97,394, with an average price of approximately \$ 0.7072 per share. There were no repurchases of Series D Preferred Stock during the nine months ended September 30, 2024. Any repurchased shares are treated as authorized and unissued in accordance with Maryland law and shown as a reduction of stockholders' equity at cost.

Cash Dividends on Common Stock and Preferred Stock. For the three and nine months ended September 30, 2024, the Company has not declared a cash dividend on shares of Series A Common Stock. For the three and nine months ended September 30, 2023, the Company declared and paid approximately \$0.3 million and \$0.9 million, respectively, in cash dividends on shares of Series A Common Stock. For the three and nine months ended September 30, 2024, the Company declared and paid approximately \$ 0.6 million and \$1.7 million, respectively, in cash dividends on shares of Series D Preferred Stock. For the three and nine months ended September 30, 2023, the Company declared and paid approximately \$ 0.5 million and \$1.6 million, respectively, in cash dividends on shares of Series D Preferred Stock. Cash permitting, the Company intends to continue to pay dividends to our common stockholders on a quarterly basis and on a monthly basis to holders of our Series D Preferred Stock going forward, but there can be no guarantee the Board of Directors will approve any future dividends. The Company is still considering how much it may pay during the next quarter, as there was no cash dividend paid during the first three quarters of 2024 on shares of Series A Common Stock. The following is a summary of distributions declared per share of our Series A Common Stock and for our Series D Preferred Stock for the nine months ended September 30, 2024 and 2023.

Series A Common Stock

Quarter Ended	2024	2023
	Distributions Declared	Distributions Declared
March 31	\$ -	\$ 0.022
June 30	-	0.023
September 30	-	0.023
Total	\$ -	\$ 0.045

Series D Preferred Stock

Month	2024	2023
	Distributions Declared	Distributions Declared
January	\$ 0.19531	\$ 0.19531
February	0.19531	0.19531
March	0.19531	0.19531
April	0.19531	0.19531
May	0.19531	0.19531
June	0.19531	0.19531
July	0.19531	0.19531
August	0.19531	0.19531
September	0.19531	0.19531
Total	\$ 1.75779	\$ 1.75779

Partnership Interests. Through the Company, its subsidiaries, and its partnerships, we own 12 commercial properties in fee interest, two of which we own partial interests in through our holdings in various affiliates in which we serve as general partner, member and/or manager. Each of the limited partnerships is referred to as a "DownREIT." In each DownREIT, we have the right, through put and call options, to require our co-investors to exchange their interests for shares of our Common Stock at a stated price after a defined period (generally five years from the date they first invested in the entity's real property), the occurrence of a specified event or a combination thereof. The Company is a limited partner in five partnerships and sole stockholder in one corporation, which entities purchase and leaseback model homes from homebuilders.

12. SHARE-BASED INCENTIVE PLAN

The Company maintains a restricted stock incentive plan for the purpose of attracting and retaining officers, employees, and non-employee board members. Share awards generally vest in equal annual installments over a three-to-ten-year period from date of issuance. Non-vested shares have voting rights and are eligible for any dividends paid on shares of common stock. The Company recognized compensation cost for these fixed awards over the service vesting period, which represents the requisite service period, using the straight-line method. Prior to our IPO, the value of non-vested shares was calculated based on the offering price of the shares in the most recent private placement offering of \$20.00, adjusted for stock dividends since granted and assumed selling costs, which management believed approximated fair market value as of the date of grant. Upon our IPO, the value of non-vested shares granted is generally calculated based on the closing price of our common stock on the date of the grant.

During our Annual Stockholders meeting, held on May 26, 2022, the Company's 2017 Incentive Award Plan was amended to increase the available shares for issuance from 1.1 million to 2.5 million and at our Annual Stockholders meeting, held on June 1, 2023, the Company's 2017 Incentive Award Plan was amended to increase the available shares for issuance from 2.5 million to 3.5 million and add an evergreen provision to, on April 1st and October 1st of each year, automatically increase the maximum number of shares of common stock available under the plan to 15% of the Company's outstanding shares of common stock, if on such date 3,500,000 (as adjusted for any reverse splits) is less than 15% of the Company's then-outstanding shares of common stock.

A summary of the activity for the Company's restricted stock was as follows:

Outstanding shares:	Common Shares
Balance at December 31, 2023	760,995
Granted	1,437,746
Vested	(164,078)
Balance at September 30, 2024	2,034,663

The non-vested restricted shares outstanding as of September 30, 2024, will vest over the next one to four years. As of September 30, 2024, there were approximately 63,000 shares available to grant under the Company's 2017 Incentive Award Plan. Included in the Granted and Vested totals noted above are 149,253 shares of common stock granted to the CEO in connection to his annual bonus as set by the Board of Directors, that vested immediately. The value of these shares when granted represents two times the value of a cash bonus that was due in March 2024, that the CEO elected to take in two times stock as per the Company's policy for cash bonuses.

Share-based compensation expense was approximately \$0.3 million and \$1.2 million for the three and nine months ended September 30, 2024, respectively. Share-based compensation expense was approximately \$0.3 million and \$0.8 million for the three and nine months ended September 30, 2023, respectively. As of September 30, 2024, future unrecognized stock compensation related to unvested shares totaled approximately \$ 1.6 million.

13. SEGMENTS

The Company's reportable segments consist of three types of real estate properties for which the Company's decision-makers internally evaluate operating performance and financial results: Office/Industrial Properties, Model Home Properties and Retail Properties. The Company also has certain corporate-level activities, including accounting, finance, legal administration, and management information systems which are not considered separate operating segments. There is no material inter-segment activity.

The Company evaluates the performance of its segments based upon net operating income ("NOI"), which is a non-GAAP supplemental financial measure. The Company defines NOI for its segments as operating revenues (rental income, tenant reimbursements and other operating income) less property and related expenses (property operating expenses, real estate taxes, insurance, asset management fees and provision for bad debt) excluding interest expense. NOI excludes certain items that are not considered to be controllable in connection with the management of an asset such as non-property income and expenses, depreciation and amortization, real estate acquisition fees and expenses and corporate general and administrative expenses. The Company uses NOI to evaluate the operating performance of the Company's real estate investments and to make decisions about resource allocations.

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The following tables compare the Company's segment activity to its results of operations and financial position as of and for the three and nine months ended September 30, 2024, and September 30, 2023:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Office/Industrial Properties:				
Rental, fees and other income	\$ 3,208,628	\$ 2,928,103	\$ 9,131,620	\$ 8,810,167
Property and related expenses	(1,418,979)	(1,303,654)	(4,095,521)	(3,966,587)
Net operating income, as defined	1,789,649	1,624,449	5,036,099	4,843,580
Model Home Properties:				
Rental, fees and other income	1,002,831	1,093,778	3,427,200	2,970,940
Property and related expenses	(38,215)	(44,201)	(121,151)	(121,998)
Net operating income, as defined	964,616	1,049,577	3,306,049	2,848,942
Retail Properties:				
Rental, fees and other income	511,915	457,292	1,541,156	1,396,160
Property and related expenses	(140,821)	(125,623)	(437,415)	(391,772)
Net operating income, as defined	371,094	331,669	1,103,741	1,004,388
Reconciliation to net income:				
Total net operating income, as defined, for reportable segments	3,125,359	3,005,695	9,445,889	8,696,910
General and administrative expenses	(1,629,919)	(1,635,610)	(5,917,286)	(5,413,413)
Depreciation and amortization	(1,455,882)	(1,351,705)	(4,158,270)	(4,054,109)
Impairment of real estate assets	(697,146)	—	(893,939)	—
Interest expense	(1,473,528)	(1,375,199)	(4,514,579)	(3,579,381)
Loss on Conduit Pharmaceuticals marketable securities	(3,932,770)	(17,682,154)	(17,821,437)	(17,682,154)
Gain on deconsolidation of SPAC	—	40,321,483	—	40,321,483
Other income, net	5,263	254,486	15,116	1,394,687
Income tax expense	(6,911)	(134,620)	(167,496)	(632,147)
Gain on sale of real estate	361,151	757,285	3,191,149	2,294,574
Net income (loss)	<u>\$ (5,704,383)</u>	<u>\$ 22,159,661</u>	<u>\$ (20,820,853)</u>	<u>\$ 21,346,450</u>

	September 30, 2024	December 31, 2023
Assets by Reportable Segment:		
Office/Industrial Properties:		
Land, buildings and improvements, net (1)	\$ 75,568,001	\$ 77,472,724
Total assets (2)	<u>\$ 75,689,711</u>	<u>\$ 78,140,372</u>
Model Home Properties:		
Land, buildings and improvements, net (1)	\$ 40,082,995	\$ 50,790,147
Total assets (2)	<u>\$ 40,392,853</u>	<u>\$ 51,456,292</u>
Retail Properties:		
Land, buildings and improvements, net (1)	\$ 15,760,917	\$ 15,877,190
Total assets (2)	<u>\$ 16,580,539</u>	<u>\$ 16,539,399</u>
Reconciliation to Total Assets:		
Total assets for reportable segments	\$ 132,663,103	\$ 146,136,063
Other unallocated assets:		
Cash, cash equivalents and restricted cash	1,528,436	277,143
Other assets, net	11,653,691	29,549,432
Total Assets	<u>\$ 145,845,230</u>	<u>\$ 175,962,638</u>

(1) Includes lease intangibles.

(2) Includes land, buildings and improvements, cash, cash equivalents, and restricted cash, current receivables, deferred rent receivables and deferred leasing costs and other related intangible assets, all shown on a net basis.

	For the Nine Months Ended September 30,	
	2024	2023
Capital Expenditures by Reportable Segment		
Office/Industrial Properties:		
Capital expenditures and tenant improvements, office	\$ 1,462,957	\$ 2,691,721
Model Home Properties:		
Acquisition of operating properties, model home	9,729,351	13,715,923
Retail Properties:		
Capital expenditures and tenant improvements, retail	211,321	126,065
Totals:		
Acquisition of operating properties, net	9,729,351	13,715,923
Capital expenditures and tenant improvements	<u>1,674,278</u>	<u>2,817,786</u>
Total real estate investments	<u>\$ 11,403,629</u>	<u>\$ 16,533,709</u>

14. INCOME TAX PROVISION

We have elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, commencing with the taxable year ended December 31, 2000. As a REIT, U.S. federal income tax law generally requires us to distribute annually at least 90% of our REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains, and that we pay tax at regular corporate rates to the extent that we annually distribute less than 100% of our net taxable income. We are also subject to U.S. federal, state and local income taxes on our domestic taxable REIT subsidiaries ("TRS") based on the tax jurisdictions in which they operate.

During the nine months ended September 30, 2024, we recorded a current income tax provision of \$168,140 related to activities of our taxable REIT subsidiaries. There was a \$346,762 income tax asset related to the operating activities of our TRS entities as of September 30, 2024 and December 31, 2023, as of each date respectively.

We have calculated the provision for income taxes during interim reporting periods by applying an estimate of the annual effective tax rate for the projected full fiscal year to the TRS pretax income or loss excluding unusual or infrequently occurring discrete items for the reporting period, and have accounted for the REIT's minimum state income taxes as a discrete item in the reporting period.

15. RELATED PARTY

During the three and nine months ended September 30, 2024 and three and nine months ended September 30, 2023, the Company leased portions of its corporate headquarters to Puppy Toes, Inc., a company owned by the Chief Executive Officer and his wife, and to Centurion Counsel, Inc., which is owned by Puppy Toes, Inc. Rent billed to these entities from the Company totaled \$2,688 and \$8,064 for the three and nine months ended September 30, 2024, respectively. During the three and nine months ended September 30, 2023, rent billed to these entities from the Company totaled \$ 2,688 and \$8,064, respectively.

Additionally, we receive full payroll reimbursement for employee services provided to Centurion Counsel and Puppy Toes, Inc. during the three and nine months ended September 30, 2024, which totaled approximately \$32,611 and \$108,326, respectively. During the three and nine months ended September 30, 2023, full payroll reimbursement for these services totaled approximately \$ 37,103 and \$114,453, respectively. These reimbursements were at cost and were not marked up or discounted. As of September 30, 2024 and December 31, 2023, we had reimbursement receivable balances of approximately \$10,783 and \$52,879, which were paid in full during October 2024 and January 2024, respectively.

16. SUBSEQUENT EVENTS

The Company evaluated subsequent events and transactions that occurred after the balance sheet date through the date the financial statements were issued. Based upon this review, except as disclosed below, the Company did not identify any subsequent events that would have required adjustment or disclosure in the financial statements other than disclosed below.

During October 2024, the Company paid part of an accrued bonus to the former CFO with shares of CDT common stock. The total number of CDT common stock shares transferred to our former CFO was 1,045,805 shares at \$0.1087 per share with a fair market value of \$ 113,679 at the time of transfer. After the transfer the Company still owns 2,944,514 shares of CDT common stock, 709,000 CDTTW warrants and 540,000 private warrants.

The non-recourse loan on the Dakota Center matured on July 6, 2024. Management has been in negotiations with the special servicer of the loan in modifying and/or extending the loan or possibly selling the building. We have not been able to come to an agreement regarding a situation in which the loan is modified or extended. As such, in October 2024 we have offered the property for sale in conjunction with the lender's approval in attempts to make the lender whole, although there is no guarantee we will be able to do so. The loan is considered non-recourse and we will not be required to make up the difference if the property sells for less than the loan balance. See Note 4. *Real Estate Asset* above for further discussion on impairment of the property.

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

The following discussion should be read in conjunction with our consolidated financial statements and the notes thereto appearing in Item 1 of this report and the more detailed information contained in our 2023 year end Annual Report.

We may refer to the three months ended September 30, 2024, and September 30, 2023, as the "2024 Quarter" and the "2023 Quarter," respectively.

Forward-Looking Statements

This Form 10-Q contains forward-looking statements which involve risks and uncertainties. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward-looking statements by the use of forward-looking terminology such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," or "potential" and/or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and also of which do not relate solely to historical matters. Such statements involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Moreover, investors are cautioned to interpret many of the risks identified in the risk factors discussed in this 10-Q and our 2023 year end Annual Report on Form 10-K/A for the year ended December 31, 2023, filed with the SEC on April 16, 2024, respectively. Additional factors which may cause the actual results, performance, or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements include, but are not limited to, the risks associated with the ownership of real estate in general and our real estate assets in particular; the economic health of the metro regions where we conduct business; the risk of failure to enter into/and or complete contemplated acquisitions and dispositions, within the price ranges anticipated and on the terms and timing anticipated; changes in the composition of our portfolio; fluctuations in interest rates; reductions in or actual or threatened changes to the timing of federal government spending; the risks related to the use of third-party providers and joint venture partners; the ability to control our operating expenses; the economic health of our tenants; the supply of competing properties; shifts away from brick and mortar stores to e-commerce; the availability and terms of financing and capital and the general volatility of securities markets; compliance with applicable laws, including those concerning the environment and access by persons with disabilities; terrorist attacks or actions and/or risks relating to information technology and cybersecurity attacks, loss of confidential information and other related business disruptions; weather conditions, natural disasters and pandemics; ability to maintain key personnel; failure to qualify and maintain our qualification as a REIT and the risks of changes in laws affecting REITs; and other risks and uncertainties detailed from time to time in our filings with the SEC, including our 2023 year end Annual Report. While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. We undertake no obligation to update our forward-looking statements or risk factors to reflect new information, future events, or otherwise.

OVERVIEW

The Company operates as an internally managed, diversified REIT, with primary holdings in office, industrial, retail, and triple-net leased model home properties. In October 2017, we changed our name from "NetREIT, Inc." to "Presidio Property Trust, Inc." The Company acquires, owns, and manages a geographically diversified portfolio of real estate assets, including office, industrial, retail and model home residential properties leased to homebuilders located in the United States. As of September 30, 2024, the Company owned or had an equity interest in:

- Eight office buildings and one industrial property ("Office/Industrial Properties"), which total approximately 758,175 rentable square feet;
- Three retail shopping centers ("Retail Properties"), which total approximately 65,242 rentable square feet; and
- 83 model home residential properties ("Model Homes" or "Model Home Properties"), totaling approximately 251,602 square feet, leased back on a triple-net basis to homebuilders that are owned by five affiliated limited partnerships and one wholly-owned corporation, all of which we control.

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We own five commercial properties located in Colorado, four in North Dakota, one in Southern California, one in Texas and one in Maryland. Our model home properties are located in three states. While geographical clustering of real estate enables us to reduce our operating costs through economies of scale by servicing several properties with less staff, it makes us susceptible to changing market conditions in these discrete geographic areas. We do not develop properties but acquire properties that are stabilized or that we anticipate will be stabilized within two or three years of acquisition. We consider a property to be stabilized once it has achieved an 80% occupancy rate for a full year as of January 1 of such year or has been operating for three years.

Most of our office and retail properties are leased to a variety of tenants ranging from small businesses to large public companies, many of which are not investment grade. We have, in the past, entered into, and intend in the future to enter into, purchase agreements for real estate having net leases that require the tenant to pay all of the operating expenses or pay increases in operating expenses over specific base years. Most of our office leases are for terms of three to five years with annual rental increases. Our model homes are typically leased back for two to three years to the home builder on a triple-net lease. Under a triple-net lease, the tenant is required to pay all operating, maintenance and insurance costs and real estate taxes with respect to the leased property.

We seek to diversify our portfolio by commercial real estate segments, including office, industrial, retail and model home properties to reduce the adverse effect of a single under-performing segment and/or tenant. We further mitigate risk at the tenant level through our credit review process, which varies by tenant class. For example, our commercial and industrial tenants tend to be corporations or individually owned businesses. In these cases, we typically obtain financial records, including financial statements and tax returns (depending on the circumstance), and run credit reports for any prospective tenant to support our decision to enter into a rental arrangement. We also typically obtain security deposits from these commercial tenants. Our Model Home commercial tenants are well-known homebuilders with established credit histories. These tenants are subjected to financial review and analysis prior to us entering into a sales-leaseback transaction.

In June 2024, the Board of Directors established the Strategic Planning and Cyber Committee (the "Strategic Committee"). The purpose of the Strategic Committee is to: assist the Board in carrying out its responsibilities of oversight over the Company's business strategy, make recommendations to the Board on the Company's strategic direction and objectives and serve as a liaison between the Board and management, and assist the Board in fulfilling its responsibilities of oversight with regard to the Company's identification, assessment, and management of the Company's cybersecurity risks. There can be no assurance that the work of the Strategic Committee will result in any transaction being pursued or consummated. In addition, there is no formal timetable for the Strategic Committee's exploration of potential strategic alternatives, and the Company does not intend to disclose any developments with respect to the Strategic Committee's activities unless and until the Company determines that further disclosure is appropriate or required by law or regulation.

For additional information regarding our Common Stock activity, see Footnote 12. Stockholders' Equity in the Notes to the Consolidated Financial Statements in "Part I, Item 1. Financial Statements" of this Quarterly Report.

For details regarding our sponsorship of a special purpose acquisition company, Murphy Canyon Acquisition Corp. ("Murphy Canyon" or the "SPAC"), see Note 9, Investment in Conduit Pharmaceuticals, in the Notes to the Consolidated Financial Statements in "Part I, Item 1. Financial Statements" of this Quarterly Report.

SIGNIFICANT TRANSACTIONS IN 2024 AND 2023

Acquisitions during the nine months ended September 30, 2024

- The Company acquired 19 model homes for approximately \$9.7 million. The purchase price was paid through cash payments of approximately \$3.0 million and mortgage notes of approximately \$6.7 million.

Acquisitions during the nine months ended September 30, 2023

- The Company acquired 25 model homes for approximately \$13.7 million. These acquisitions were paid for with approximately \$4.2 million in cash payments and approximately \$9.5 million in mortgage loans. There were no other commercial properties acquired during this period.

Dispositions during the nine months ended September 30, 2024

- The Company sold 46 model homes for approximately \$22.3 million, net of sales costs, and recognized a gain of approximately \$3.2 million.

Dispositions during the nine months ended September 30, 2023

- The Company sold 15 model homes for approximately \$7.8 million, net of sales costs, and recognized a gain of approximately \$2.3 million.

CRITICAL ACCOUNTING POLICIES

There have been no material changes to our critical accounting policies as previously disclosed in our 2023 year end Annual Report.

MANAGEMENT EVALUATION OF RESULTS OF OPERATIONS

Management's evaluation of operating results includes an assessment of our ability to generate the cash flow necessary to pay operating expenses, general and administrative expenses, debt service and to fund distributions to our stockholders. As a result, management's assessment of operating results gives less emphasis to the effects of unrealized gains and losses and other non-cash charges, such as depreciation and amortization and impairment charges, which may cause fluctuations in net income for comparable periods but have no impact on cash flows. Management's evaluation of our potential for generating cash flow includes assessments of our recently acquired properties, our non-stabilized properties, long-term sustainability of our real estate portfolio, our future operating cash flow from anticipated acquisitions, and the proceeds from the sales of our real estate assets.

In addition, management evaluates the results of the operations of our portfolio and individual properties with a primary focus on increasing and enhancing the value, quality and quantity of properties in our real estate holdings. Management focuses its efforts on improving underperforming assets through re-leasing efforts, including negotiation of lease renewals and rental rates. Properties are regularly evaluated for potential added value appreciation and cashflow and, if lacking such potential, are sold with the equity reinvested in new acquisitions or otherwise allocated in a manner we believe is accretive to our stockholders. Our ability to increase assets under management is affected by our ability to raise borrowings and/or capital, coupled with our ability to identify appropriate investments.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023

Revenues. Total revenues were approximately \$4.7 million for the three months ended September 30, 2024, compared to approximately \$4.5 million for the same period in 2023. As of September 30, 2024, we had approximately \$131.4 million in net real estate assets including 83 model homes, compared to approximately \$138.4 million in net real estate assets including 102 model homes at September 30, 2023. The change in revenue is directly related to the new commercial real estate leases at Grand Pacific Center, and model home transaction fees earned by the Company during the current period, slightly offset by the reduction in model home income during the current quarter.

Rental Operating Costs. Rental operating costs increased 8.1%, totaling approximately \$1.6 million for the three months ended September 30, 2024, compared to approximately \$1.5 million for the same period in 2023, due to the increased cost of operating our commercial properties. Rental operating costs as a percentage of total revenue was 33.8% and 33.0% for the three months ended September 30, 2024 and 2023, respectively. As of September 30, 2024, our model home assets made up 30.5% of our total real estate assets, which is down from 33.2% as of September 30, 2023. Model home rental operating costs are relatively low for model home assets as they are leased on a triple net basis. Additionally, for the three months ended September 30, 2024, our gross revenue from model home assets represented approximately 21.2% of our total revenue, compared to 24.4% for the three months ended September 30, 2023. This percentage is expected to decrease in 2024 as a large number of model homes were sold during the three and nine months ended September 30, 2024. There were no acquisitions or sales of retail, office or industrial properties during the three months ended September 30, 2024; however, management is selling two of our commercial real estate assets, totaling approximately \$11.1 million, over the next 12 months, which will reduce future rental income until those proceeds are reinvested.

General and Administrative Expenses. General & Administrative ("G&A") expenses for the three months ended September 30, 2024 and 2023 totaled approximately \$1.6 million and \$1.6 million, respectively. G&A expenses as a percentage of total revenue was 34.5% and 36.5% for the three months ended September 30, 2024 and 2023, respectively. G&A expenses was relatively flat for the three months ended September 30, 2024 when compared to the three months ended September 30, 2023.

Depreciation and Amortization. Depreciation and amortization expense was approximately \$1.5 million for the three months ended September 30, 2024, compared to approximately \$1.4 million for the same period in 2023.

Asset Impairments. We review the carrying value of each of our real estate properties regularly to determine if circumstances indicate an impairment in the carrying value of these investments exists. During the three months ended September 30, 2024, we recognized a non-cash impairment charge of approximately \$0.7 million related to three model homes and one commercial property. The impairment on our commercial property, Dakota Center, was the result of the loan maturing in July and the Company not being able to reach an agreement with the lenders regarding a loan modification or extension. In October the lender has agreed to a sale of the property to settle the balance of the non-recourse loan. Due to the uncertainties in the Fargo market, we decided to impair the property's book value, in accordance with ASC 360-10 impairment of long-lived assets. As such, we recorded an impairment charge of approximately \$0.7 million as of September 31, 2024. The new impairment charges for the three model homes reflects the estimated sales prices for these specific model homes in October and November 2024 as a result of an abnormally short hold period, less than two years, on model homes purchased in 2022. The builder changed their product style in the neighborhoods where these model homes are located, in Texas, after we had purchased the homes. We do not believe these losses are indicative of our overall model home portfolio. During the three months ended September 30, 2024, we sold four model homes for approximately \$2.2 million and the Company recognized a net gain of approximately \$0.4 million. We expect to record a net gain on model home sales in the fourth quarter of 2024 as well. The Company did not recognize a non-cash impairment to our real estate assets during the three months ended September 30, 2023.

Interest Expense - mortgage notes. Interest expense, including amortization of deferred finance charges was approximately \$1.5 million for the three months ended September 30, 2024, compared to approximately \$1.4 million for the same period in 2023. The weighted average interest rate on our outstanding debt was 5.44% and 5.06% as of September 30, 2024 and 2023, respectively. Mortgage notes payable totaled approximately \$103.2 million and \$103.3 million as of September 30, 2024 and 2023, respectively.

Gain on Sale of Real Estate Assets, net. The change in gain or loss on the sale of real estate assets is dependent on the mix of properties sold and the market conditions at the time of the sale. During the three months ended September 30, 2024, we sold four model homes for approximately \$2.2 million, net of selling costs, and the Company recognized a net gain of approximately \$0.4 million. We expect to record a net gain on model home sales in the fourth quarter of 2024 as well. During the three months ended September 30, 2023, we sold five model homes for approximately \$2.5 million, net of selling costs, and the Company recognized a net gain of approximately \$0.8 million.

Income allocated to non-controlling interests. Income allocated to non-controlling interests for the three months ended September 30, 2024 and 2023 totaled approximately \$0.4 million and \$0.7 million, respectively.

Loss on Conduit remeasurement. On April 22, 2024, the Company entered into a lockup agreement with Conduit pursuant to which the Company agreed not to transfer or sell 2,700,000 of its 4,015,250 shares of Conduit common stock for a period of one year. In consideration for entering into the lockup agreement, Conduit issued the Company a warrant ("Private CDT Warrants") to purchase 540,000 shares of common stock at an exercise price of \$3.12 per share, with a two year term and exercisable one year after the date of issue. The Private CDT Warrants meet the ASC 321 scope exception for derivative instruments and are accounted for as a derivative under ASC 815. As such, the Private CDT Warrants were recorded at fair value on the date of issuance and subsequently measured at fair value each period, with changes in fair value reported in gain or loss on Conduit Pharmaceuticals marketable securities. As of June 30 2024, the Private CDT Warrants were valued at \$156,000 based on a Level 3 fair value measurement. As of September 30, 2024, the Private CDT Warrants fair value was adjusted to zero, which is included in the total Investment in Conduit Pharmaceuticals marketable securities on the September 30, 2024 consolidated balance sheet. Our investments in Conduit's common stock (3,990,319 shares of CDT) and public common stock warrants (709,000 warrants of CDTTW) presented on the consolidated balance sheets were measured at fair value using Level 1 market prices, taking into account the adoption of ASU 2022-03 *Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*, and totaled approximately \$0.5 million as of September 30, 2024. The combined value of our Investment in Conduit Pharmaceuticals marketable securities, including the Private CDT Warrants, totaled \$0.5 million as of September 30, 2024. In connection with these fair market value adjustments during the three months ended September 30, 2024, we recorded a net loss on our investment in Conduit of approximately \$3.9 million.

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023

Revenues. Total revenues were approximately \$14.1 million for the nine months ended September 30, 2024, compared to approximately \$13.1 million for the same period in 2023. As of September 30, 2024, we had approximately \$131.4 million in net real estate assets including 83 model homes, compared to approximately \$138.4 million in net real estate assets including 102 model homes at September 30, 2023. The average number of model homes held during the nine months ended September 30, 2024 and 2023 was 84 and 102, respectively. The change in revenue is directly related to the increase in model home transaction fees during the current period, new commercial real estate leases, mainly at Grand Pacific Center, and the management fees earned from Conduit Pharma during the current period, which was terminated in June 2024. Below is additional revenue and asset information for real estate segments as of September 30, 2024.

Segment	% of Gross Revenue For the Nine Months Ended September 30,	
	2024	2023
Office/Industrial	64.8%	66.9%
Retail	10.9%	10.6%
Model Home	24.2%	22.5%

Segment (1)	% of Total Real Estate Assets as of September 30, December 31,	
	2024	2023
Office/Industrial	57.5%	55.3%
Retail	12.0%	11.5%
Model Home	30.5%	33.2%

(1) Includes lease intangibles and the land purchase option related to property acquisitions.

Rental Operating Costs. Rental operating costs were slightly higher totaling \$4.7 million for the nine months ended September 30, 2024, compared to approximately \$4.5 million for the same period in 2023. Rental operating costs as a percentage of total revenue was 33.0% and 33.9% for the nine months ended September 30, 2024 and 2023, respectively. As of September 30, 2024, our model home assets made up 30.5% of our total real estate assets, which is down from 33.2% as of September 30, 2023. Model home rental operating costs are relatively low for model home assets as they are leased on a triple net basis. Additionally, for the nine months ended September 30, 2024, our gross revenue from model home assets represented approximately 24.2% of our total revenue, compared to 22.5% for the nine months ended September 30, 2023. This percentage is expected to decrease in 2024 as a large number of model homes were sold during the nine months ended September 30, 2024. There were no acquisitions or sales of retail, office or industrial properties during the nine months ended September 30, 2024; however, management is selling two of our commercial real estate assets, totaling approximately \$11.1 million, over the next 12 months, which will reduce future rental income until those proceeds are reinvested.

General and Administrative Expenses. G&A expenses for the nine months ended September 30, 2024 and 2023 totaled approximately \$5.9 million and \$5.4 million, respectively. G&A expenses as a percentage of total revenue was 42.0% and 41.2% for the nine months ended September 30, 2024 and 2023, respectively. G&A expenses increased by approximately \$0.5 million mainly related to the 2024 annual meeting and settlement with Zuma Capital and certain individuals and entities affiliated or associated with Zuma Capital Management, LLC (Zuma Capital"). This included additional consulting fees, higher proxy solicitation fees and legal fees, which increased by an aggregate of approximately \$0.6 million in 2024 as compared to 2023. Additionally, stock compensation and bonus accruals increased during the nine months ended September 30, 2024 by approximately \$0.5 million as compared to the same period in 2023 related to De-SPAC success bonuses to current and former employees. This was slightly offset by the reduction in salaries and employees cost by approximately \$0.2 million in 2024 as compared to 2023, and the approximately \$0.2 million reduction of D&O insurance related to the SPAC in 2023 that was not consolidated during 2024.

Depreciation and Amortization. Depreciation and amortization expense was approximately \$4.2 million and \$4.1 million for the nine months ended September 30, 2024 and 2023, respectively.

Asset Impairments. We review the carrying value of each of our real estate properties regularly to determine if circumstances indicate an impairment in the carrying value of these investments exists. During the nine months ended September 30, 2024, we recognized a non-cash impairment charge of approximately \$0.9 million related to model homes and one commercial property. The impairment on our commercial property, Dakota Center, was the result of the loan maturing in July and the Company not being able to reach an agreement with the lenders regarding a loan modification or extension. In October the lender has agreed to a sale of the property to settle the balance of the non-recourse loan. Due to the uncertainties in the Fargo market, we decided to impair the property's book value, in accordance with ASC 360-10 impairment of long-lived assets and for long-lived assets to be disposed of, to be in line with the current loan balance and estimated closing costs, which is the expected sales price. As such, we recorded an impairment charge of approximately \$0.7 million, as of September 31, 2024. The new impairment charges for the model homes reflects the estimated and actual sales prices for these specific model homes that were sold after the end of each quarter. This was the result of an abnormally short hold period, less than two years, on model homes purchased in 2022. The builder changed their product style in the neighborhoods where these model homes are located, in Texas, after we had purchased the homes. We do not believe these losses are indicative of our overall model home portfolio. During the nine months ended September 30, 2024, we sold 46 model homes for approximately \$22.3 million, net of sales costs, and the Company recognized a net gain of approximately \$3.2 million. We expect to record a net gain on model home sales in the fourth quarter of 2024 as well. The Company did not recognize a non-cash impairment to our real estate assets during the nine months ended September 30, 2023.

Interest Expense - mortgage notes. Interest expense, including amortization of deferred finance charges was approximately \$4.5 million for the nine months ended September 30, 2024, compared to approximately \$3.6 million for the same period in 2023. The weighted average interest rate on our outstanding debt was 5.44% and 5.06% as of September 30, 2024 and 2023, respectively. Mortgage notes payable totaled approximately \$103.2 million and \$103.3 million as of September 30, 2024 and 2023, respectively.

Gain on Sale of Real Estate Assets, net. The change in gain or loss on the sale of real estate assets is dependent on the mix of properties sold and the market conditions at the time of the sale. See "Significant Transactions in 2024 and 2023" above for further detail.

Income allocated to non-controlling interests. Income allocated to non-controlling interests for the nine months ended September 30, 2024 and 2023 totaled approximately \$2.3 million and \$2.2 million, respectively. This was directly related to the gain on sales of model homes held by our five affiliated limited partnerships.

Loss on Conduit remeasurement. On April 22, 2024, the Company entered into a lockup agreement with Conduit pursuant to which the Company agreed not to transfer or sell 2,700,000 of its 4,015,250 shares of Conduit common stock for a period of one year. In consideration for entering into the lockup agreement, Conduit issued the Company Private CDT Warrants to purchase 540,000 shares of common stock at an exercise price of \$3.12 per share, a two year term and exercisable one year after the date of issue. The Private CDT Warrants meet the ASC 321 scope exception for derivative instruments and are accounted for as a derivative under ASC 815. As such, the Private CDT Warrants were recorded at fair value on the date of issuance and subsequently measured at fair value each period, with changes in fair value reported in gain or loss on Conduit Pharmaceuticals marketable securities. As of April 22, 2024, the Private CDT Warrants were valued at \$891,000 based on a Level 3 fair value measurement. As of September 30, 2024, the Private CDT Warrants fair value was adjusted to zero, which is included in the total Investment in Conduit Pharmaceuticals marketable securities on the September 30, 2024 consolidated balance sheet. Our investments in Conduit's common stock (3,990,319 shares of CDT) and public common stock warrants (709,000 warrants of CDTTW) presented on the consolidated balance sheets were measured at fair value using Level 1 market prices, taking into account the adoption of ASU 2022-03 *Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*, and totaled approximately \$0.5 million as of September 30, 2024. The combined value of our Investment in Conduit Pharmaceuticals marketable securities, including the Private CDT Warrants, totaled \$0.5 million as of September 30, 2024. Our investments in Conduit's common stock and public common stock warrants presented on the consolidated balance sheet were measured at fair value using Level 1 market prices as of December 31, 2023, and totaled approximately \$18.3 million. In connection with these fair market value adjustments during the nine months ended September 30, 2024, we recorded a net loss on our investment in Conduit of approximately \$17.8 million. We will realize a portion of the loss during the fourth quarter of 2024. During October 2024, the Company paid part of an accrued bonus to the former CFO with shares of CDT common stock. The total number of CDT common stock shares transferred to our former CFO was 1,045,805 shares at \$0.1087 per share with a fair market value of \$113,679 at the time of transfer. After the transfer the Company still owns 2,944,514 shares of CDT common stock, 709,000 CDTTW warrants and 540,000 private warrants.

Geographic Diversification Tables

The following tables show a list of commercial properties owned by the Company grouped by state and geographic region as of September 30, 2024:

State	No. of Properties	Aggregate Square Feet	Approximate % of Square Feet	Current Base Annual Rent	Approximate % of Aggregate Annual Rent
California	1	57,807	7.0%	\$ 1,515,541	13.0%
Colorado	5	324,245	39.4%	5,507,742	47.3%
Maryland	1	31,752	3.9%	724,453	6.2%
North Dakota	4	399,113	48.4%	3,554,545	30.6%
Texas	1	10,500	1.3%	342,692	2.9%
Total	12	823,417	100.0%	\$ 11,644,973	100.0%

The following tables show a list of our Model Home properties by geographic region as of September 30, 2024:

State	No. of Properties	Aggregate Square Feet	Approximate % of Square Feet	Current Base Annual Rent	Approximate % of Aggregate % Annual Rent
Arizona	2	6,822	2.7%	\$ 149,196	4.2%
Florida	4	9,875	3.9%	170,256	4.8%
Texas	77	234,905	93.4%	3,248,760	91.0%
Total	83	251,602	100.0%	\$ 3,568,212	100.0%

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our anticipated future sources of liquidity may include existing cash and cash equivalents, cash flows from operations, refinancing of existing mortgages, future real estate sales, new borrowings from our model home lines of credit, the sale of our investment in Conduit Pharma, and the sale of our equity or issuance of debt securities or bonds. Our cash and restricted cash at September 30, 2024 was approximately \$7.2 million. Our future capital needs include paying down existing borrowings, maintaining our existing properties, funding tenant improvements, paying lease commissions (to the extent they are not covered by lender-held reserve deposits), and the payment of dividends to our stockholders. We also are actively seeking model home investments that are likely to produce income and achieve long-term gains in order to pay dividends to our stockholders. To ensure that we can effectively execute these objectives, we routinely review our liquidity requirements and continually evaluate all potential sources of liquidity.

Our short-term liquidity needs include paying our current operating costs, satisfying the debt service requirements of our existing mortgages, completing tenant improvements, paying leasing commissions, and funding dividends to stockholders. Future principal payments due on our mortgage notes payables during 2024 total approximately \$11.7 million, of which approximately \$2.3 million is related to model home properties. During the next 12 months, five commercial property loans, in addition to the Dakota Center which matured in July 2024, for Research Parkway, Arapahoe Service Center, Union Town Center, One Park, and Genesis Plaza, have mortgage loans that will mature totaling approximately \$28.4 million. The loan on the Dakota Center matured on July 6, 2024. Management was in negotiations with the special servicer of the loan in modifying and/or extending; however no agreement could be reached and in October we had agreed with the lender to sell the property in order to settle the balance on the non-recourse loan. The Company and the lender are currently reviewing real estate brokers to sell the property on the open market with the hopes of obtaining the best sales price; however there can be no guarantee the property will sell for more than the loan balance.

Management has begun discussions with various lenders to either restructure, extend or refinance the other three loans. Additionally, management may consider selling these properties if we are unsuccessful in extending the maturity dates or are unable to raise additional funds to pay these non-recourse loans in full. Only the loan on Research Parkway, for \$1.6 million has recourse to the Company. Management expects certain model homes will be sold, and that the underlying mortgage notes will be paid off with sales proceeds, while other mortgage notes will be refinanced as the Company has done in the past. Additional principal payments will be made with cash flows from ongoing operations. On December 31, 2022, the lease for our largest tenant at that time, Halliburton, expired. Halliburton was located in our Shea Center II property in Colorado and did not renew the lease. We placed approximately \$1.1 million in a reserve account with our lender to cover future mortgage payments, if necessary, in connection with Halliburton's vacant space, none of which has been used as of December 31, 2023. This reserve amount is included in "Cash, cash equivalents and restricted cash" on the consolidated balance sheet. Our management team is working to fill the 45,535 square foot space and has leased approximately 35% of the space to a tenant during 2023 and 2024 and has reviewed various third party proposals for the remaining 65%. As of September 30, 2024, management is pursuing third party tenants who fit into our long-term plans, however, there is no guarantee we will be successful in signing these new tenants.

While we will continue to pursue value creating investments, the Board of Directors believes there is significant embedded value in our assets that is yet to be realized by the market. Therefore, returning capital to stockholders through a repurchase program is an attractive use of capital currently. On September 15, 2022, the Board of Directors authorized a stock repurchase program of up to \$6.0 million of outstanding shares of our Series A Common Stock and up to \$4.0 million of our Series D Preferred Stock, which expired in September 2023. In November 2023, the Board of Directors authorized a stock repurchase program of up to \$6.0 million of outstanding shares of our Series A Common Stock and up to \$4.0 million of our Series D Preferred Stock which shall expire in November 2024. During the year ended December 31, 2023, the Company repurchased 23,041 shares of our Series D Preferred Stock at an average price of approximately \$16.06 per share, including a commission of \$0.035 per share, and no shares of our Series A Common Stock, for a total cost of \$0.4 million for the Series D Preferred Stock. During the nine months ended September 30, 2024, we repurchased 137,709 shares of our Series A Common Stock, for a total cost of \$97,394, with an average price of approximately \$0.7072 per share. There were no repurchases of Series D Preferred Stock during the nine months ended September 30, 2024. Any repurchased shares are treated as authorized and unissued in accordance with Maryland law and shown as a reduction of stockholders' equity at cost.

There can be no assurance that the Company will refinance loans, take out additional financing or capital will be available to the Company on acceptable terms, if at all. If events or circumstances occur such that the Company does not obtain additional funding, it will most likely be required to reduce its plans, reduce certain discretionary spending or even sell properties, which could have a material adverse effect on the Company's ability to achieve its intended business objectives. We believe that cash on hand, cash flow from our existing portfolio, distributions from joint ventures in Model Home Partnerships and property sales during 2024 and 2025 will be sufficient to fund our operating costs, planned capital expenditures and required dividends for at least the next twelve months. If our cash flow from operating activities is not sufficient to fund our short-term liquidity needs, we plan to fund a portion of these needs from additional borrowings of secured or unsecured indebtedness, from real estate sales, issuance of debt instruments, additional investors, or we may reduce or suspend the rate of dividends to our stockholders.

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Our long-term liquidity needs include the capital necessary to grow and maintain our portfolio of investments. We believe that the potential financing capital available to us in the future is sufficient to fund our long-term liquidity needs. We are continually reviewing our existing portfolio to determine which properties have met our short- and long-term goals and while seeking to reinvest the proceeds in properties with better potential to increase performance. We expect to obtain additional cash in connection with refinancing of maturing mortgages and assumption of existing debt collateralized by some or all of our real property in the future to meet our long-term liquidity needs. If we are unable to arrange a line of credit, borrow on properties, privately place securities or sell securities to the public, we may not be able to acquire additional properties to meet our long-term objectives.

For the three and nine months ended September 30, 2024, the Company has not declared a cash dividend for the Series A Common stockholders. For the three and nine months ended September 30, 2023, the Company declared and paid approximately \$0.3 million and \$0.9 million in a cash dividend, respectively. For the three and nine months ended September 30, 2024, the Company declared and paid approximately \$0.6 million and \$1.7 million in monthly cash dividends, respectively for the Series D Preferred stockholders. For the three and nine months ended September 30, 2023, the Company declared and paid approximately \$0.5 million and \$1.6 million in monthly cash dividends, respectively.

The Company is reviewing when it may pay dividends to our common stockholders on a quarterly basis again, cash permitting, and intends to continue on a monthly basis to pay dividends to holders of our Series D Preferred Stock going forward, but there can be no guarantee the Board of Directors will approve any future dividends. The Company is still considering how much it may declare during 2024 on the Series A Common Stock, as there was no cash dividend declared or paid during the nine months ended September 30, 2024. The following is a summary of distributions declared per share of our Series A Common Stock and for our Series D Preferred Stock for the nine months ended September 30, 2024 and 2023.

Series A Common Stock:

Quarter Ended	2024	2023
	Distributions Declared	Distributions Declared
March 31	\$ -	\$ 0.022
June 30	-	0.023
September 30	-	0.023
Total	\$ -	\$ 0.045

Series D Preferred Stock:

Month	2024	2023
	Distributions Declared	Distributions Declared
January	\$ 0.19531	\$ 0.19531
February	0.19531	0.19531
March	0.19531	0.19531
April	0.19531	0.19531
May	0.19531	0.19531
June	0.19531	0.19531
July	0.19531	0.19531
August	0.19531	0.19531
September	0.19531	0.19531
Total	\$ 1.75779	\$ 1.75779

Our long-term liquidity needs include the proceeds necessary to grow and maintain our portfolio of investments. We believe that the potential financing capital available to us in the future is sufficient to fund our long-term liquidity needs. We are continually reviewing our existing portfolio to determine which properties have met our short- and long-term goals and while seeking to reinvest the proceeds in properties with better potential to increase performance. We expect to obtain additional cash in connection with refinancing of maturing mortgages and assumption of existing debt collateralized by some or all of our real property in the future to meet our long-term liquidity needs. If we are unable to arrange a line of credit, borrow on properties, issue debt instruments, privately place securities or sell securities to the public, we may not be able to acquire additional properties to meet our long-term objectives.

Cash Equivalents and Restricted Cash

At September 30, 2024, and December 31, 2023, we had approximately \$7.2 million and \$6.5 million in cash equivalents, respectively, including \$3.5 million and \$3.7 million of restricted cash, respectively. Our cash equivalents and restricted cash consist of invested cash, cash in our operating accounts, short-term bonds and cash held in bank accounts at third-party institutions. During 2024 and 2023, we did not experience any loss or lack of access to our cash or cash equivalents. Approximately \$1.5 million to 2.0 million of our cash balance is intended for capital expenditures on existing properties, net of any construction financing (some of which is held in deposits reserve accounts by our lenders) during the rest of the year. We intend to use the remainder of our existing cash and cash equivalents for asset/property acquisitions, reduction of principal debt, general corporate purposes, common stock repurchases (if market conditions are met), or dividends to our stockholders.

Secured Debt

As of September 30, 2024, all our commercial properties, except 300 N.P. which has no debt, had fixed-rate mortgage notes payable in the aggregate principal amount of \$75.6 million, collateralized by a total of 11 commercial properties with loan terms at issuance ranging from 5 to 10 years. The weighted-average interest rate on these mortgage notes payable as of September 30, 2024, was approximately 4.97%, and our debt to estimated market value for our commercial properties was approximately 65.2%. During the next 12 months, five of our commercial property loans, totaling approximately \$28.4 million, will mature, with an estimated combined loan to value of approximately 59.6% as of September 30, 2024. The non-recourse loan on the Dakota Center property matured on July 6, 2024. During October 2024, management has agreed with the lender to sell the property to settle the loan balance. Due to the uncertainties in the Fargo market, we have decided to impair the property's book value, in accordance with ASC 360-10 impairment of long-lived assets and for long-lived assets to be disposed of, to be in line with the current loan balance and estimated closing costs, which is the expected sales price. As such, we recorded an impairment charge of approximately \$0.7 million, as of September 30, 2024.

As of September 30, 2024, the Company had fixed-rate mortgage notes payable related to model homes in the aggregate principal amount of \$27.5 million, excluding loans eliminated through consolidation, collateralized by a total of 82 Model Homes. These loans generally have a term at issuance of three to five years. As of September 30, 2024, the average loan balance per home outstanding and the weighted-average interest rate on these mortgage loans are approximately \$335,826 and 6.74%, respectively. Our debt to estimated market value on all our model home properties is approximately 56.0%, excluding any loans eliminated through consolidation. We have been able to refinance maturing mortgages to extend maturity dates and we have not experienced any notable difficulties financing our acquisitions. The Company anticipates that any new mortgages used to acquire commercial properties or model homes in the near future will be at rates higher than our currently weighted average interest rate. As of September 30, 2024, we had issued one promissory note to our majority owned subsidiary, Dubose Model Home Investors 202 LP, for the refinancing of one model home property in Texas, for approximately \$0.3 million with an interest rate of 5.55% per annum and original maturity date of August 15, 2024, which was extended for another year with an interest rate of 8.0% per annum. This note payable and note receivable, including interest expense and interest income related to this promissory note, is eliminated through consolidation on our financial statements. This property was subsequently sold in October 2024, and the loan was paid in full.

Cash Flow for the nine months ended September 30, 2024, and September 30, 2023

Operating Activities: Net cash used in operating activities for the nine months ended September 30, 2024, totaled approximately \$1.0 million, as compared to cash used in operating activities of \$0.4 million for the nine months ended September 30, 2023. The change in net cash used in operating activities is mainly due to changes in net income, which fluctuates due to new leases, leasing renewals, tenant move outs and model home sales and acquisitions, as well as changes in non-cash addbacks or subtractions such as straight-line rent.

Investing Activities: Net cash provided by investing activities for the nine months ended September 30, 2024, was approximately \$10.7 million compared to approximately \$129.0 million used in investing activities during the same period in 2023. The change from each period was primarily related to the gross cash withdrawal of approximately \$114.1 million during the first quarter of 2023 for SPAC redemptions. There were no similar transactions during the nine months ended September 30, 2024. Proceeds from the sale of real estate assets total approximately \$22.3 million, net of selling costs, while cash used in real estate acquisition and capital improvement totaled approximately \$11.7 million, for the nine months ended September 30, 2024.

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We currently project that we could spend up to \$1.5 million to \$2.0 million (some of which is held in deposits reserve accounts by our lenders) on capital improvements, tenant improvements and leasing costs for properties within our portfolio during the next 12 months. Capital expenditures may fluctuate in any given period subject to the nature, extent, and timing of improvements required to the properties. We may spend more on capital expenditures in the future due to rising construction costs. Tenant improvements and leasing costs may also fluctuate in any given year depending upon factors such as the property, the term of the lease, the type of lease, the involvement of external leasing agents and overall market conditions.

Financing Activities: Net cash used in financing activities during the nine months ended September 30, 2024, was \$8.9 million compared to \$137.4 million provided by financing activities for the same period in 2023 and was primarily due to the following activities for the nine months ended September 30, 2024:

- Proceeds from mortgage notes payable, net of issuance costs totaled approximately \$13.6 million.
- Proceeds from the issuance of Series D Preferred Stock, net of offering costs, totaled approximately \$1.2 million.
- Repayment of mortgage notes payable totaled approximately \$18.9 million for the nine months ended September 30, 2024.
- Distributions to noncontrolling interest of approximately \$3.1 million for the nine months ended September 30, 2024.
- Dividends paid to Series D Preferred Stockholders of approximately \$1.7 million for the nine months ended September 30, 2024.

Off-Balance Sheet Arrangements

On July 12, 2021, the Company entered into a securities purchase agreement with a single U.S. institutional investor for the purchase and sale of 1,000,000 shares of its Series A Common Stock, Common Stock Warrants to purchase up to 2,000,000 shares of Series A Common Stock and Pre-Funded Warrants to purchase up to 1,000,000 shares of Series A Common Stock. Each share of Common Stock and accompanying Common Stock Warrants were sold together at a combined offering price of \$5.00, and each share of Common Stock and accompanying Pre-Funded Warrant were sold together at a combined offering price of \$4.99. The Pre-Funded Warrants were exercised in full during August 2021 at a nominal exercise price of \$0.01 per share. The Common Stock Warrants have an exercise price of \$5.50 per share, exercisable upon issuance and will expire five years from the date of issuance.

In connection with this additional offering, we agreed to issue the Placement Agent Warrants to purchase up to 80,000 shares of Series A Common Stock, representing 4.0% of the Series A Common Stock and shares of Series A Common Stock issuable upon exercise of the Pre-Funded Warrants. The Placement Agent Warrants were issued in August 2021, post exercise of the Pre-Funded Warrants with an exercise price of \$6.25 and will expire five years from the date of issuance.

Common Stock Warrants:

If all the potential Common Stock Warrants outstanding at September 30, 2024, were exercised at the price of \$5.00 per share, gross proceeds to us would be approximately \$10.0 million and we would as a result issue an additional 2,000,000 shares of common stock.

Placement Agent Warrants:

If all the potential Placement Agent Warrants outstanding at September 30, 2024, were exercised at the price of \$6.25 per share, gross proceeds to us would be approximately \$0.5 million and we would as a result issue an additional 80,000 shares of common stock.

January 14, 2022, was the record date with respect to the distribution of five-year listed warrants (the "Series A Warrants"). The Series A Warrants and the shares of common stock issuable upon the exercise of the Series A Warrants were registered on a registration statement that was filed with the SEC and was declared effective January 21, 2022. The Series A Warrants commenced trading on the Nasdaq Capital Market under the symbol "SQFTW" on January 24, 2022 and were distributed on that date to persons who held shares of common stock and existing outstanding warrants as of the January 14, 2022 record date, or who acquired shares of common stock in the market following the record date, and who continued to hold such shares at the close of trading on January 21, 2022. The Series A Warrants give the holder the right to purchase one share of common stock at \$7.00 per share, for a period of five years. Should warrant holders not exercise the Series A Warrants during that holding period, the Series A Warrants will automatically convert to 1/10 of a common share at expiration, rounded down to the nearest number of whole shares.

Series A Warrants:

If all the potential Series A Warrants outstanding at September 30, 2024, were exercised at the price of \$7.00 per share, gross proceeds to us would be approximately \$101.2 million and we would as a result issue an additional 14,450,069 shares of common stock.

Inflation

Leases generally provide for limited increases in rent as a result of fixed increases, increases in the consumer price index (typically subject to ceilings), or increases in the clients' sales volumes. We expect that inflation will cause these lease provisions to result in rent increases over time. During times when inflation is greater than increases in rent, as provided for in the leases, rent increases may not keep up with the rate of inflation.

However, our use of net lease agreements tends to reduce our exposure to rising property expenses due to inflation because the client is responsible for property expenses. Inflation and increased costs may have an adverse impact on our clients if increases in their operating expenses exceed increases in revenue.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, we are not required to provide disclosure pursuant to this item.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based closely on the definition of "disclosure controls and procedures" in Rule 13a-14(c). In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. In connection with the preparation and audit of the financial statements as of and for the fiscal year ended December 31, 2023, a material weakness was identified in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected on a timely basis. This material weakness primarily relates to a non-recurring significant transaction for income tax provision under ASC 740, *Income Taxes*, and comprises the following:

- We lack a formal review and approval process in connection with the annual income tax provision, specifically related to REIT and non-REIT subsidiaries and the ownership of Conduit shares received by the Company in the de-SPAC transaction on September 22, 2023.
- We did not design adequate internal controls under an appropriate financial reporting framework, including monitoring controls and certain entity level controls with regards to the income tax provision.

If this material weakness is not remediated, it could result in a misstatement of account balances or disclosures that would result in a material misstatement to the annual or interim financial statements that would not be prevented or detected. We are implementing measures designed to improve our internal control over financial reporting to remediate this material weakness, although they have not been fully remediated as of the date of this filing.

The material weakness will not be considered remediated until our remediation plan has been fully implemented, the applicable controls operate for a sufficient period of time, and we have concluded, through testing, that the newly implemented and enhanced controls are operating effectively. We commenced the remediation plan and will be documenting and implementing such plan, followed with testing such controls over time. We cannot predict the success of such efforts or the outcome of its assessment of the remediation efforts. Our efforts may not remediate this material weakness in our internal control over financial reporting, or additional material weaknesses may be identified in the future. A failure to implement and maintain effective internal control over financial reporting could result in errors in our financial statements that could result in a restatement of our financial statements and could cause us to fail to meet our reporting obligations, any of which could diminish investor confidence in us and cause a decline in the price of our common stock.

Changes in Internal Control over Financial Reporting

We are adding controls around the calculation and preparation of income tax provisions and expenses, we are engaging with third party experts, and will continually identify and monitor the taxable status of each subsidiary for annual reporting. There were no additional changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Furthermore, we do not believe that these controls have been impacted by COVID-19 related circumstances, including remote work arrangements with our employees.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors

None.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Stock Repurchase Program. While we will continue to pursue value creating investments, the Board of Directors believes there is significant embedded value in our assets that is yet to be realized by the market. Therefore, returning capital to stockholders through a repurchase program is an attractive use of capital currently. On September 15, 2022, the Board of Directors authorized a stock repurchase program of up to \$6.0 million of outstanding shares of our Series A Common Stock and up to \$4.0 million of our Series D Preferred Stock, which expired in September 2023. In November 2023, the Board of Directors authorized a stock repurchase program of up to \$6.0 million of outstanding shares of our Series A Common Stock and up to \$4.0 million of our Series D Preferred Stock which shall expire in November 2024. During the year ended December 31, 2023, the Company repurchased 23,041 shares of our Series D Preferred Stock at an average price of approximately \$16.06 per share, including a commission of \$0.035 per share, and no shares of our Series A Common Stock, for a total cost of \$0.4 million for the Series D Preferred Stock. During the nine months ended September 30, 2024, we repurchased 137,709 shares of our Series A Common Stock, for a total cost of \$97,394, with an average price of approximately \$0.7072 per share. There were no repurchases of Series D Preferred Stock during the nine months ended September 30, 2024. Any repurchased shares are treated as authorized and unissued in accordance with Maryland law and shown as a reduction of stockholders' equity at cost. The repurchased shares will be treated as authorized and unissued in accordance with Maryland law and shown as a reduction of stockholders' equity at cost. The following table contains information for shares of common stock repurchased during the nine months ended September 30, 2024.

Stock repurchases for Series A Common Stock.

Month	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
January 2024	—	\$ —	—	\$ 6,000,000
February 2024	—	—	—	6,000,000
March 2024	—	—	—	6,000,000
April 2024	—	—	—	6,000,000
May 2024	—	—	—	6,000,000
June 2024	10,446	0.729	10,446	5,992,387
July 2024	—	—	—	5,992,387
August 2024	44,190	0.679	44,190	5,962,369
September 2024	83,073	0.719	83,073	5,902,606
Total	<u>137,709</u>	\$ 0.707	<u>137,709</u>	\$ 5,902,606

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit Number	Description
31.1	<u>Certificate of the Company's Chief Executive Officer (Principal Executive Officer) pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, with respect to the registrant's Quarterly Report on Form 10-Q for the three and nine months ended September 30, 2024.</u>
31.2	<u>Certification of the Company's Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, with respect to the registrant's Quarterly Report on Form 10-Q for the three and nine months ended September 30, 2024.</u>
32.1	<u>Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS	Inline XBRL Instance Document (the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

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

Date: November 19, 2024

Presidio Property Trust, Inc.

By: /s/ Jack K. Heilbron

Name: Jack K. Heilbron

Title: Chief Executive Officer

By: /s/ Ed Bentzen

Name: Ed Bentzen

Title: Chief Financial Officer

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY
ACT OF 2002

I, Jack K. Heilbron, certify that:

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

Date: November 19, 2024

By: /s/ Jack K. Heilbron
Jack K. Heilbron,
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF PRINCIPAL FINANCIAL
OFFICER PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Ed Bentzen, certify that:

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

Date: November 19, 2024

By: /s/ Ed Bentzen
Ed Bentzen,
Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Presidio Property Trust, Inc (the "Company") on Form 10-Q for the period ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, in their capacities as CEO and CFO, respectively, of the Company that, to the best of their knowledge:

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

Date: November 19, 2024

By: /s/ Jack K. Heilbron
Jack K. Heilbron
Chief Executive Officer
(Principal Executive Officer)

Date: November 19, 2024

By: /s/ Ed Bentzen
Ed Bentzen
Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.