

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 12, 2021

Modiv Inc.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction
of incorporation)

000-55776

(Commission
File Number)

47-4156046

(I.R.S. Employer
Identification No.)

120 Newport Center Drive
Newport Beach, California

(Address of principal executive offices)

92660

(Zip Code)

Registrant's telephone number, including area code: (888) 686-6348

None

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

None

Trading Symbol(s)

None

Name of each exchange on which registered

None

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

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.

Item 8.01. Other Events.

Earnings Conference Call with Stockholders

Modiv Inc. (the “Company”) held a conference call with its stockholders on August 17, 2021 to review the Company’s Second Quarter 2021 operating results. The Company emailed an Investor Presentation to stockholders who registered for the earnings call and posted the Investor Presentation on its website at www.modiv.com. A copy of the Investor Presentation and the transcript of the August 17, 2021 conference call are attached hereto as Exhibits 99.1 and 99.2, respectively, and are incorporated herein solely for purposes of this Item 8.01 disclosure. A replay of the conference call is also available on the Company’s website at www.modiv.com.

Monthly Distributions Declared For Fourth Quarter of 2021

On August 12, 2021, the board of directors of the Company declared distributions based on daily record dates for the period October 1, 2021 through December 31, 2021 at a rate of \$0.0031507 per share per day on the outstanding shares of the Company’s Class C and Class S common stock. The Company will aggregate these daily distributions at the end of each month and pay them on November 24, 2021, December 27, 2021 and January 25, 2022, respectively. Distributions will be paid in cash or reinvested in shares of the Company’s Class C and Class S common stock for stockholders participating in the Company’s distribution reinvestment plans. The daily distribution rate of \$0.0031507 per share of Class C and Class S common stock, if paid each day for a 365-day period, reflects an annualized distribution rate of \$1.15 per share, which represents a 9.5% increase in the annual rate of distributions paid since May 22, 2020.

Safe Harbor Statement

There is no guarantee that the Company’s board of directors will declare additional distributions in the future, and the amount of future distributions, if any, and the declaration and payment thereof, will be determined by the Company’s board of directors based on the Company’s financial condition and such other factors as the board of directors deems relevant. The Company’s operating performance and the timing and amount of future distributions is subject to risks and uncertainties as described under “Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020.

Item 9.01. Financial Statements and Exhibits.

[99.1](#) Modiv Inc. Investor Presentation, Second Quarter 2021

[99.2](#) Transcript of the August 17, 2021 Earnings Conference Call with Modiv Inc. Stockholders

SIGNATURE

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

MODIV INC.
(Registrant)

WEBSTER FINANCIAL CORPORATION

By: /s/ RAYMOND J. PACINI

Name: John R. Ciulla

Title: Chief Financial Officer

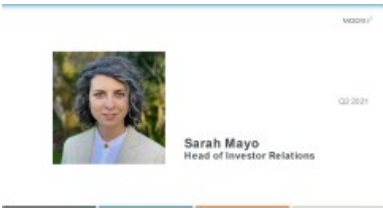
Date: August 18, 2021

Transcript of the August 17, 2021 Earnings Conference Call with Modiv Inc. Stockholders



SARAH MAYO:

Welcome to Modiv’s Second Quarter 2021 Earnings Call, and thank you for joining us.



I am Sarah Mayo, head of investor relations at Modiv. Please note, this call is being recorded, and all external participants are in a listen-only mode. In the latter part of the call, we will move to a question-and-answer session. At the bottom of your screen, you will see a button labeled “Q&A”. You are welcome to type your question into the questions box at any time during the call. We’ll do our best to get through as many questions as we can, time permitting.



Joining us today are Aaron Halfacre, our Chief Executive Officer; Ray Pacini, our Chief Financial Officer; and Mitch Germain, our Chief Capital Officer.



Additionally, I am pleased to announce that our Board of Directors has approved a 10 cent per share per year increase to our annual dividend beginning in the fourth quarter of this year. The new annual dividend of \$1.15 per share per year reflects a nearly 10% increase over our current dividend rate. This increase is separate and distinct from our 13th dividend that will be paid in early 2022. Similar to our share price recovery, we believe that our dividend is well positioned for continued positive momentum as we look ahead. For all of those investors who have been patient with our progress following the “black swan” event from last year, we thank you for your trust and confidence in our ability to execute our growth strategies.



Given our results, many of you have asked if Modiv would be made available to non-accredited investors. Well, we heard you and I am happy to announce that we recently filed with the SEC to convert to a Reg A offering allowing Modiv to be available to non-accredited and accredited investors alike. Effective today, the SEC has qualified our Reg A offering and investments can now be accepted. Not only does this change open Modiv up to a much larger audience of investors, but it also makes the investment process a lot less onerous as the SEC’s definition of accredited investor unfortunately required a rather invasive financial disclosure for any new investment. Luckily, the investment process will no longer be arduous and eligible investors, no matter if they are big, small, experienced or new, will be able to seek new and repeat investments in Modiv shares. This is good news and we are excited about providing this increased access to Modiv for you and other prospective investors.

One thing is certain, every decision is formulated with an investor-first mentality. And we will continue to adhere to industry-leading transparency; something we feel is lacking from many of our non-traded real estate peers. Further, we urge shareholders to visit our website, www.modiv.com, and our social media platforms on LinkedIn, YouTube, Instagram, Twitter and Facebook. We are continually providing new resources and materials about the company, educational and inspirational content, and our latest thoughts on market trends.

Our Chief Financial Officer, Ray Pacini, will now provide some commentary on our financial results. Subsequently, our Chief Capital Officer, Mitch Germain, will provide commentary on the real estate sector, operating portfolio and our NAV. I will conclude with some closing thoughts before we open up for Q&A.

RAY PACINI:



RAY PACINI
Chief Financial Officer

Thank you Aaron, and I appreciate everyone joining the call. I plan to focus my discussion on second quarter financial results, our balance sheet, asset recycling activity, and the dividend.



Q2 Earnings

Q2 2021 and earnings above prior year Q2 2020

- 1. Reduced share count from redemptions activity
- 2. Interest expense savings from recent debt refinancing
- 3. Continued tax elections

AFFO per Share

Year	AFFO per Share
2021	\$0.41
2020	\$0.32

RAY PACINI
Chief Financial Officer

RAY PACINI
Chief Financial Officer

During last quarter’s call, we introduced the concept of Adjusted Funds from Operations, or AFFO, which is discussed in the Management’s Discussion and Analysis section of our annual and quarterly reports filed with the SEC. AFFO is a financial metric that is commonly employed by the publicly traded REIT sector to provide insight into a REIT’s cash flows. For the second quarter of 2021, AFFO per share was \$0.41, which represents 28% growth over the comparable period in 2020 and 46% over the first quarter of 2021. These increases were due to a combination of factors including interest expense savings and lower share count and resulted in an increase in our dividend coverage ratio from 106% for the first quarter of 2021 to 131% for the second quarter. Year-to-date, AFFO of \$0.69 is below year-ago levels due mostly to lower rental income as a result of asset sales activity which I will discuss momentarily.



Finally, with regards to our dividend, in conjunction with today's call we filed an 8-K with the SEC disclosing an increase to the annual dividend rate, from \$1.05 to \$1.15 per share. This change, which is effective beginning October 1, 2021, represents an approximate 9.5% increase in the annual rate. The Board authorized this higher dividend due to increased confidence in the broader economy, upside from recent portfolio management initiatives, and lower debt financing costs. The new dividend represents a 4.4% yield on our most recent Net Asset Value per share. Further, our forecasted coverage ratio for the year is healthy at 129%, offering assurance that this increased dividend is sustainable from the in-place cash flows of our operating portfolio.

In addition, we have previously disclosed our plan to pay a 13th dividend in January 2022. This additional dividend will be determined by a combination of financial results for the current year and consideration of cash needs for the platform in 2022. Only stockholders that hold our shares on the dividend declaration date in January 2022 would be eligible to participate, with a payment determined by the number of days the shares were held throughout the 2021 calendar year.

In conclusion, we remain optimistic about the trajectory of earnings, and our financial position. Thank you and I will now turn the presentation over to my colleague Mitch Germain, our Chief Capital Officer.

MITCH GERMAIN:



Thanks Ray and hello everyone. I am pleased to have the opportunity to provide some insight on the broader real estate sector, Modiv's operating portfolio, and recently announced Net Asset Value per share.

Just one year ago, prospects of a Covid-19 vaccine were bleak, and the pandemic was continuing to add doubt to the economic outlook. Fast forward to today, the economy is growing at an above-average clip, over 3 million jobs have been created on the year, while retail sales have surged above pre-pandemic levels. All of these are positive indicators for commercial real estate demand. Asset values have remained steady and, in some cases, have expanded, driven by low interest rates, ample liquidity within the capital markets, and growing institutional allocations to commercial real estate.

As for the public REIT market, REIT stocks are outperforming broader equity markets for the year, reversing a three-year period of underperformance. Publicly-traded REITs are generally trading above their Net Asset Value per share estimates, spurring both capital raising activity and Mergers and Acquisitions. M&A activity generally indicates that the market's demand for assets is outpacing supply, thereby leading companies to acquire whole portfolios rather than individual assets. M&A volumes have been elevated for the year, with over 10 transactions and roughly \$90B of deal volumes across multiple property sectors.



With regards to our operating portfolio, we are encouraged by the performance in the second quarter and believe we are positioned for future success. Our 38-property portfolio continues to be fully occupied with rent collections at 100%. We believe these strong attributes are supported by our high-quality tenant roster, with two-thirds of our rents received from investment-grade rated tenants, while many of our properties house an essential service for our tenants.



Leasing for the quarter was limited, though we addressed our lone 2021 lease expiration, executing an extension with the San Antonio Early Childhood Education Municipal Development Corporation for a state-funded pre-school facility that serves approximately 400 students. This was a good outcome for this property, as we were able to extend the lease term for eight additional years, which aligns with our strategy of lengthening the weighted-average lease term of the operating portfolio, which currently resides at over 5 1/2-years, while preserving a relationship with a high-quality tenant. In addition, we are in discussions with tenants who have leases expiring in 2022 and 2023 and look forward to updating you with successful outcomes in the coming quarters.

I will now turn the presentation over to our Chief Executive Officer, Aaron Halfacre for closing remarks.

AARON HALFACRE:



Thanks Mitch. Before we move on to Q&A I wanted to take some time to update you on a number of key topics and address several matters that have been conveyed by our shareholders.

Let's start with the second quarter operating results we just discussed. These results reinforce our view that Modiv is well-positioned, with durable cash flows supporting our dividend and a strong balance sheet. Our ongoing portfolio management efforts have streamlined the portfolio, reduced our exposure to weaker assets, and created new opportunities that are designed to enhance our NAV. As a fellow investor who made a substantial cash investment in our shares BEFORE Covid-19 impacted our share price, I am encouraged by our progress and remain optimistic about our future.



Beyond our portfolio's progress and the market's continued recovery, my optimism is fueled by the changes I see coming in the real estate crowdfunding industry and how well positioned Modiv is to participate in those changes. Recently, at multiple industry events, I have spoken about how the real estate crowdfunding industry is truly beginning to gain wider awareness and stronger momentum. The industry is less than 10 years old and is already seeing over a billion dollars of annual transaction volume. There are many parallels to the traditional financial service industry, particularly as it relates to the evolution of companies like Charles Schwab, Vanguard and Fidelity. As those three companies harnessed the benefits of technology, they were able to increase investor access and lower the costs inherent with investing in stocks and bonds. From there they grew into industry giants with substantial value and profitability. Similarly, real estate crowdfunding platforms are beginning to do the same for individual investors seeking exposure to commercial real estate. In a way, Modiv is a great example of this industry evolution. Through the use of technology, we have become the largest crowdfunded equity REIT and we did so without costly trading commissions or placement fees. Further, because of our investor first focus, we have eliminated the onerous external management and transaction fees that many of our competitors still charge. Ultimately though, the biggest potential benefit is the fact that you each of you, as Modiv shareholders, owns the crowdfunding platform alongside our income producing real estate. No other company can make that claim. If the industry evolution continues, making real estate crowdfunding platforms more valuable, that increased value will be embedded in Modiv's share price.

We believe our investor alignment is unprecedented in the sector. We are the only fully internalized real estate crowdfunding platform in existence and also the only one to have implemented corporate governance that mirrors that of publicly traded companies. This alignment with our shareholders, as well as our financial transparency, remain hallmarks of our value proposition. Additionally, our team is best in class. Our company has attracted highly reputable talent on both the operating and administrative sides of our business that benefit positions Modiv as we execute on our growth strategy. Much of our team has joined from larger commercial real estate organizations, with a common belief in our vision and outlook.

We view crowdfunding as not just an enabler, but a disruptor of traditional capital raising. Crowdfunding offers investors an opportunity to participate in commercial real estate typically only available to high-net-worth individuals or institutions. Given Modiv's unique structure in this unique industry, we will continue to look for opportunities to acquire, merge or invest in other crowdfunding platforms and other real estate businesses that could accelerate the industry evolution and create shareholder value.



Before we take your questions, I also want to take the opportunity to address the balancing act between seeking out new investment opportunities and processing redemption requests. We understand many of our shareholders have been invested in Modiv for several years and, from time to time, some investors may seek to redeem their investment. Our role as a fiduciary requires that we carefully balance our commitment to offering investors the benefit of liquidity with the need to maintain our investment strategy in line with the goals and ambitions of the investors who want to keep their funds with Modiv. Said differently, if we never redeemed any investors and only made new property acquisitions, then we would not be serving those investors who seek liquidity. Conversely, if we simply redeemed every request without growing the portfolio, then we would not be serving those investors who are invested for the future. To that end, we have been addressing a proportionate share of any redemption requests on a monthly, ongoing basis. Obviously non-listed real estate is less liquid than the stock market, but we do not know of another real estate crowdfunding platform that offers investors the same level of liquidity that we have been able to provide.

We are bullish on Modiv's outlook. We are enthusiastic about the growth prospects of our operating portfolio, continue to underwrite an attractive number of potential acquisitions, and see meaningful upside to our NAV. As we discussed on our first quarter conference call, we are gearing toward a liquidity event as early as the next 18 to 24 months. Although there can be no guarantees, this would likely be in the form of a direct listing on a public stock exchange. Listing on a national exchange would provide our shareholders increased liquidity, while allowing the market to appropriately value both the real estate and technology embedded within the REIT.

I wish to thank each of you for joining us today and for entrusting us with your investment. We are highly motivated to do well for each of you. I also want to take this opportunity to thank the Modiv team for their hard work. Finally, I want to wish everyone and their loved ones the very best of health.



SARAH MAYO:

Thank you Aaron and now let's open the call up for investor Q&A. As a reminder to those of you who are dialed into the call, you may submit any questions you have by typing them into the Q&A box accessible by clicking the button, labeled Q&A located at the bottom of your screen. We'll try to get through as many questions today as we can, but in the event that we don't get to your question, we will follow up with you directly after the call.

The first question that we have here when I look at the broader commercial real estate industry, it seems that the impacts of COVID may not have been uniformly felt by all of our peers. Can you discuss some of the differences and the reasons behind them and Aaron, would you take that one please?

AARON HALFACRE:

Sure Sarah. It looks like that question came from Charles and he is right that the commercial real estate industry has had what I call an idiosyncratic impact by COVID-19. If you look at apartments, as an example, they did quite well, despite the eviction moratorium, as the demand for residential housing has been very strong during this period of time, particularly given low rates. We've also seen self-storage relatively immune from the COVID pandemic. If you think about self-storage, it was not really impacted by COVID, as, generally speaking, your belongings are still going to sit in a storage shed and you're still gonna pay your monthly storage fee. It's the other commercial real estate sectors, primarily industrial, office and retail, that had the greatest impact. Going back to what I've said before, the COVID-19 shelter in place mandates that we received by non-economically incented government entities had the biggest impact on commercial real estate as those mandates forbade a commercial tenant from using its property to interact with its people, be they customers for a retail location or employees at an office building. That period of use uncertainty caused a ripple in near-term valuations and had an impact on the supply/demand equation.

So if I'm a retail location, you know the people that come into my building are customers. If I'm an office building, it's going to be my employees and not being able to do that for some period of time really through an interim wrench into the valuations. As a landlord you were tasked with understanding if you would be able to collect rent and if so, how much. Will people want to renew their leases once they're up for renewal? Obviously we got through that, properties started to open back up and the market started to transact again. I do think on the margin with the Delta variant, there are concerns or fears, I would say by some landlords or some tenants that they might be forced to shut down again, but all signs right now suggest that we're looking okay.

I think as it relates to our portfolio and the impact we had, I think the biggest driver was the fact that we have near term lease renewals, or these leases are set to expire unless we get them renewed. Now that's going to happen regardless. And, you know, if you have an eight year lease and you bought it, you bought it six years ago. You've got two years left remaining, but when you look at it from a valuation standpoint, Cushman and Wakefield, or any independent appraiser, is going to increase the probability or chance that you could have an outcome where the tenant doesn't renew or they renew for less rent than anticipated. This is particularly true as it relates to office buildings, because we're all still seeing topics about will traditional office use remain and recover. I'd say that we feel confident about our renewals, but they're still an overhang, right? They're still impacting our valuation, and any success we have in obtaining lease renewals will positively impact our portfolio and NAV per share.

SARAH MAYO:

Thank you, Aaron. Next question I'll put to you as well. I'm paraphrasing from one sent in by Bob "with the fed printing money devaluing the dollar and driving inflation, how do you see this impacting both current and future real estate investments?"

AARON HALFACRE:

Yeah, so historically inflation has been a favorable characteristic for real estate given that it is a hard asset. It tends to be a good inflation hedge, net lease assets that have the ability to reprice their rents. So either through a lease renewal or through automatic rent bumps, commercial real estate can be seen as an inflation hedge. So I'd say that you're starting to see more and more headlines about inflation and I think that historically has always boded well for real estate. You know, it's interesting right now, given how much the fed is printing money. Given the fact that we have seen signs of sort of inflationary price increases, you know, treasury bonds or corporate bonds usually trade poorly in those environments, but they've been trading quite well and yields have been very low. I think this is due to the fact that there's just a really strong demand for income producing product out there that even though we have inflationary pressures going on generally speaking, the investing public in America does not have a big concern that the fed is going to mishandle the economy by teetering us into some sort of an inflationary spiral. So I think the demand for income based products, even if those income rates might be lower in the future. Investors are still clamoring for income, so generally speaking, I'm optimistic about inflationary pressures, even if they exist, that it's good for a real estate portfolio.

SARAH MAYO:

The next question we're taking from Owen, this question is, are any investments threatened by possible chapter 11 bankruptcy and are properties cross-collateralized? Thinking of Harley Davidson or Dollar General, et cetera, how would you manage through that? And Ray, would you take this please?

RAY PACINI:

Of course, fortunately all of our tenants businesses are performing well, and we do not foresee any potential bankruptcy filings on the horizon. While six of the Dollar Generals are cross-collateralized, there's only \$3.7 million of debt on these six properties and the Dollar General stores in particular have done extremely well since the pandemic first struck back in March of 2020. So the bottom line is, we're not worried about any of our tenants.

AARON HALFACRE:

I'd add to that, that last year we saw some weaker tenancy. We saw some credits that were sort of not national chains, or they were just, for some reason, had some weakness. And I'm not talking about the 24 Hour Fitness, which clearly was impacted by bankruptcy, but just other tenants that we saw some signs of weakness. Those are the assets. And we've described that we sold, those are the assets we sold. The pricing had improved, there were 1031 buyers out there, so we took advantage of that, knowing that we didn't want to have to weather any future storms with that type of tenancy. Now we're comfortable with the portfolio, today it feels strong. We don't see the need to sell anything unless we got some crazy pricing that was just too good to pass up. We think we're in a good spot. And we think, you know, knock on wood, that there are no indications from these tenants that they have any sort of bankruptcy risk.

SARAH MAYO:

Thank you. Next question is from Vincent, please elaborate on the sale of the Cedar Park, Texas property such as the reasons for the sale.

AARON HALFACRE:

Yeah, so Cedar Park, which is a suburb of Austin, that property was actually originally custom built for a company called Dana. Dana was building electric vehicle transmissions in there, and in 2019, they indicated that they were going to close that division down. Over the course of the latter part of 2019, they vacated the building. Now they were still paying the rent, but it was empty and we knew that they were not going to renew their lease. We negotiated a deal with Dana that would shorten their remaining lease term in exchange for us being able to control the property, to try to either get it re-leased to a new tenant or sold. So in 2020 we took over the leasing activity of the property. When we went out to try to get a new tenant in the building, we actually found people who were interested in acquiring the asset. So, not wanting to first necessarily sell it, we suggested a very high price that was materially above the NAV or the appraised value of the asset. And to our surprise, the people agreed on that. And I think Ray said it was over 15% above the NAV, which is pretty substantial. So we ultimately chose to sell that asset. The purchase price was \$10 million. The benefit is we also still get a residual payment from Dana so that asset disposition was strategic for us. If we had found a new tenant who wanted to sign a long-term lease, we probably would have had to come out of pocket, because normally they want what are called tenant improvements, where they want you to fix up the property or do something specific to their occupancy. So not only did we not have to incur a cash outlay, but we received far more cash than we thought we would have by the sale of that asset.

SARAH MAYO:

Thank you, Aaron. We are at the 10:30 mark, so I do want to be respectful of everyone's time. We'll go over time today. We'll get through as many more questions as we can cause there are a lot of good ones here. The next question is from Donald, please talk about the size of the portfolio and the leverage guidelines that are employed when acquiring properties and Ray could you speak to this?

RAY PACINI:

Yes, we have \$405 million of real estate today and limit our overall leverage to 55% although our current leverage is only 49%. We could borrow 60 to 65% on individual properties, but we will not exceed the overall cap of 55% leverage.

SARAH MAYO:

Thank you. Next question was asked by a couple of different people. Michael and Daniel were both wondering how long does one need to keep shares before they can be redeemed with no fees charged. And I'm happy to take this one. So if an investor makes a request to have shares repurchased that they've held for less than two years, Modiv will charge a 2% admin fee. Any shares held longer than two years at the time of repurchase will not trigger that fee.

Next question here from Mike, could you describe Cushman and Wakefield's appraisal process and the variety of factors that go into determining Modiv's NAV or net asset value? Aaron, would you take that?

AARON HALFACRE:

Sure. Cushman & Wakefield surveys the net lease marketplace for current information on capitalization rates for each of the different asset classes, office, industrial retail. They evaluate the net operating income of our particular properties over the next 12 months. So the forward looking 12 months, but then they also consider the remaining lease term of each property. So like I mentioned before, if there's a lease renewal on the horizon that impacts their valuation expectations, and then they look at the likelihood of renewals and at what rates those would be renewed. And then what the prevailing cap rate would be. So they apply all this to the properties NOI, and then that's how they come up with an appraised value. So they're using standardized appraisal methodologies. This is what you would do if you're getting a bank loan on a property, or you're getting an independent valuation. However, it is not an actual market determination. So it's not necessarily what it would sell for today because that's only determined by actual buyers and sellers. For instance, we've seen instances where someone will pay above the appraisal because they liked the asset so much. We've seen others who will pay below the appraisal because they just don't value it the same. So supply and demand is ultimately the best form of valuation, but in this world, in the REIT space, independent valuations by appraisers are the next best proxy.

SARAH MAYO:

Okay. Kind of related on the topic of the NAV, this question is coming from Jason, the real estate, cash and other assets do not indicate whether those values increased or decreased. Can you please elaborate? Ray, would you grab that?

RAY PACINI:

Yes. So the real estate values increased by \$20 million, cash increased by \$300,000 and other assets declined by \$7.3 million reflecting collections of receivables and the amortization of prepaid expenses.

SARAH MAYO:

Thank you. Okay. So the next question from Larry, not including stock based compensation, how much, if any new personal investment money has Modiv leadership invested in Modiv's common shares this calendar year?

AARON HALFACRE:

Yeah, that's a good question. So, you know, I'm a sort of, a lot of eggs in one basket kind of guy. And so I think calendar year to date, I've spent \$75,000 of my own cash to buy shares. I know several other of our directors, as well as employees have done so also. I think I've put over a million dollars of cash money pre COVID. So I have the same high NAV purchase price that all you had. Additionally, even though I noticed that you said, not to include stock based compensation, I waived my salary for the second half of last year. So I took no salary as soon as COVID hit. I took no salary until we had gotten ourselves stabilized. And then I actually chose to take the vast majority of my compensation in shares. So I have well aligned my interests. Some may argue that I have too much exposure, but I believe in the company and I don't mind putting my money where my mouth is.

SARAH MAYO:

Thanks, Aaron. Next question here is asked by David and a couple others. When do you anticipate reestablishing the monthly contribution vehicle? I'm happy to grab this one. So the feature David is referring to is called our automatic investment program, and we needed to disable that for a period of time while we made some updates to our website's back end. However, we're very pleased to share that we're near readiness to relaunch this feature. So keep an eye on your email. We'll be sending out an announcement in the coming days. What this will mean for investors is that you'll be able to set up automatic investments of at least \$100 or more each month.

Last question here, Aaron, I'll put to you I've heard that Modiv might be purchased by another firm. So what does that mean to an investor like myself?

AARON HALFACRE:

So I don't know of any rumors about someone acquiring us. However, in this environment, I suppose anything's possible, right? As a reminder, we're fully internalized. What that means is that, you know, myself and Sarah and Ray and everyone here, we work for you. We are not an external advisor. We are not managing this entity from afar and getting paid fees by you to do so. We are employees of this organization of which you are the owners. And so our fiduciary duty is always, and will always be what is in the best interest of our shareholders in terms of if the long-term best prospect of you maximizing your dollars is that someone comes to us and wants to acquire the company and they're willing to pay a premium for that company above and beyond what we think can be manifest by the normal activities, then it's the duty of the board of directors, as well as the employees to evaluate that and consider that. That being said, there is nothing on the table. My view is that, as I mentioned in my prepared comments, that there's an industry change going on. I think there's going to be consolidation in this space. I think there's going to be scale achieved. Modiv is the manifestation of M&A, we have merged other entities together to become the stronger entity, and we will continue to look to do that with other entities. So if there's an opportunity for us to acquire, we will certainly try to take advantage of that if we think it's going to create shareholder value, but the inverse is true as well. If we're not acquiring, then we could be acquired. And if we are acquired, then that means that's a positive outcome to our investors, because that could take many forms. It could be an all cash transaction or it could be a share transaction. There could be all kinds of things. There isn't, again, repeat, there is nothing on the horizon that I know of, but we are not afraid of any of those things because those are designed to maximize shareholder value. I think the unique prospect that we have is that the crowdfunding platform that we built, which also created this REIT, is owned by you within your Modiv shares in addition to the real estate. So we are perfectly designed, unlike a lot of the other competitors, perfectly designed to capture that value. So if someone sees a strategic value in real estate crowdfunding, and they will also want to own real estate and, let's just make it a completely theoretical example to say, Blackstone just wants to get into the space., then we're a very good vehicle for that because we have everything in one entity. That doesn't mean that it's going to happen, but it could happen. We're always receptive to those types of things, but we think we have a very good growth plan. Our strategic plan has already recovered value and we think there's a lot more recovery in the NAV. We think there's recovery in the dividend. We're pleased with our dividend announcement as well as opening the investor access back to non-accredited investors. Positive signs that we're encouraged by and we also have some additional investment products that we are going to be launching in the future that we think are going to gain more traction and therefore over time, create more value for shareholders.

SARAH MAYO:

Thank you. I think we better wrap up the Q&A at this point. Anyone who has submitted a question that we didn't get to thank you for submitting it. We will follow up with you in the next few days here directly. Aaron, are there any final comments you'd like to share?

AARON HALFACRE:

Really sort of want to hone in on being grateful for people's patience. No one likes to be impacted by extraneous events. No one, myself included, liked the impact that we had last year from COVID-19. We've been working very hard, very diligently to get the portfolio, not only just healthy, but poised for even more growth. And that just takes time. And I appreciate those investors who have been patient who have been kind, who took a wait and see approach and then started to make more investments. Now I obviously understand those investors who have been upset, who have been foul mouthed and who have said nasty things at times. I understand that it's your money. We appreciate that fact. You don't want the loss. I don't want a loss. I don't view these losses as being permanent. I think we have a good road ahead of us and, but it is going to require more patience and hopefully some enthusiasm by investors too. So thank you all very much. And looking forward to the next earnings call and any other announcements we make before then.

SARAH MAYO:

Thank you, Aaron. The earnings call has now concluded. Thank you for participating. A recorded copy of this call will be made available on our website at www.modiv.com. You may now disconnect.

The screenshot shows a video conference interface. At the top right, the MODIV logo is visible. On the left, there are three video thumbnails. The top one shows Sarah Mayo, with her name and title 'Asst. of Investor Relations' below it. Below her are two smaller thumbnails for Aaron Haffner (Chief Executive Officer) and Roy Paniel (Chief Financial Officer). To the right of the thumbnails, the text 'Q2 2021' is displayed. At the bottom of the interface, a dark blue slide is shown with the word 'MODIVATED' in large, light blue, stylized letters. Below the slide, the MODIV logo and company information are visible: 'www.modiv.com | 800-866-6248', '100 PARKWAY CENTER DRIVE | FARMINGTON, CT 06030', and 'www.modiv.com | 800-866-6248'.

The slide features the word 'MODIVATED' in a large, light blue, stylized font. Below it, the MODIV logo is displayed, followed by the company's website 'www.modiv.com' and phone number '800-866-6248'. The address '100 PARKWAY CENTER DRIVE | FARMINGTON, CT 06030' is also listed. At the bottom of the slide, the text 'www.modiv.com | 800-866-6248' is repeated.