
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 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 March 31, 2022

OR

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number 001-09279

ONE LIBERTY PROPERTIES, INC.

(Exact name of registrant as specified in its charter)

MARYLAND

(State or other jurisdiction of
incorporation or organization)

13-3147497

(I.R.S. employer
identification number)

60 Cutter Mill Road, Great Neck, New York

(Address of principal executive offices)

11021

(Zip code)

(516) 466-3100

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	OLP	New York Stock Exchange

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

Accelerated filer

Non-accelerated filer

Smaller reporting company

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.

Yes No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of May 3, 2022, the registrant had 21,126,314 shares of common stock outstanding.

[Table of Contents](#)

One Liberty Properties, Inc. and Subsidiaries
Table of Contents

	<u>Page No.</u>
Part I — Financial Information	
Item 1. Unaudited Consolidated Financial Statements	
Consolidated Balance Sheets — March 31, 2022 and December 31, 2021	1
Consolidated Statements of Income — Three months ended March 31, 2022 and 2021	2
Consolidated Statements of Comprehensive Income — Three months ended March 31, 2022 and 2021	3
Consolidated Statements of Changes in Equity — Three months ended March 31, 2022 and 2021	4
Consolidated Statements of Cash Flows — Three months ended March 31, 2022 and 2021	5
Notes to Consolidated Financial Statements	7
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	24
Item 3. Quantitative and Qualitative Disclosures About Market Risk	35
Item 4. Controls and Procedures	36
Part II — Other Information	36
Item 6. Exhibits	36

Part I — FINANCIAL INFORMATION

Item 1. Financial Statements

ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands, Except Par Value)

	March 31, 2022	December 31, 2021
	(Unaudited)	
ASSETS		
Real estate investments, at cost		
Land	\$ 178,681	\$ 180,183
Buildings and improvements	663,587	657,458
Total real estate investments, at cost	842,268	837,641
Less accumulated depreciation	164,505	160,664
Real estate investments, net	677,763	676,977
Property held-for-sale	1,270	1,270
Investment in unconsolidated joint ventures	10,288	10,172
Cash and cash equivalents	11,442	16,164
Unbilled rent receivable	14,166	14,330
Unamortized intangible lease assets, net	19,912	20,694
Escrow, deposits and other assets and receivables	15,288	13,346
Total assets ⁽¹⁾	<u>\$ 750,129</u>	<u>\$ 752,953</u>
LIABILITIES AND EQUITY		
Liabilities:		
Mortgages payable, net of \$3,292 and \$3,316 of deferred financing costs, respectively	\$ 397,848	\$ 396,344
Line of credit, net of \$162 and \$216 of deferred financing costs, respectively	4,978	11,484
Dividends payable	9,585	9,448
Accrued expenses and other liabilities	17,533	18,992
Unamortized intangible lease liabilities, net	10,335	10,407
Total liabilities ⁽¹⁾	<u>440,279</u>	<u>446,675</u>
Commitments and contingencies		
Equity:		
One Liberty Properties, Inc. stockholders' equity:		
Preferred stock, \$1 par value; 12,500 shares authorized; none issued	—	—
Common stock, \$1 par value; 50,000 shares authorized; 20,392 and 20,239 shares issued and outstanding	20,392	20,239
Paid-in capital	324,689	322,793
Accumulated other comprehensive income (loss)	260	(1,513)
Distributions in excess of net income	(36,423)	(36,187)
Total One Liberty Properties, Inc. stockholders' equity	308,918	305,332
Non-controlling interests in consolidated joint ventures ⁽¹⁾	932	946
Total equity	309,850	306,278
Total liabilities and equity	<u>\$ 750,129</u>	<u>\$ 752,953</u>

(1) The Company's consolidated balance sheets include assets and liabilities of consolidated variable interest entities ("VIEs"). See Note 6. The consolidated balance sheets include the following amounts related to the Company's consolidated VIEs: \$10,365 and \$10,365 of land, \$18,289 and \$18,472 of building and improvements, net of \$5,140 and \$4,957 of accumulated depreciation, \$3,244 and \$3,580 of other assets included in other line items, \$19,021 and \$19,193 of real estate debt, net, \$1,216 and \$1,350 of other liabilities included in other line items and \$932 and \$946 of non-controlling interests as of March 31, 2022 and December 31, 2021, respectively.

See accompanying notes to consolidated financial statements.

ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, Except Per Share Data)
(Unaudited)

	Three Months Ended	
	March 31,	
	2022	2021
Revenues:		
Rental income, net	\$ 21,531	\$ 20,684
Lease termination fees	25	132
Total revenues	<u>21,556</u>	<u>20,816</u>
Operating expenses:		
Depreciation and amortization	5,843	5,757
General and administrative (see Note 9 for related party information)	3,792	3,642
Real estate expenses (see Note 9 for related party information)	3,687	3,686
State taxes	74	75
Total operating expenses	<u>13,396</u>	<u>13,160</u>
Other operating income		
Gain on sale of real estate, net	4,649	—
Operating income	<u>12,809</u>	<u>7,656</u>
Other income and expenses:		
Equity in earnings (loss) of unconsolidated joint ventures	116	(22)
Other income (see Note 13)	926	170
Interest:		
Expense	(4,306)	(4,634)
Amortization of deferred financing costs	(205)	(213)
Net income	9,340	2,957
Net (income) loss attributable to non-controlling interests	(17)	5
Net income attributable to One Liberty Properties, Inc.	<u>\$ 9,323</u>	<u>\$ 2,962</u>
Weighted average number of common shares outstanding:		
Basic	<u>20,379</u>	<u>20,003</u>
Diluted	<u>20,541</u>	<u>20,061</u>
Per common share attributable to common stockholders:		
Basic and Diluted	<u>\$.44</u>	<u>\$.13</u>
Cash distributions per share of common stock	<u>\$.45</u>	<u>\$.45</u>

See accompanying notes to consolidated financial statements.

ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)
(Unaudited)

	Three Months Ended	
	March 31,	
	2022	2021
Net income	\$ 9,340	\$ 2,957
Other comprehensive income		
Net unrealized gain on derivative instruments	1,775	1,501
Comprehensive income	11,115	4,458
Net (income) loss attributable to non-controlling interests	(17)	5
Adjustment for derivative instruments attributable to non-controlling interests	(2)	(3)
Comprehensive income attributable to One Liberty Properties, Inc.	<u>\$ 11,096</u>	<u>\$ 4,460</u>

See accompanying notes to consolidated financial statements.

ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands, Except Per Share Data)
(Unaudited)

	Common Stock	Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Distributions in Excess of Net Income	Non-Controlling Interests in Consolidated Joint Ventures	Total
Balances, December 31, 2020	\$ 19,878	\$ 313,430	\$ (5,002)	\$ (37,539)	\$ 1,193	\$ 291,960
Distributions – common stock						
Cash – \$.45 per share	—	—	—	(9,329)	—	(9,329)
Restricted stock vesting	130	(130)	—	—	—	—
Contribution from non-controlling interest	—	—	—	—	20	20
Distributions to non-controlling interests	—	—	—	—	(13)	(13)
Compensation expense – restricted stock and RSUs	—	1,343	—	—	—	1,343
Net income (loss)	—	—	—	2,962	(5)	2,957
Other comprehensive income	—	—	1,498	—	3	1,501
Balances, March 31, 2021	<u>\$ 20,008</u>	<u>\$ 314,643</u>	<u>\$ (3,504)</u>	<u>\$ (43,906)</u>	<u>\$ 1,198</u>	<u>\$ 288,439</u>
Balances, December 31, 2021	\$ 20,239	\$ 322,793	\$ (1,513)	\$ (36,187)	\$ 946	\$ 306,278
Distributions – common stock						
Cash – \$.45 per share	—	—	—	(9,559)	—	(9,559)
Restricted stock vesting	131	(131)	—	—	—	—
Shares issued through equity offering program - net	17	546	—	—	—	563
Shares issued through dividend reinvestment plan	5	156	—	—	—	161
Distributions to non-controlling interests	—	—	—	—	(33)	(33)
Compensation expense – restricted stock and RSUs	—	1,325	—	—	—	1,325
Net income	—	—	—	9,323	17	9,340
Other comprehensive income	—	—	1,773	—	2	1,775
Balances, March 31, 2022	<u>\$ 20,392</u>	<u>\$ 324,689</u>	<u>\$ 260</u>	<u>\$ (36,423)</u>	<u>\$ 932</u>	<u>\$ 309,850</u>

See accompanying notes to consolidated financial statements.

[Table of Contents](#)

ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)
(Unaudited) (Continued on Next Page)

	Three Months Ended March 31,	
	2022	2021
Cash flows from operating activities:		
Net income	\$ 9,340	\$ 2,957
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of real estate, net	(4,649)	—
(Increase) decrease in unbilled rent receivable	(378)	95
Amortization of intangibles relating to leases, net	(189)	(232)
Amortization of restricted stock and RSU compensation expense	1,325	1,343
Equity in (earnings) loss of unconsolidated joint ventures	(116)	22
Distributions of earnings from unconsolidated joint ventures	—	100
Depreciation and amortization	5,843	5,757
Amortization of deferred financing costs	205	213
Payment of leasing commissions	(798)	(71)
(Increase) decrease in escrow, deposits, other assets and receivables	(1,375)	1,167
(Decrease) increase in accrued expenses and other liabilities	(377)	102
Net cash provided by operating activities	<u>8,831</u>	<u>11,453</u>
Cash flows from investing activities:		
Purchase of real estate	(8,166)	—
Improvements to real estate	(1,778)	(512)
Investments in ground leased property	(271)	(430)
Net proceeds from sale of real estate	9,555	—
Insurance recovery proceeds due to casualty loss	918	300
Net cash provided by (used in) investing activities	<u>258</u>	<u>(642)</u>
Cash flows from financing activities:		
Scheduled amortization payments of mortgages payable	(3,380)	(3,520)
Repayment of mortgage payable	—	(2,074)
Proceeds from mortgage financing	4,860	—
Proceeds from sale of common stock, net	563	—
Proceeds from bank line of credit	8,000	2,500
Repayment on bank line of credit	(14,560)	—
Issuance of shares through dividend reinvestment plan	161	—
Payment of financing costs	(125)	(6)
Capital contribution from non-controlling interest	—	20
Distributions to non-controlling interests	(33)	(13)
Cash distributions to common stockholders	(9,422)	(9,261)
Net cash used in financing activities	<u>(13,936)</u>	<u>(12,354)</u>
Net decrease in cash, cash equivalents and restricted cash	(4,847)	(1,543)
Cash, cash equivalents and restricted cash at beginning of year	16,666	13,564
Cash, cash equivalents and restricted cash at end of period	<u>\$ 11,819</u>	<u>\$ 12,021</u>
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest expense	\$ 4,332	\$ 4,613
Supplemental disclosure of non-cash investing activity:		
Purchase accounting allocation - intangible lease assets	\$ 568	\$ —
Purchase accounting allocation - intangible lease liabilities	(269)	—

ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)
(Unaudited) (Continued)

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows:

	March 31,	
	2022	2021
Cash and cash equivalents	\$ 11,442	\$ 11,245
Restricted cash included in escrow, deposits and other assets and receivables	377	776
Total cash, cash equivalents and restricted cash shown in the consolidated statement of cash flows	\$ 11,819	\$ 12,021

Restricted cash included in escrow, deposits and other assets and receivables represents amounts related to real estate tax and other reserve escrows required to be held by lenders in accordance with the Company's mortgage agreements. The restriction on these escrow reserves will lapse when the related mortgage is repaid.

See accompanying notes to consolidated financial statements.

ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
MARCH 31, 2022

NOTE 1 – ORGANIZATION AND BACKGROUND

One Liberty Properties, Inc. (“OLP”) was incorporated in 1982 in Maryland. OLP is a self-administered and self-managed real estate investment trust (“REIT”). OLP acquires, owns and manages a geographically diversified portfolio consisting primarily of industrial and retail properties, many of which are subject to long-term net leases. As of March 31, 2022, OLP owns 118 properties, including three properties owned by consolidated joint ventures and three properties owned by unconsolidated joint ventures. The 118 properties are located in 31 states.

NOTE 2 – SUMMARY ACCOUNTING POLICIES

Principles of Consolidation/Basis of Preparation

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and include all of the information and disclosures required by U.S. Generally Accepted Accounting Principles (“GAAP”) for interim reporting. Accordingly, they do not include all of the disclosures required by GAAP for complete financial statement disclosures. In the opinion of management, all adjustments of a normal recurring nature necessary for fair presentation have been included. The results of operations for the three months ended March 31, 2022 and 2021 are not necessarily indicative of the results for the full year. These statements should be read in conjunction with the consolidated financial statements and related notes included in OLP’s Annual Report on Form 10-K for the year ended December 31, 2021.

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

The consolidated financial statements include the accounts and operations of OLP, its wholly-owned subsidiaries, its joint ventures in which the Company, as defined, has a controlling interest, and variable interest entities (“VIEs”) of which the Company is the primary beneficiary. OLP and its consolidated subsidiaries are referred to herein as the “Company”. Material intercompany items and transactions have been eliminated in consolidation.

Purchase Accounting for Acquisition of Real Estate

In acquiring real estate, the Company evaluates whether substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets, and if that requirement is met, the asset group is accounted for as an asset acquisition and not a business combination. Transaction costs incurred with such asset acquisitions are capitalized to real estate assets and depreciated over the respectful useful lives.

The Company allocates the purchase price of real estate, including direct transaction costs applicable to an asset acquisition, among land, building, improvements and intangibles, such as the value of above, below and at-market leases, and origination costs associated with in-place leases at the acquisition date. The Company assesses the fair value of the tangible assets of an acquired property by valuing the property as if it were vacant. The value, as determined, is allocated to land, building and improvements based on management’s determination of the relative fair values of these assets.

The Company assesses the fair value of the lease intangibles based on estimated cash flow projections that utilize available market information; such inputs are categorized as Level 3 inputs in the fair value hierarchy. In valuing an acquired property’s intangibles, factors considered by management include estimates of carrying costs (e.g., real estate taxes, insurance, other operating expenses), lost rental revenue during the expected lease-up periods based on its evaluation of current market demand and discount rates. Management also estimates costs to execute similar leases, including leasing commissions and tenant improvements.

ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
MARCH 31, 2022 (Continued)

NOTE 2 – SUMMARY ACCOUNTING POLICIES (CONTINUED)

Investment in Joint Ventures and Variable Interest Entities

The Financial Accounting Standards Board, or FASB, provides guidance for determining whether an entity is a VIE. VIEs are defined as entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. A VIE is required to be consolidated by its primary beneficiary, which is the party that (i) has the power to control the activities that most significantly impact the VIE's economic performance and (ii) has the obligation to absorb losses, or the right to receive benefits, of the VIE that could potentially be significant to the VIE.

The Company assesses the accounting treatment for each of its investments, including a review of each venture or limited liability company or partnership agreement, to determine the rights of each party and whether those rights are protective or participating. The agreements typically contain certain protective rights, such as the requirement of partner approval to sell, finance or refinance the property and to pay capital expenditures and operating expenditures outside of the approved budget or operating plan. In situations where, among other things, the Company and its partners jointly (i) approve the annual budget, (ii) approve certain expenditures, (iii) prepare or review and approve the joint venture's tax return before filing, or (iv) approve each lease at a property, the Company does not consolidate as the Company considers these to be substantive participation rights that result in shared, joint power over the activities that most significantly impact the performance of the joint venture or property. Additionally, the Company assesses the accounting treatment for any interests pursuant to which the Company may have a variable interest as a lessor. Leases may contain certain protective rights, such as the right of sale and the receipt of certain escrow deposits.

The Company accounts for its investments in unconsolidated joint ventures under the equity method of accounting. All investments in unconsolidated joint ventures have sufficient equity at risk to permit the entity to finance its activities without additional subordinated financial support and, as a group, the holders of the equity at risk have power through voting rights to direct the activities of these ventures. As a result, none of these joint ventures are VIEs. In addition, the Company shares power with its co-managing members over these entities, and therefore the entities are not consolidated. These investments are recorded initially at cost, as investments in unconsolidated joint ventures, and subsequently adjusted for their share of equity in earnings, cash contributions and distributions. None of the joint venture debt is recourse to the Company, subject to standard carve-outs.

The Company has elected to follow the cumulative earnings approach when assessing, for the consolidated statement of cash flows, whether the distribution from the investee is a return of the investor's investment as compared to a return on its investment. The source of the cash generated by the investee to fund the distribution is not a factor in the analysis (that is, it does not matter whether the cash was generated through investee refinancing, sale of assets or operating results). Consequently, the investor only considers the relationship between the cash received from the investee to its equity in the undistributed earnings of the investee, on a cumulative basis, in assessing whether the distribution from the investee is a return on or a return of its investment. Cash received from the unconsolidated entity is presumed to be a return on the investment to the extent that, on a cumulative basis, distributions received by the investor are less than its share of the equity in the undistributed earnings of the entity.

ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
MARCH 31, 2022 (Continued)

NOTE 3 – LEASES**Lessor Accounting**

The Company owns rental properties which are leased to tenants under operating leases with current expirations ranging from 2022 to 2055, with options to extend or terminate the lease. Revenues from such leases are reported as Rental income, net, and are comprised of (i) lease components, which includes fixed and variable lease payments and (ii) non-lease components which includes reimbursements of property level operating expenses. The Company does not separate non-lease components from the related lease components, as the timing and pattern of transfer are the same, and account for the combined component in accordance with ASC 842.

Fixed lease revenues represent the base rent that each tenant is required to pay in accordance with the terms of their respective leases reported on a straight-line basis over the non-cancelable term of the lease. Variable lease revenues include payments based on (i) tenant reimbursements, (ii) changes in the index or market-based indices after the inception of the lease, (iii) percentage rents or (iv) the operating performance of the property. Variable lease revenues are not recognized until the specific events that trigger the variable payments have occurred.

The components of lease revenues are as follows (amounts in thousands):

	Three Months Ended	
	March 31,	
	2022	2021
Fixed lease revenues	\$ 18,341	\$ 17,465
Variable lease revenues	3,001	2,987
Lease revenues (a)	<u>\$ 21,342</u>	<u>\$ 20,452</u>

(a) Excludes amortization related to lease intangible assets and liabilities of \$189 and \$232 for the three months ended March 31, 2022 and 2021, respectively.

In many of the Company's leases, the tenant is obligated to pay the real estate taxes, insurance, and certain other expenses directly to the vendor. These obligations, which have been assumed by the tenants, are not reflected in our consolidated financial statements. To the extent any such tenant defaults on its lease or if it is deemed probable that the tenant will fail to pay for such obligations, a liability for such obligations would be recorded.

On a quarterly basis, the Company assesses the collectability of substantially all lease payments due by reviewing the tenant's payment history or financial condition. Changes to collectability are recognized as a current period adjustment to rental revenue. The Company has assessed the collectability of all recorded lease revenues as probable as of March 31, 2022.

During 2020, in response to requests for rent relief from tenants impacted by the COVID-19 pandemic and the governmental and non-governmental responses thereto, the Company deferred and accrued \$3,360,000 of rent payments, excluding amounts related to Regal Cinemas as described below. Through April 30, 2022, the Company collected an aggregate of \$3,233,000, or 96.2%, of such deferred rents (*i.e.*, \$497,000, \$2,679,000, \$43,000 and \$14,000 during 2020, 2021, the three months ended March 31, 2022 and for April 2022, respectively). The \$116,000 balance of deferred rents is deemed collectible of which \$104,000 and \$12,000 is expected to be collected during the remainder of 2022 and 2023, respectively.

In 2021, the Company executed lease amendments with Regal Cinemas, a tenant at two properties, which was adversely affected by the pandemic. Pursuant to these lease amendments, (i) the Company agreed to defer an aggregate of \$1,449,000 of rent which was originally payable from September 2020 through August 2021 and agreed to be repaid beginning in 2022 (such amounts were not accrued as collections were deemed less than probable), (ii) the tenant agreed to pay an aggregate of \$441,000 of rent from September 2020 through August 2021 and (iii) the parties extended the lease for one of these properties for two years. Through April 30, 2022, the tenant is current on all lease payments in accordance with these lease amendments; and the Company collected an aggregate of \$322,000, or 22.2%, of such deferred rents (*i.e.*, \$242,000 and \$80,000 during the three months ended March 31, 2022 and for April 2022, respectively). The \$1,127,000 balance of deferred rents is to be collected in equal monthly installments during the remainder of 2022 through June 2023.

ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
MARCH 31, 2022 (Continued)

NOTE 3 – LEASES (CONTINUED)

Minimum Future Rents

As of March 31, 2022, the minimum future contractual rents to be received on non-cancellable operating leases are included in the table below (amounts in thousands). The minimum future contractual rents do not include (i) straight-line rent or amortization of intangibles, (ii) COVID-19 lease deferral repayments accrued to rental income in 2020, (iii) \$1,207,000 of COVID-19 lease deferral repayments due from Regal Cinemas which were not accrued to rental income and (iv) variable lease payments as described above.

From April 1 – December 31, 2022	\$ 52,019
For the year ending December 31,	
2023	66,615
2024	58,382
2025	54,061
2026	49,948
2027	42,269
Thereafter	145,536
Total	<u>\$ 468,830</u>

Lease Termination Fees

In January 2022, the Company received \$25,000 as a lease termination fee from a retail tenant which was recognized during the three months ended March 31, 2022.

In January 2021, the Company received \$350,000 as a lease termination fee from a retail tenant, of which \$88,000 was recognized during the three months ended March 31, 2021.

In December 2020, the Company received \$88,000 as a lease termination fee from an industrial tenant, of which \$44,000 was recognized during the three months ended March 31, 2021.

Lessee Accounting

Ground Lease

The Company is a lessee under a ground lease in Greensboro, North Carolina, which is classified as an operating lease. The ground lease expires March 3, 2025 and provides for up to four, 5-year renewal options and one seven-month renewal option. As of March 31, 2022, the remaining lease term, including renewal options deemed exercised, is 12.9 years. The Company recognized lease expense related to this ground lease of \$150,000 for the three months ended March 31, 2022 and 2021, which is included in Real estate expenses on the consolidated statements of income.

Office Lease

The Company is a lessee under a corporate office lease in Great Neck, New York, which is classified as an operating lease. The lease expires on December 31, 2031 and provides for a five-year renewal option. As of March 31, 2022, the remaining lease term, including the renewal option deemed exercised, is 14.8 years. The Company recognized lease expense related to this office lease of \$14,000 for the three months ended March 31, 2022 and 2021, which is included in General and administrative expenses on the consolidated statements of income.

ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
MARCH 31, 2022 (Continued)

NOTE 3 – LEASES (CONTINUED)

Minimum Future Lease Payments

As of March 31, 2022, the minimum future lease payments related to the operating ground and office leases are as follows (amounts in thousands):

From April 1 – December 31, 2022	\$	379
For the year ending December 31,		
2023		507
2024		557
2025		626
2026		627
2027		629
Thereafter		5,591
Total undiscounted cash flows	\$	8,916
Present value discount		(1,776)
Lease liability	\$	<u>7,140</u>

NOTE 4 – REAL ESTATE ACQUISITION

On January 5, 2022, the Company acquired an industrial property located in Fort Myers, Florida for \$8,100,000. Subsequent to the acquisition, the Company obtained \$4,860,000 of nine-year mortgage debt with an interest rate of 3.09% which matures in February 2031. The Company determined that with respect to this acquisition, the gross assets acquired are concentrated in a single identifiable asset. Therefore, this transaction does not meet the definition of a business and is accounted for as an asset acquisition. As such, direct transaction costs associated with this asset acquisition have been capitalized to the real estate assets acquired and will be depreciated over the respective useful lives.

The following table details the allocation of the purchase price for the Company's acquisition of real estate during the three months ended March 31, 2022 (amounts in thousands):

Description of Property	Land	Building & Improvements	Intangible Lease		Total
			Asset	Liability	
Conditioned Air Company of Naples LLC industrial facility, Fort Myers, Florida	\$ 991	\$ 6,876	\$ 568	\$ (269)	\$ 8,166

The Company assessed the fair value of the tangible and intangible assets of the property as of the acquisition date using an income approach and estimated cash flow projections which utilize an appropriate market capitalization rate (*i.e.*, 5.50%) and discount rate (*i.e.*, 5.60%) categorized as Level 3 unobservable inputs in the fair value hierarchy (as defined in Note 12).

ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
MARCH 31, 2022 (Continued)

NOTE 5 – SALE OF PROPERTIES AND PROPERTY HELD-FOR-SALE

Sale of Properties

On March 22, 2022, the Company sold four restaurant properties located in Pennsylvania for approximately \$9,555,000, net of closing costs. The sale resulted in a gain of \$4,649,000 which was recorded as Gain on sale of real estate, net, in the consolidated statement of income for the three months ended March 31, 2022. As a result of the sale, the Company also wrote-off, as a reduction to Gain on sale of real estate, net, \$512,000 of unbilled rent receivable.

Property Held-for-Sale

In September 2021, the Company entered into a contract to sell an industrial property located in Columbus, Ohio for \$8,500,000. The buyer's right to terminate the contract without penalty expired in December 2021. At March 31, 2022 and December 31, 2021, the Company classified the \$1,270,000 net book value of the property's land, building and improvements as Property held-for-sale in the accompanying consolidated balance sheets. The property was sold on May 2, 2022 and will result in a gain of approximately \$6,900,000, which will be recognized as Gain on sale of real estate, net, in the consolidated statements of income for the three and six months ending June 30, 2022.

NOTE 6 – VARIABLE INTEREST ENTITIES, CONTINGENT LIABILITY AND CONSOLIDATED JOINT VENTURES

Variable Interest Entity – Ground Lease

The Company determined it has a variable interest through its ground lease at its Beachwood, Ohio property (The Vue Apartments) and the owner/operator is a VIE because its equity investment at risk is insufficient to finance its activities without additional subordinated financial support. The Company further determined that it is not the primary beneficiary of this VIE because the Company does not have power over the activities that most significantly impact the owner/operator's economic performance and therefore, does not consolidate this VIE for financial statement purposes. Accordingly, the Company accounts for this investment as land and the revenues from the ground lease as Rental income, net. The ground lease provides for rent which can be deferred and paid based on the operating performance of the property; therefore, this rent is recognized as rental income when the operating performance is achieved and the rent is received. No ground lease rental income has been collected since October 2020.

As of March 31, 2022, the VIE's maximum exposure to loss was \$15,986,000 which represented the carrying amount of the land. In purchasing the property in 2016, the owner/operator obtained a mortgage for \$67,444,000 from a third party which, together with the Company's purchase of the land, provided substantially all of the funds to acquire the multi-family property. The Company provided its land as collateral for the owner/operator's mortgage loan; accordingly, the land position is subordinated to the mortgage. The mortgage balance was \$65,710,000 as of March 31, 2022.

Pursuant to the ground lease, as amended in November 2020, the Company agreed, in its discretion, to fund 78% of (i) any operating expense shortfalls at the property and (ii) any capital expenditures required at the property. The Company funded \$1,746,000 during the year ended December 31, 2021 and an additional \$271,000 and \$69,000 during the three months ended March 31, 2022 and from April 1 through May 3, 2022, respectively. These amounts are included as part of the carrying amount of the land.

ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
MARCH 31, 2022 (Continued)

NOTE 6 – VARIABLE INTEREST ENTITIES, CONTINGENT LIABILITY AND CONSOLIDATED JOINT VENTURES (CONTINUED)

Variable Interest Entities – Consolidated Joint Ventures

The Company has determined the three consolidated joint ventures in which it holds between a 90% to 95% interest are VIEs because the non-controlling interests do not hold substantive kick-out or participating rights. The Company has determined it is the primary beneficiary of these VIEs as it has the power to direct the activities that most significantly impact each joint venture's performance including management, approval of expenditures, and the obligation to absorb the losses or rights to receive benefits. Accordingly, the Company consolidates the operations of these VIEs for financial statement purposes. The VIEs' creditors do not have recourse to the assets of the Company other than those held by the applicable joint venture.

The following is a summary of the consolidated VIEs' carrying amounts and classification in the Company's consolidated balance sheets, none of which are restricted (amounts in thousands):

	March 31, 2022	December 31, 2021
Land	\$ 10,365	\$ 10,365
Buildings and improvements, net of accumulated depreciation of \$5,140 and \$4,957, respectively	18,289	18,472
Cash	1,125	1,134
Unbilled rent receivable	1,035	1,020
Unamortized intangible lease assets, net	529	548
Escrow, deposits and other assets and receivables	555	878
Mortgages payable, net of unamortized deferred financing costs of \$185 and \$195, respectively	19,021	19,193
Accrued expenses and other liabilities	754	875
Unamortized intangible lease liabilities, net	462	475
Accumulated other comprehensive loss	(5)	(33)
Non-controlling interests in consolidated joint ventures	932	946

As of March 31, 2022 and December 31, 2021, MCB Real Estate, LLC and its affiliates ("MCB") are the Company's joint venture partner in two consolidated joint ventures in which the Company has aggregate equity investments of approximately \$4,524,000 and \$4,691,000, respectively.

Distributions to each joint venture partner are determined pursuant to the applicable operating agreement and, in the event of a sale of, or refinancing of the mortgage encumbering, the property owned by such venture, the distributions to the Company may be less than that implied by the equity ownership interest in the venture.

NOTE 7 – INVESTMENT IN UNCONSOLIDATED JOINT VENTURES

As of March 31, 2022 and December 31, 2021, the Company participated in three unconsolidated joint ventures, each of which owns and operates one property; the Company's equity investment in these ventures totaled \$10,288,000 and \$10,172,000, respectively. The Company recorded equity in earnings of \$116,000 and equity in loss of \$22,000 for the three months ended March 31, 2022 and 2021, respectively.

As of March 31, 2022 and December 31, 2021, MCB and the Company are partners in an unconsolidated joint venture in which the Company's equity investment is approximately \$8,846,000 and \$8,773,000, respectively.

ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
MARCH 31, 2022 (Continued)

NOTE 8 – DEBT OBLIGATIONS***Mortgages Payable***

The following table details the Mortgages payable, net, balances per the consolidated balance sheets (amounts in thousands):

	March 31, 2022	December 31, 2021
Mortgages payable, gross	\$ 401,140	\$ 399,660
Unamortized deferred financing costs	(3,292)	(3,316)
Mortgages payable, net	<u>\$ 397,848</u>	<u>\$ 396,344</u>

Line of Credit

The Company has a credit facility with Manufacturers & Traders Trust Company, People's United Bank, VNB New York, LLC, and Bank Leumi USA, pursuant to which it may borrow up to \$100,000,000, subject to borrowing base requirements. The facility is available for the acquisition of commercial real estate, repayment of mortgage debt, and renovation and operating expense purposes; provided, that if used for renovation and operating expense purposes, the amount outstanding for such purposes will not exceed the lesser of \$30,000,000 and 30% of the borrowing base, subject to a cap of (i) \$10,000,000 for renovation purposes and (ii) \$20,000,000 for operating expense purposes. These renovation and operating expense limits will apply through June 30, 2022. On July 1, 2022, the maximum amounts the Company can borrow for renovation expenses and operating expenses will change to \$20,000,000 and \$10,000,000, respectively, and, to the extent that either of these maximums is exceeded as of June 30, 2022, such excess must be repaid immediately. Net proceeds received from the sale, financing or refinancing of properties are generally required to be used to repay amounts outstanding under the credit facility. The facility is guaranteed by subsidiaries of the Company that own unencumbered properties and the Company is required to pledge to the lenders the equity interests in such subsidiaries.

The facility, which matures December 31, 2022, provides for an interest rate equal to the one month LIBOR rate plus an applicable margin ranging from 175 basis points to 300 basis points depending on the ratio of the Company's total debt to total value, as determined pursuant to the facility. The applicable margin was 175 and 200 basis points at March 31, 2022 and 2021, respectively. An unused facility fee of .25% per annum applies to the facility. The weighted average interest rate on the facility was approximately 1.89% and 1.88% for the three months ended March 31, 2022 and 2021, respectively. The Company was in compliance with all covenants at March 31, 2022.

The following table details the Line of credit, net, balances per the consolidated balance sheets (amounts in thousands):

	March 31, 2022	December 31, 2021
Line of credit, gross	\$ 5,140	\$ 11,700
Unamortized deferred financing costs	(162)	(216)
Line of credit, net	<u>\$ 4,978</u>	<u>\$ 11,484</u>

At May 3, 2022, there was no balance outstanding under the credit facility and there is \$20,000,000 available for operating expense purposes.

ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
MARCH 31, 2022 (Continued)

NOTE 9 – RELATED PARTY TRANSACTIONS

Compensation and Services Agreement

Pursuant to the compensation and services agreement with Majestic Property Management Corp. (“Majestic”), Majestic provides the Company with certain (i) executive, administrative, legal, accounting, clerical, property management, property acquisition, consulting (*i.e.*, sale, leasing, brokerage, and mortgage financing), and construction supervisory services (collectively, the “Services”) and (ii) facilities and other resources. Majestic is wholly-owned by the Company’s vice chairman and it provides compensation to several of the Company’s executive officers.

In consideration for the Services, the Company paid Majestic \$766,000 and \$785,000 for the three months ended March 31, 2022 and 2021, respectively. Included in these fees are \$336,000 and \$348,000 of property management costs for the three months ended March 31, 2022 and 2021, respectively. The amounts paid for property management services are based on 1.5% and 2.0% of the rental payments (including tenant reimbursements) actually received by the Company from net lease tenants and operating lease tenants, respectively. The Company does not pay Majestic with respect to properties managed by third parties. The Company also paid Majestic, pursuant to the compensation and services agreement, \$79,000 and \$74,000 for the three months ended March 31, 2022 and 2021, respectively, for the Company’s share of all direct office expenses, including rent, telephone, postage, computer services, internet usage and supplies.

Executive officers and others providing services to the Company under the compensation and services agreement were awarded shares of restricted stock and restricted stock units (“RSUs”) under the Company’s stock incentive plans (described in Note 11). The related expense charged to the Company’s operations was \$643,000 and \$652,000 for the three months ended March 31, 2022 and 2021, respectively.

The amounts paid under the compensation and services agreement (except for the property management costs which are included in Real estate expenses) and the costs of the stock incentive plans are included in General and administrative expense on the consolidated statements of income.

Joint Venture Partners and Affiliates

The Company paid an aggregate of \$22,000 and \$19,000 for the three months ended March 31, 2022 and 2021, respectively, to its consolidated joint venture partner or their affiliates (none of whom are officers, directors, or employees of the Company) for property management services, which are included in Real estate expenses on the consolidated statements of income.

The Company’s unconsolidated joint ventures paid management fees of \$36,000 and \$29,000 for the three months ended March 31, 2022 and 2021, respectively, to the other partner of the ventures, which reduced Equity in earnings on the consolidated statements of income by \$18,000 and \$15,000 for the three months ended March 31, 2022 and 2021, respectively.

Other

During the three months ended March 31, 2022 and 2021, the Company paid quarterly fees of (i) \$78,250 and \$74,500, respectively, to the Company’s chairman and (ii) \$31,300 and \$29,800, respectively, to the Company’s vice-chairman. These fees are included in General and administrative expenses on the consolidated statements of income.

The Company obtains its property insurance in conjunction with Gould Investors L.P. (“Gould Investors”), a related party, and reimburses Gould Investors annually for the Company’s insurance cost relating to its properties. Included in Real estate expenses on the consolidated statements of income is insurance expense of \$339,000 and \$281,000 for the three months ended March 31, 2022 and 2021, respectively, of amounts reimbursed to Gould Investors in prior periods.

ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
MARCH 31, 2022 (Continued)

NOTE 10 – EARNINGS PER COMMON SHARE

Basic earnings per share was determined by dividing net income allocable to common stockholders for each period by the weighted average number of shares of common stock outstanding during the applicable period. Net income is also allocated to the unvested restricted stock outstanding during each period, as the restricted stock is entitled to receive dividends and is therefore considered a participating security. As of March 31, 2022, the shares of common stock underlying the RSUs awarded between 2019 and 2021 under the 2019 Incentive Plan (see Note 11) are excluded from the basic earnings per share calculation, as these units are not participating securities.

Diluted earnings per share reflects the potential dilution that could occur if securities or other rights exercisable for, or convertible into, common stock were exercised or converted or otherwise resulted in the issuance of common stock that shared in the earnings of the Company.

The following table provides a reconciliation of the numerator and denominator of earnings per share calculations (amounts in thousands, except per share amounts):

	Three Months Ended	
	March 31,	
	2022	2021
Numerator for basic and diluted earnings per share:		
Net income	\$ 9,340	\$ 2,957
(Deduct) add net (income) loss attributable to non-controlling interests	(17)	5
Deduct earnings allocated to unvested restricted stock (a)	(328)	(325)
Net income available for common stockholders: basic and diluted	<u>\$ 8,995</u>	<u>\$ 2,637</u>
Denominator for basic earnings per share:		
Weighted average number of common shares outstanding	20,379	20,003
Effect of dilutive securities: RSUs	162	58
Denominator for diluted earnings per share:		
Weighted average number of shares	<u>20,541</u>	<u>20,061</u>
Earnings per common share, basic and diluted	<u>\$.44</u>	<u>\$.13</u>

(a) Represents an allocation of distributed earnings to unvested restricted stock that, as participating securities, are entitled to receive dividends.

ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
MARCH 31, 2022 (Continued)

NOTE 10 – EARNINGS PER COMMON SHARE (CONTINUED)

The following table identifies the number of shares of common stock underlying the RSUs that are included in the calculation, on a diluted basis, of the weighted average number of shares of common stock for such periods:

Three Months Ended March 31, 2022:

Date of Award	Total Number of Underlying Shares (b)(c)	Shares Included Based on (a)			Shares Excluded
		Return on Capital Metric	Stockholder Return Metric	Total	
August 3, 2021	80,700	40,350	40,350	80,700	—
August 3, 2020	75,026	37,513	37,513	75,026	—
July 1, 2019	75,026	37,513	37,513	75,026	—
Totals	230,752	115,376	115,376	230,752	—

Three Months Ended March 31, 2021:

Date of Award	Total Number of Underlying Shares (b)(c)	Shares Included Based on (a)			Shares Excluded (d)
		Return on Capital Metric	Stockholder Return Metric	Total	
August 3, 2020	75,026	37,513	37,513	75,026	—
July 1, 2019	75,026	23,970	—	23,970	51,056
July 1, 2018 (e)	73,750	25,306	—	25,306	48,444
Totals	223,802	86,789	37,513	124,302	99,500

- (a) Reflects the number of shares underlying RSUs that would be issued assuming the measurement date used to determine whether the applicable conditions are satisfied is March 31 of the applicable period.
- (b) The RSUs awarded in 2021, 2020 and 2019 vest, subject to satisfaction of the applicable market and/or performance conditions, as of June 30, 2024, 2023 and 2022, respectively (see Note 11).
- (c) During 2019, 2,750 shares of the 2019 award and 2,500 shares of the 2018 award were forfeited.
- (d) Excluded as the applicable conditions had not been met for these shares at the applicable measurement dates.
- (e) With respect to the RSUs awarded July 1, 2018, all 73,750 shares were deemed to have vested; these shares were issued in August 2021 (see Note 11).

NOTE 11 – STOCKHOLDERS' EQUITY

Common Stock Dividend

On March 10, 2022, the Board of Directors declared a quarterly cash dividend of \$0.45 per share on the Company's common stock, totaling approximately \$9,504,000. The quarterly dividend was paid on April 7, 2022 to stockholders of record on March 24, 2022.

Shares Issued through the At-the-Market Equity Offering Program

During the three months ended March 31, 2022, the Company sold 17,259 shares for proceeds of \$604,000, net of commissions of \$12,000, and incurred offering costs of \$41,000 for professional fees. No shares were sold by the Company during the three months ended March 31, 2021.

ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
MARCH 31, 2022 (Continued)

NOTE 11 – STOCKHOLDERS' EQUITY (CONTINUED)

Dividend Reinvestment Plan

The Dividend Reinvestment Plan (the “DRP”), among other things, provides stockholders with the opportunity to reinvest all or a portion of their cash dividends paid on the Company’s common stock in additional shares of its common stock, at a discount of up to 5% from the market price (as such price is calculated pursuant to the DRP). From June 2020 through June 2021, the Company suspended the dividend reinvestment feature of its DRP (and such feature has been reinstated since June 2021). The discount from the market price is determined in the Company’s sole discretion; and is currently being offered at a 3% discount. Under the DRP, the Company issued 4,700 shares of common stock during the three months ended March 31, 2022.

Stock Based Compensation

The Company’s 2019 Incentive Plan (“Plan”), approved by the Company’s stockholders in June 2019, permits the Company to grant, among other things, stock options, restricted stock, RSUs, performance share awards and dividend equivalent rights and any one or more of the foregoing to its employees, officers, directors and consultants. A maximum of 750,000 shares of the Company’s common stock is authorized for issuance pursuant to this Plan. As of March 31, 2022, an aggregate of 678,027 shares subject to awards in the form of restricted stock (447,275 shares) and RSUs (230,752 shares) are outstanding under the Plan.

Under the Company’s 2016 equity incentive plan (the “Prior Plan”), as of March 31, 2022, (i) an aggregate of 281,500 shares in the form of restricted stock are outstanding and have not yet vested, and (ii) with respect to 76,250 shares of common stock underlying RSUs that had been granted in 2018, 73,750 shares were deemed to have vested in 2021, and such shares were issued after the Compensation Committee determined that the metrics with respect to the vesting of such shares had been satisfied. No additional awards may be granted under the Prior Plan.

For accounting purposes, the restricted stock is not included in the shares shown as outstanding on the balance sheet until they vest; however, dividends are paid on the unvested shares. The restricted stock grants are charged to General and administrative expense over the respective vesting periods based on the market value of the common stock on the grant date. Unless earlier forfeited because the participant’s relationship with the Company terminated, unvested restricted stock awards vest five years from the grant date, and under certain circumstances may vest earlier.

In 2021, 2020 and 2019, the Company granted RSUs exchangeable for up to 80,700, 75,026 and 77,776 shares, respectively, of common stock upon satisfaction, through June 30, 2024, June 30, 2023 and June 30, 2022, respectively, of metrics related to average annual total stockholder return (the “TSR Metric”) and average annual return on capital (the “ROC Metric”; together with the TSR Metric, the “Metrics”). Up to 50% of the RSUs vest upon satisfaction of the TSR Metric (the “TSR Awards”) and up to 50% of the RSUs vest upon satisfaction of the ROC Metric (the “ROC Awards”). The RSUs vest only if the recipient maintains a relationship with the Company during the applicable three-year performance cycle. RSUs are not entitled to voting or dividends rights; however, upon vesting, the holders of the RSUs granted in 2021 are entitled to receive an amount equal to the dividends that would have been paid on the underlying shares had such shares been outstanding during the three-year performance cycle. The Company accrued \$81,000 for such dividend equivalent rights based on the number of shares underlying the 2021 RSUs that would be issued based on performance and market assumptions determined as of March 31, 2022.

The TSR Metrics and ROC Metrics meet the definition of a market condition and performance condition, respectively. The shares underlying the RSUs are excluded from the shares shown as outstanding on the balance sheet. For the TSR Awards, a third party appraiser prepared a Monte Carlo simulation pricing model to determine the fair value of such awards, which is recognized ratably over the service period. For the ROC Awards, the fair value is based on the market value on the date of grant and the performance assumptions are re-evaluated quarterly. The Company does not recognize expense on ROC Awards which it does not expect the performance conditions to be met.

ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
MARCH 31, 2022 (Continued)

NOTE 11 – STOCKHOLDERS’ EQUITY (CONTINUED)

As of March 31, 2022, based on performance and market assumptions, the fair value of the RSUs granted in 2021, 2020 and 2019 is \$1,846,000, \$962,000 and \$1,446,000, respectively. Recognition of such deferred compensation will be charged to General and administrative expense over the respective three-year performance cycles. None of these RSUs were forfeited or vested during the three months ended March 31, 2022.

The following is a summary of the activity of the equity incentive plans:

	Three Months Ended	
	March 31,	
	2022	2021
<i>Restricted stock grants:</i>		
Number of shares	153,575	151,500
Average per share grant price	\$ 33.75	\$ 20.34
Deferred compensation to be recognized over vesting period	\$ 5,183,000	\$ 3,082,000
Number of non-vested shares:		
Non-vested beginning of year	706,450	701,675
Grants	153,575	151,500
Vested during period	(130,750)	(129,925)
Forfeitures	(500)	(200)
Non-vested end of period	<u>728,775</u>	<u>723,050</u>
<i>RSU grants:</i>		
Number of underlying shares	—	—
Average per share grant price	\$ —	\$ —
Deferred compensation to be recognized over vesting period	\$ —	\$ —
Number of non-vested shares:		
Non-vested beginning of year	230,752	223,802
Grants	—	—
Vested during period	—	—
Forfeitures	—	—
Non-vested end of period	<u>230,752</u>	<u>223,802</u>
<i>Restricted stock and RSU grants (based on grant price):</i>		
Weighted average per share value of non-vested shares	\$ 26.47	\$ 24.68
Value of stock vested during the period	\$ 3,236,000	\$ 2,825,000
Weighted average per share value of shares forfeited during the period	\$ 33.75	\$ 23.62
<i>Total charge to operations:</i>		
Outstanding restricted stock grants	\$ 957,000	\$ 897,000
Outstanding RSUs	368,000	446,000
Total charge to operations	<u>\$ 1,325,000</u>	<u>\$ 1,343,000</u>

As of March 31, 2022, total compensation costs of \$11,346,000 and \$1,963,000 related to non-vested restricted stock awards and RSUs, respectively, have not yet been recognized. These compensation costs will be charged to General and administrative expense over the remaining respective vesting periods. The weighted average remaining vesting period is 2.8 years for the restricted stock and 1.3 years for the RSUs.

ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
MARCH 31, 2022 (Continued)

NOTE 12 – FAIR VALUE MEASUREMENTS

The Company measures the fair value of financial instruments based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, a fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity and the reporting entity's own assumptions about market participant assumptions. In accordance with the fair value hierarchy, Level 1 assets/liabilities are valued based on quoted prices for identical instruments in active markets, Level 2 assets/liabilities are valued based on quoted prices in active markets for similar instruments, on quoted prices in less active or inactive markets, or on other "observable" market inputs and Level 3 assets/liabilities are valued based significantly on "unobservable" market inputs.

The carrying amounts of cash and cash equivalents, escrow, deposits and other assets and receivables (excluding interest rate swaps), dividends payable, and accrued expenses and other liabilities (excluding interest rate swaps), are not measured at fair value on a recurring basis, but are considered to be recorded at amounts that approximate fair value.

At March 31, 2022, the \$400,493,000 estimated fair value of the Company's mortgages payable is less than their \$401,140,000 carrying value (before unamortized deferred financing costs) by approximately \$647,000 assuming a blended market interest rate of 4.30% based on the 6.2 year weighted average remaining term to maturity of the mortgages.

At December 31, 2021, the \$419,354,000 estimated fair value of the Company's mortgages payable is greater than their \$399,660,000 carrying value (before unamortized deferred financing costs) by approximately \$19,694,000, assuming a blended market interest rate of 3.20% based on the 6.4 year weighted average remaining term to maturity of the mortgages.

At March 31, 2022 and December 31, 2021, the carrying amount of the Company's line of credit (before unamortized deferred financing costs) of \$5,140,000 and \$11,700,000, respectively, approximates its fair value.

The fair value of the Company's mortgages payable are estimated using unobservable inputs such as available market information and discounted cash flow analysis based on borrowing rates the Company believes it could obtain with similar terms and maturities. These fair value measurements fall within Level 3 of the fair value hierarchy.

Considerable judgment is necessary to interpret market data and develop estimated fair value. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Fair Value on a Recurring Basis

As of March 31, 2022, the Company had in effect 19 interest rate derivatives, all of which were interest rate swaps, related to 19 outstanding mortgage loans with an aggregate \$56,348,000 notional amount maturing between 2022 and 2026 (weighted average remaining term to maturity of 2.2 years). The Company's objective in using interest rate swaps is to add stability to interest expense. These interest rate swaps, all of which were designated as cash flow hedges, converted LIBOR based variable rate mortgages to fixed annual rate mortgages (with interest rates ranging from 3.02% to 5.16% and a weighted average interest rate of 4.05% at March 31, 2022). The Company does not use derivatives for trading or speculative purposes.

ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
MARCH 31, 2022 (Continued)

NOTE 12 – FAIR VALUE MEASUREMENTS (CONTINUED)

The fair value of the Company’s derivative financial instruments was determined to be the following (amounts in thousands):

	As of	Carrying and Fair Value	Balance Sheet Classification
<i>Financial assets:</i> Interest rate swaps	March 31, 2022	\$ 417	Other assets
	December 31, 2021	—	
<i>Financial liabilities:</i> Interest rate swaps	March 31, 2022	\$ 157	Other liabilities
	December 31, 2021	1,514	

Fair values are approximated using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of the derivatives. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities.

Although the Company has determined the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with it use Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by the Company and its counterparty. As of March 31, 2022, the Company has assessed and determined the impact of the credit valuation adjustments on the overall valuation of its derivative positions is not significant. As a result, the Company determined its derivative valuation is classified in Level 2 of the fair value hierarchy. The Company does not currently own any financial instruments that are measured on a recurring basis and that are classified as Level 1 or 3.

The following table presents the effect of the Company’s derivative financial instruments on the consolidated statements of income for the periods presented (amounts in thousands):

	Three Months Ended March 31,	
	2022	2021
Amount of gain recognized on derivatives in other comprehensive loss	\$ 1,489	\$ 1,093
Amount of reclassification from Accumulated other comprehensive income (loss) into Interest expense	(286)	(408)

No gain or loss was recognized with respect to amounts excluded from effectiveness testing on the Company’s cash flow hedges for the three months ended March 31, 2022 and 2021. During the twelve months ending March 31, 2023, the Company estimates an additional \$226,000 will be reclassified from Accumulated other comprehensive loss as an increase to Interest expense.

The derivative agreements in effect at March 31, 2022 provide that if the wholly-owned subsidiary of the Company which is a party to such agreement defaults or is capable of being declared in default on any of its indebtedness, then a default can be declared on such subsidiary’s derivative obligation. In addition, the Company is a party to the derivative agreements and if there is a default by the subsidiary on the loan subject to the derivative agreement to which the Company is a party and if there are swap breakage losses on account of the derivative being terminated early, the Company could be held liable for such swap breakage losses.

As of March 31, 2022 and December 31, 2021, the fair value of the derivatives in a liability position, including accrued interest of \$36,000 and \$84,000, respectively, but excluding any adjustments for non-performance risk, was approximately \$195,000 and \$1,632,000, respectively. In the event the Company had breaches of any of the contractual provisions of the derivative contracts, it would be required to settle its obligations thereunder at their termination liability value of \$195,000 and \$1,632,000 as of March 31, 2022 and December 31, 2021, respectively. This termination liability value, net of adjustments for non-performance risk of \$2,000 and \$34,000, is included in Accrued expenses and other liabilities on the consolidated balance sheets at March 31, 2022 and December 31, 2021, respectively.

ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
MARCH 31, 2022 (Continued)

NOTE 13 – OTHER INCOME

Insurance Recoveries on Hurricane Casualty

In 2020, a portion of a multi-tenanted building at the Company's Lake Charles, Louisiana property was damaged due to Hurricane Laura. The Company submitted a claim to its insurance carrier to cover, less the \$263,000 deductible, the (i) approximate \$2,306,000 cost to rebuild the damaged portion of the building (of which \$918,000, \$975,000 and \$150,000 were received in February 2022, and during the years ended December 31, 2021 and 2020, respectively), and (ii) \$259,000 of losses in rental income (of which \$43,000 and \$216,000 were received in February 2022 and during the year ended December 31, 2021, respectively). The Company recognized a gain on insurance recoveries of \$918,000 and \$20,000 during the three months ended March 31, 2022 and 2021, respectively, which is included in Other income on the consolidated statements of income.

Lease Assignment Fee Income

In March 2021, the Company received a one-time \$100,000 fee from a tenant in connection with consenting to a lease assignment related to six of its properties; such amount is included in Other income on the consolidated statement of income for the three months ended March 31, 2021.

Interest Income on Loan Receivable

In 2020, in connection with a sale of two properties in Houston, Texas, the Company provided the buyer a \$4,612,500 one-year loan representing 50% of the purchase price. The Company received \$46,000 of interest income on this loan during the three months ended March 31, 2021, which is included in Other income on the consolidated statement of income. The loan was repaid in full in April 2021.

NOTE 14 – NEW ACCOUNTING PRONOUNCEMENTS

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848)*, which contains practical expedients for reference rate reform related activities that impact debt, leases, derivatives and other contracts. The guidance in ASU 2020-04 is optional and may be elected over time as reference rate reform activities occur. In 2020, the Company elected to apply the hedge accounting expedients related to probability and the assessments of effectiveness for future LIBOR-indexed cash flows to assume that the index upon which future hedged transactions will be based matches the index on the corresponding derivatives. Application of these expedients preserves the presentation of derivatives consistent with past presentation. The Company may apply other elections, as applicable, as additional changes in the market occur. The Company continues to evaluate the new guidance to determine the extent to which it may impact the Company's consolidated financial statements.

ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
MARCH 31, 2022 (Continued)

NOTE 15 – SUBSEQUENT EVENTS

Subsequent events have been evaluated and, except as noted below and previously disclosed, there were no other events relative to the consolidated financial statements that require additional disclosure.

Round Rock Guaranty Litigation

With respect to the lawsuit captioned *OLP Wyoming Springs, LLC, Plaintiff, v. Harden Healthcare, LLC, Defendant, v Benjamin Hanson, Intervenor* (the “Lawsuit”) more fully described in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021, on April 15, 2022, the Company received, pursuant to the settlement agreement entered into in February 2022, approximately \$5,400,000 representing the amount it was to receive pursuant to such agreement. This sum will be recognized as Other income on the consolidated statements of income during the three and six months ending June 30, 2022. As a result of the receipt of this payment, the parties to the Lawsuit are, among other things, to seek dismissal of the Lawsuit with prejudice and release each other and certain other persons from claims and liabilities with respect to matters pertaining to the Lawsuit.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This Quarterly Report on Form 10-Q, together with other statements and information publicly disseminated by us, contain certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We intend such forward-looking statements to be covered by the safe harbor provision for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and include this statement for purposes of complying with these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words "may," "will," "could," "believe," "expect," "intend," "anticipate," "estimate," "project," or similar expressions or variations thereof and include, without limitations, statements regarding our future estimated rental income, funds from operations, adjusted funds from operations and our dividend. You should not rely on forward-looking statements since they involve known and unknown risks, uncertainties and other factors which are, in some cases, beyond our control and which could materially affect our results of operations, financial condition, cash flows, performance or achievements.

Currently, a significant risk and uncertainty we face is the impact of the COVID-19 pandemic, the various governmental and non-governmental responses thereto, and the related economic consequences of the foregoing on (i) our and our tenants' financial condition, results of operations, cash flows and performance, and (ii) the real estate market, global economy and financial markets. The extent to which the pandemic impacts us, our tenants and the economy generally will depend on future developments, which are highly uncertain and cannot be predicted with confidence. Additional uncertainties, risks and factors which may cause actual results to differ materially from current expectations include, but are not limited to:

- the financial failure of, or other default in payment by, tenants under their leases and the potential resulting vacancies;
- adverse changes and disruptions in the retail, theater and health and fitness sectors, which could impact our tenants' ability to pay rent and expense reimbursement;
- loss or bankruptcy of one or more of our tenants, and bankruptcy laws that may limit our remedies if a tenant becomes bankrupt and rejects its lease;
- our ability to renew or re-lease space as leases expire;
- our ability to reinvest the proceeds of property sales, and in particular, the proceeds from sales of retail properties, on terms that will generate as or more favorable returns than the properties sold;
- our ability to identify and complete accretive acquisitions;
- the ability or willingness of mortgage lenders to make accommodations with respect to our debt service obligations at properties for which we provide rent relief to our tenants or which are otherwise challenged;
- our ability to pay dividends;
- changes in governmental laws and regulations relating to real estate and related investments;
- limitations on our ability to exercise legal remedies due to court closures and/or moratoriums on the exercise of certain types of remedies or activities;
- the level and volatility of interest rates;
- general economic and business conditions, including those currently affecting our nation's economy and real estate markets;

[Table of Contents](#)

- general and local real estate conditions, including any changes in the value of our real estate;
- compliance with credit facility and mortgage debt covenants;
- the availability of, and costs associated with, sources of capital and liquidity;
- competition in our industry; and
- the other risks, uncertainties and factors described in the reports and documents we file with the SEC, including the risks, uncertainties and factors described under “*Item 1A. Risk Factors*” and “*Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations*” in our Annual Report on Form 10-K for the year ended December 31, 2021 (the “Annual Report”), and in the Quarterly Reports on Form 10-Q and the other reports we file thereafter with the SEC.

In light of the factors referred to above, the future events discussed or incorporated by reference in this report and other documents we file with the SEC, may not occur, and actual results, performance or achievements could differ materially from those anticipated or implied in the forward-looking statements. Given these uncertainties, you should not rely on any forward-looking statements.

Any or all of our forward-looking statements in this report and in any other public statements we make may turn out to be incorrect. Actual results may differ from our forward-looking statements because of inaccurate assumptions we might make or because of the occurrence of known or unknown risks and uncertainties. Many factors mentioned in the discussion below and elsewhere in this report will be important in determining future results. Consequently, no forward-looking statement can be guaranteed and you are cautioned not to place undue reliance on these forward-looking statements. Actual future results may vary materially.

Except as may be required under the United States federal securities laws, we undertake no obligation to publicly update our forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures we make in our reports that are filed with or furnished to the SEC.

Challenges and Uncertainties Facing Certain Tenants and Properties

As more fully described in our Annual Report, and in particular, the sections thereof entitled “*Risk Factors*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”, our properties face challenges due to the pandemic or other factors. There have been no material changes to the status of such properties as described in our Annual Report.

Overview

We are a self-administered and self-managed real estate investment trust, or REIT. To qualify as a REIT, under the Internal Revenue Code of 1986, as amended, we must meet a number of organizational and operational requirements, including a requirement that we distribute currently at least 90% of ordinary taxable income to our stockholders. We intend to comply with these requirements and to maintain our REIT status.

We acquire, own and manage a geographically diversified portfolio consisting primarily of industrial and retail properties, and to a lesser extent, health and fitness, restaurant, theater, and other properties, many of which are subject to long-term net leases. As of March 31, 2022, we own 118 properties (including three properties owned by consolidated joint ventures and three properties owned by unconsolidated joint ventures) located in 31 states. Based on square footage, our occupancy rate at March 31, 2022 is approximately 97.1%.

In addition to the challenges and uncertainties presented by the pandemic, we, among other things, face additional challenges and uncertainties, which are heightened by the pandemic, including the possibility we will not be able to: acquire or dispose of properties on acceptable terms, lease our properties on terms favorable to us or at all, collect amounts owed to us by our tenants, renew or re-let, on acceptable terms, leases that are expiring or otherwise terminating.

[Table of Contents](#)

We seek to manage the risk of our real property portfolio and the related financing arrangements by (i) diversifying among locations, tenants, scheduled lease expirations, mortgage maturities and lenders, and (ii) minimizing our exposure to interest rate fluctuations. Substantially all of our mortgage debt either bears interest at fixed rates or is subject to interest rate swaps, limiting our exposure to fluctuating interest rates on our outstanding mortgage debt.

We monitor the risk of tenant non-payments through a variety of approaches tailored to the applicable situation. Generally, based on our assessment of the credit risk posed by our tenants, we monitor a tenant's financial condition through one or more of the following actions: reviewing tenant financial statements or other financial information, obtaining other tenant related information, regular contact with tenant's representatives, tenant credit checks and regular management reviews of our tenants. We may sell a property if the tenant's financial condition is unsatisfactory.

In acquiring or disposing of properties, we evaluate the terms of the leases and the credit of the existing tenants with a fundamental analysis of the real estate to be bought or sold, which analysis takes into account, among other things, the estimated value of the property, local demographics and the ability to re-rent or dispose of the property on favorable terms upon lease expiration or early termination. In addition, in evaluating property sales, we take into account, among other things, the property type (*i.e.*, industrial, retail or other), our perception of the property's long-term prospects (including the likelihood for, and the extent of, any further appreciation or depreciation in value), the term remaining on the related lease and mortgage debt, the price and other terms and conditions for the sale of such property and the returns anticipated to be generated from the reinvestment of the net proceeds to us from such property sale.

Over the past several years, we have been addressing the challenges presented by the growth of e-commerce and our exposure to the retail industry by focusing on acquiring industrial properties (including warehouse and distribution facilities) and properties that we believe capitalize on e-commerce activities, and disposing of retail properties which we did not believe to be advantageous to hold for the long-term. Approximately 58.8% of our 2022 contractual base rent (as described below) is derived from industrial properties and 27.2%, 4.7%, 4.1%, 2.8%, and 2.4% from retail, health and fitness, restaurant, theater, and other properties, respectively. We face significant competition in seeking to acquire industrial properties. The returns and cash flow we generate from industrial properties, and in particular, the returns and cash flow generated by the reinvestment in industrial properties of the net proceeds from the sale of retail properties may not be, and in many cases are not, as favorable to us as the returns and cash flow currently generated by our retail properties. Decreases in cash flows or returns on investments resulting from the ongoing transition to the ownership of lower yielding industrial properties from the ownership of higher yielding retail properties will make it more difficult for us to sustain our current level of dividend payments.

Our 2022 contractual base rent is approximately \$68.9 million and represents, after giving effect to any abatements, concessions, deferrals or adjustments in effect as of March 31, 2022, the base rent payable to us during the year ending December 31, 2022 under leases in effect at March 31, 2022. Excluded from 2022 contractual rental income is an aggregate of \$6.7 million comprised of: (i) \$1.7 million representing our share of the base rent payable in 2022 to our joint ventures, (ii) subject to the property generating specified levels of positive operating cash flow, \$1.3 million of estimated variable lease payments from The Vue Apartments, a multi-family complex which ground leases the underlying land from us and as to which there is uncertainty as to when and whether the tenant will resume paying rent, (iii) \$966,000 of COVID-19 rent deferral repayments due from Regal Cinemas, a tenant at two properties, which was not accrued to rental income, (iv) approximately \$1.5 million of straight-line rent and approximately \$784,000 of amortization of intangibles, (v) approximately \$335,000 of contractual base rent payable through June 2022 from a property in Columbus, Ohio which the Company sold on May 2, 2022 and (vi) \$161,000 of COVID-19 rent deferral repayments accrued to rental income in 2020, of which \$57,000 was paid by April 30, 2022.

[Table of Contents](#)

The following table sets forth scheduled expirations of leases for our properties as of March 31, 2022 for the periods indicated below:

Lease Expiration (1) Year Ending December 31,	Number of Expiring Leases	Approximate Square Footage Subject to Expiring Leases (2)	Contractual Base Rent Under Expiring Leases	Contractual Base Rent Represented by Expiring Leases
2022	9	248,921	\$ 1,015,937	1.5 %
2023	23	1,310,140	9,259,436	13.4
2024	22	802,919	5,416,090	7.9
2025	14	521,249	5,054,234	7.3
2026	14	792,030	4,592,803	6.7
2027	24	1,848,912	12,495,992	18.1
2028	14	1,151,001	6,187,586	9.0
2029	7	1,202,121	5,940,289	8.6
2030	7	266,588	3,684,549	5.3
2031	10	819,287	4,565,680	6.6
2032 and thereafter	22	1,404,137	10,736,234	15.6
	<u>166</u>	<u>10,367,305</u>	<u>\$ 68,948,830</u>	<u>100.0 %</u>

(1) Lease expirations assume tenants do not exercise existing renewal or termination options.

(2) Excludes an aggregate of 167,399 square feet of vacant space.

Property Transactions During the Three Months Ended March 31, 2022

On January 5, 2022, we acquired an industrial property located in Fort Myers, Florida for a purchase price of \$8.1 million and after the acquisition, obtained \$4.9 million nine-year mortgage debt with an interest rate of 3.09% and maturing in February 2031. We estimate that for 2022, this acquisition will contribute rental income (excluding variable lease revenues) of \$528,000, and depreciation and amortization expense and mortgage interest expense of \$241,000 and \$139,000, respectively.

On March 22, 2022, we completed the sale of four Wendy's restaurant properties located in Pennsylvania for a gross sales price of \$10.0 million and recognized a \$4.6 million gain from this sale. These properties contributed (i) \$117,000 and \$131,000 of rental income, net, (ii) \$10,000 and \$15,000 of depreciation and amortization expense and (iii) \$0 and \$30,000 of mortgage interest expense in the three months ended March 31, 2022 and 2021, respectively.

Settlement of the Round Rock Guaranty Litigation

With respect to the lawsuit captioned *OLP Wyoming Springs, LLC, Plaintiff, v. Harden Healthcare, LLC, Defendant, v Benjamin Hanson, Intervenor* (the "Lawsuit") more fully described in our Annual Report on Form 10-K for the year ended December 31, 2021, on April 15, 2022, we received, pursuant to the settlement agreement entered into in February 2022, approximately \$5.4 million representing the amount we were to receive pursuant to such agreement. This sum will be recognized as Other income on the consolidated statements of income during the three and six months ending June 30, 2022. As a result of the receipt of this payment, the parties to the Lawsuit are, among other things, to seek dismissal of the Lawsuit with prejudice and release each other and certain other persons from claims and liabilities with respect to matters pertaining to the Lawsuit.

Property Transaction Subsequent to March 31, 2022

On May 2, 2022, we sold an industrial property located in Columbus, Ohio for a gross sales price of \$8.5 million. For the three and six months ending June 30, 2022, we anticipate that we will recognize a gain of \$6.9 million from this sale. This property contributed (i) \$190,000 and \$187,000 of rental income, net, and (ii) \$27,000 and \$40,000 of operating expenses (including depreciation and amortization expense of \$0 and \$18,000) in the three months ended March 31, 2022 and 2021, respectively.

[Table of Contents](#)

Results of Operations

Total revenues

The following table compares total revenues for the periods indicated:

(Dollars in thousands)	Three Months Ended March 31,		Increase (Decrease)	% Change
	2022	2021		
Rental income, net	\$ 21,531	\$ 20,684	\$ 847	4.1
Lease termination fees	25	132	(107)	(81.1)
Total revenues	\$ 21,556	\$ 20,816	\$ 740	3.6

Rental income, net.

The following table details the components of rental income, net, for the periods indicated:

(Dollars in thousands)	Three Months Ended March 31,		Increase (Decrease)	% Change
	2022	2021		
Acquisitions (a)	\$ 612	\$ —	\$ 612	100.0
Dispositions (b)	117	645	(528)	(81.9)
Same store (c)	20,802	20,039	763	3.8
Rental income, net	\$ 21,531	\$ 20,684	\$ 847	4.1

(a) Represents rental income from properties acquired since January 1, 2021.

(b) Represents rental income from properties sold since January 1, 2021.

(c) Represents rental income from 113 properties that were owned for the entirety of the periods presented.

Changes due to acquisitions and dispositions

The three months ended March 31, 2022 reflect an increase of \$612,000 generated by four properties acquired in 2021 and 2022 (*i.e.*, \$484,000 from the three properties acquired in 2021 and \$128,000 from the property acquired during 2022). Offsetting the increase is a decrease due to the inclusion, in the 2021 period, of rental income of \$528,000 from properties sold during 2021 and 2022 (*i.e.*, \$514,000 from four properties sold in 2021).

Changes at same store properties

The increase in same store rental income is due primarily to a net increase of (i) \$452,000 from two Regal Cinemas properties (including the collection of \$242,000 of deferred rent from 2021 and 2020) for which we are recording rental income on a cash basis (as collections are deemed less than probable), (ii) \$139,000 of rental income due to a lease amendment and extension at our El Paso, Texas property, (iii) \$108,000 of rental income from a tenant at our Lake Charles, Louisiana property representing a full quarter of rental income compared to no rental income in 2021 due to a casualty loss (see "Other income") and (iv) an aggregate of \$203,000 from a new tenant (*i.e.*, Lion Brewery at our Pittston, Pennsylvania property) and from various lease amendments and extensions.

The increase in same store rental income was offset by a \$148,000 decrease due to a lease termination at our Columbus, Ohio property for which we had received a \$350,000 lease termination fee in 2021.

Lease termination fees.

In connection with the exercise of early lease termination options, we recognized \$25,000 and \$132,000 in the three months ended March 31, 2022 and 2021, respectively.

[Table of Contents](#)

Operating Expenses

The following table compares operating expenses for the periods indicated:

(Dollars in thousands)	Three Months Ended March 31,		Increase (Decrease)	% Change
	2022	2021		
Operating expenses:				
Depreciation and amortization	\$ 5,843	\$ 5,757	\$ 86	1.5
General and administrative	3,792	3,642	150	4.1
Real estate expenses	3,687	3,686	1	N/M
State taxes	74	75	(1)	(1.3)
Total operating expenses	\$ 13,396	\$ 13,160	\$ 236	1.8

Depreciation and amortization. The increase is due primarily to \$330,000 of such expense from properties acquired in 2022 and 2021 (including \$276,000 from properties acquired in 2021). The increase was offset by (i) the inclusion of \$135,000 of such expense, in the corresponding period in 2021, from the properties sold since January 1, 2021, and (ii) \$115,000 of accelerated amortization of tenant origination costs for the three months ended March 31, 2021 in connection with a tenant's exercise of a lease termination option.

General and administrative. The increase is primarily due to an increase of \$164,000 of compensation expense due to higher levels of compensation, and to a lesser extent, an additional employee.

We anticipate that for the quarter ending June 30, 2022, we will recognize non-cash compensation expense of \$227,000 resulting from the accelerated vesting of restricted stock awards due to a director not standing for re-election.

Real estate expenses. The increase is primarily due to an aggregate increase of \$217,000 in these expenses for several properties, none of which were individually significant (including a \$92,000 increase in real estate tax expense, a \$65,000 increase in insurance expense, and a \$41,000 increase from properties acquired in 2022 and 2021). The increase was offset in the three months ended March 31, 2022 due primarily to (i) \$119,000 related to properties sold in 2021 and 2022 and (ii) \$97,000 in Round Rock litigation expense.

A substantial portion of real estate expenses are rebilled to tenants and are included in Rental income, net, on the consolidated statements of income, other than the Round Rock litigation expense, which is not rebilled.

Gain on sale of real estate, net.

The following table compares gain on sale of real estate, net for the periods indicated:

(Dollars in thousands)	Three Months Ended March 31,		Increase (Decrease)	% Change
	2022	2021		
Gain on sale of real estate, net	\$ 4,649	\$ —	\$ 4,649	100.0

The \$4.6 million gain in the 2022 period was realized from the sale of four Wendy's restaurant properties in Pennsylvania. There were no property sales during the three months ended March 31, 2021.

[Table of Contents](#)

Other Income and Expenses

The following table compares other income and expenses for the periods indicated:

(Dollars in thousands)	Three Months Ended March 31,		Increase (Decrease)	% Change
	2022	2021		
Other income and expenses:				
Equity in earnings (loss) of unconsolidated joint ventures	\$ 116	\$ (22)	\$ 138	627.3
Other income	926	170	756	444.7
Interest:				
Expense	(4,306)	(4,634)	(328)	(7.1)
Amortization of deferred financing costs	(205)	(213)	(8)	(3.8)

Equity in earnings (loss) of unconsolidated joint ventures. The increase is primarily due to an increase at our Manahawkin, New Jersey property (the "Manahawkin Property") resulting from (i) a \$94,000 (our 50% share) increase in rental income, including \$30,000 of deferred rent from 2020 and 2021, that we received from Regal Cinemas, a tenant for which we are recording rental income on a cash basis, and (ii) a decrease in real estate taxes, net of amounts rebilled to tenants, due to a lower assessment.

Other income. The three months ended March 31, 2022 includes \$918,000 representing the final property insurance recovery related to our Lake Charles, Louisiana property damaged in an August 2020 hurricane. The three months ended March 31, 2021 includes a \$100,000 fee obtained in connection with an assignment of a lease.

Interest expense. The following table compares interest expense for the periods indicated:

(Dollars in thousands)	Three Months Ended March 31,		Increase (Decrease)	% Change
	2022	2021		
Interest expense:				
Mortgage interest	\$ 4,184	\$ 4,513	\$ (329)	(7.3)
Credit line interest	122	121	1	0.8
Total	\$ 4,306	\$ 4,634	\$ (328)	(7.1)

Mortgage interest

The following table reflects the average interest rate on the average principal amount of outstanding mortgage debt for the periods indicated:

(Dollars in thousands)	Three Months Ended March 31,		Increase (Decrease)	% Change
	2022	2021		
Average interest rate	4.17 %	4.19 %	(0.02)%	(0.5)
Average principal amount	\$ 401,633	\$ 430,768	\$ (29,135)	(6.8)

The decrease in mortgage interest is due primarily to the net decrease in the average principal amount of mortgage debt outstanding which resulted from mortgage payoffs (generally in connection with property sales and scheduled amortization payments). The decrease was offset by financings effectuated in connection with acquisitions.

Credit line interest

The following table reflects the average interest rate on the average principal amount of outstanding credit line debt for the periods indicated:

(Dollars in thousands)	Three Months Ended March 31,		Increase (Decrease)	% Change
	2022	2021		
Average interest rate	1.89 %	1.88 %	.01 %	0.5
Average principal amount	\$ 14,408	\$ 15,339	\$ (931)	(6.1)

[Table of Contents](#)

Liquidity and Capital Resources

Our sources of liquidity and capital include cash flow from operations, cash and cash equivalents, borrowings under our credit facility, refinancing existing mortgage loans, obtaining mortgage loans secured by our unencumbered properties, issuance of our equity securities and property sales. Our available liquidity at May 3, 2022, was \$112.5 million, including \$12.5 million of cash and cash equivalents (including the credit facility's required \$3.0 million average deposit maintenance balance) and \$100.0 million available under our credit facility. At May 3, 2022, the facility is available for the acquisition of commercial real estate, repayment of mortgage debt, and \$20.0 million for operating expenses and \$10.0 million for renovation expenses.

Liquidity and Financing

We expect to meet our short-term (*i.e.*, one year or less) and long-term (i) operating cash requirements (including debt service and anticipated dividend payments and possible repurchases of our common stock (we are authorized to repurchase up to \$7.5 million of common stock)) principally from cash flow from operations, our available cash and cash equivalents, proceeds from and, to the extent permitted and needed, our credit facility and (ii) investing and financing cash requirements (including an estimated aggregate of \$2.0 million of capital and other expenditures for Havertys Furniture and The Vue Apartments) from the foregoing, as well as property financings, property sales and sales of our common stock. We and our joint venture partner are also re-developing the Manahawkin Property – however, because the re-development plan is being refined, we are not providing an estimate of the re-development costs or the time frame within which the re-development will be completed.

At March 31, 2022, excluding the mortgage debt of our unconsolidated joint venture, we had 70 outstanding mortgages payable secured by 80 properties in the aggregate principal amount of \$401.1 million (before netting unamortized deferred financing costs of \$3.3 million). These mortgages represent first liens on individual real estate investments with an aggregate carrying value of \$679.9 million, before accumulated depreciation of \$123.8 million. After giving effect to interest rate swap agreements, the mortgage payments bear interest at fixed rates ranging from 3.02% to 5.50% (a 4.17% weighted average interest rate) and mature between 2022 and 2042 (a 6.2 year weighted average remaining term to maturity).

The following table sets forth, as of March 31, 2022, information with respect to our mortgage debt that is payable during the nine months ending December 31, 2022 and for each of the subsequent twelve months through December 31, 2025 (excluding the mortgage debt of our unconsolidated joint venture):

(Dollars in thousands)	2022	2023	2024	2025	Total
Amortization payments	\$ 9,993	\$ 12,935	\$ 12,079	\$ 10,695	\$ 45,702
Principal due at maturity	31,590	12,973	50,695	32,063	127,321
Total	\$ 41,583	\$ 25,908	\$ 62,774	\$ 42,758	\$ 173,023

At March 31, 2022, an unconsolidated joint venture had a first mortgage on its property with an outstanding balance of \$21.9 million, bearing an interest rate of 4.0% and maturing in 2025.

We intend to make debt amortization payments from operating cash flow and, though no assurance can be given that we will be successful in this regard, generally intend to refinance, extend or payoff the mortgage loans which mature in 2022 through 2025. We intend to repay the amounts not refinanced or extended from our existing funds and sources of funds, including our available cash, proceeds from the sale of our common stock and our credit facility (to the extent available).

We continually seek to refinance existing mortgage loans on terms we deem acceptable to generate additional liquidity. Additionally, in the normal course of our business, we sell properties when we determine that it is in our best interest, which also generates additional liquidity. Further, since each of our encumbered properties is subject to a non-recourse mortgage (with standard carve-outs), if our in-house evaluation of the market value of such property is less than the principal balance outstanding on the mortgage loan, we may determine to convey, in certain circumstances, such property to the mortgagee in order to terminate our mortgage obligations, including payment of interest, principal and real estate taxes, with respect to such property.

[Table of Contents](#)

Typically, we utilize funds from our credit facility to acquire a property and, thereafter secure long-term, fixed rate mortgage debt on such property. We apply the proceeds from the mortgage loan to repay borrowings under the credit facility, thus providing us with the ability to re-borrow under the credit facility for the acquisition of additional properties.

Credit Facility

Our credit facility provides that subject to borrowing base requirements, we can borrow up to \$100.0 million for the acquisition of commercial real estate, repayment of mortgage debt, and renovation and operating expense purposes; provided, that if used for renovation and operating expense purposes, the amount outstanding for such purposes will not exceed the lesser of \$30.0 million and 30% of the borrowing base subject to a cap of (i) \$10.0 million for renovation purposes and (ii) \$20.0 million for operating expense purposes. These renovation and operating expense limits will apply through June 30, 2022. On July 1, 2022, the maximum amounts we can borrow for renovation expenses and operating expenses will change to \$20.0 million and \$10.0 million, respectively, and to the extent that either of these maximums is exceeded as of June 30, 2022, such excess must be repaid immediately. The facility matures December 31, 2022 and bears interest equal to the one month LIBOR rate plus the applicable margin. The applicable margin ranges from 175 basis points if our ratio of total debt to total value (as calculated pursuant to the facility) is equal to or less than 50%, increasing to a maximum of 300 basis points if such ratio is greater than 65%. The applicable margin was 175 and 200 basis points for the three months ended March 30, 2022 and 2021, respectively. There is an unused facility fee of 0.25% per annum on the difference between the outstanding loan balance and \$100.0 million. The credit facility requires the maintenance of \$3.0 million in average deposit balances. The interest rate on the facility was 2.07% and 2.24% at March 31, 2022 and May 1, 2022, respectively.

The terms of our credit facility include certain restrictions and covenants which limit, among other things, the incurrence of liens, and which require compliance with financial ratios relating to, among other things, the minimum amount of tangible net worth, the minimum amount of debt service coverage, the minimum amount of fixed charge coverage, the maximum amount of debt to total value, the minimum level of net income, certain investment limitations and the minimum value of unencumbered properties and the number of such properties. Net proceeds received from the sale, financing or refinancing of properties are generally required to be used to repay amounts outstanding under our credit facility. At March 31, 2022, we were in compliance with the covenants under this facility.

Off-Balance Sheet Arrangement

We are not a party to any off-balance sheet arrangements other than with respect to a land parcel owned by us and located in Beachwood, Ohio. This parcel is improved by a multi-family complex (*i.e.*, The Vue Apartments) and we ground leased the parcel to the owner/operator of such complex. This ground lease did not generate any rental income during the three months ended March 31, 2022 and 2021. At March 31, 2022, the carrying value of the land on our balance sheet was approximately \$16.0 million; our leasehold position is subordinate to \$65.7 million of mortgage debt incurred by our tenant, the owner/operator of the multi-family complex. In addition, we have agreed, in our discretion, to fund certain capital expenditures and operating cash flow shortfalls at this property. We do not believe that this type of off-balance sheet arrangement has been or will be material to our liquidity and capital resource positions, except to the extent we determine to continue to fund the capital expenditures required by, and the operating cash flow shortfalls at, this property. See Note 6 to our consolidated financial statements for additional information regarding this arrangement.

Application of Critical Accounting Estimates

A complete discussion of our critical accounting estimates is included in our Form 10-K for the year ended December 31, 2021. There have been no significant changes in such estimates since December 31, 2021.

[Table of Contents](#)

Funds from Operations and Adjusted Funds from Operations

We compute funds from operations, or FFO, in accordance with the “White Paper on Funds From Operations” issued by the National Association of Real Estate Investment Trusts (“NAREIT”) and NAREIT’s related guidance. FFO is defined in the White Paper as net income (calculated in accordance with GAAP), excluding depreciation and amortization related to real estate, gains and losses from the sale of certain real estate assets, gains and losses from change in control, impairment write-downs of certain real estate assets and investments in entities where the impairment is directly attributable to decreases in the value of depreciable real estate held by the entity. Adjustments for unconsolidated partnerships and joint ventures are calculated to reflect FFO on the same basis. In computing FFO, we do not add back to net income the amortization of costs in connection with our financing activities or depreciation of non-real estate assets.

We compute adjusted funds from operations, or AFFO, by adjusting from FFO for our straight-line rent accruals and amortization of lease intangibles, deducting lease termination and certain other non-recurring fees and adding back amortization of restricted stock and restricted stock unit compensation expense, amortization of costs in connection with our financing activities (including our share of our unconsolidated joint ventures), income on insurance recoveries from casualties and debt prepayment costs. Since the NAREIT White Paper does not provide guidelines for computing AFFO, the computation of AFFO may vary from one REIT to another.

We believe that FFO and AFFO are useful and standard supplemental measures of the operating performance for equity REITs and are used frequently by securities analysts, investors and other interested parties in evaluating equity REITs, many of which present FFO and AFFO when reporting their operating results. FFO and AFFO are intended to exclude GAAP historical cost depreciation and amortization of real estate assets, which assumes that the value of real estate assets diminish predictability over time. In fact, real estate values have historically risen and fallen with market conditions. As a result, we believe that FFO and AFFO provide a performance measure that when compared year over year, should reflect the impact to operations from trends in occupancy rates, rental rates, operating costs, interest costs and other matters without the inclusion of depreciation and amortization, providing a perspective that may not be necessarily apparent from net income. We also consider FFO and AFFO to be useful to us in evaluating potential property acquisitions.

FFO and AFFO do not represent net income or cash flows from operations as defined by GAAP. FFO and AFFO and should not be considered to be an alternative to net income as a reliable measure of our operating performance; nor should FFO and AFFO be considered an alternative to cash flows from operating, investing or financing activities (as defined by GAAP) as measures of liquidity. FFO and AFFO do not measure whether cash flow is sufficient to fund all of our cash needs, including principal amortization, capital improvements and distributions to stockholders.

Management recognizes that there are limitations in the use of FFO and AFFO. In evaluating our performance, management is careful to examine GAAP measures such as net income and cash flows from operating, investing and financing activities.

[Table of Contents](#)

The tables below provides a reconciliation of net income and net income per common share (on a diluted basis) in accordance with GAAP to FFO and AFFO for the periods indicated (dollars in thousands, except per share amounts):

	Three Months Ended March 31,	
	2022	2021
GAAP net income attributable to One Liberty Properties, Inc.	\$ 9,323	\$ 2,962
Add: depreciation and amortization of properties	5,725	5,655
Add: our share of depreciation and amortization of unconsolidated joint ventures	130	134
Add: amortization of deferred leasing costs	118	102
Add: our share of amortization of deferred leasing costs of unconsolidated joint ventures	5	7
Deduct: gain on sale of real estate, net	(4,649)	—
Adjustments for non-controlling interests	(17)	(21)
NAREIT funds from operations applicable to common stock	10,635	8,839
Deduct: straight-line rent accruals and amortization of lease intangibles	(567)	(137)
Deduct: our share of straight-line rent accruals and amortization of lease intangibles of unconsolidated joint ventures	(8)	(1)
Deduct: income on insurance recoveries from casualty loss	(918)	(20)
Deduct: lease termination fee income	(25)	(132)
Deduct: lease assignment fee income	—	(100)
Add: amortization of restricted stock and RSU compensation	1,325	1,343
Add: amortization of deferred financing costs	205	213
Add: our share of amortization of deferred financing costs of unconsolidated joint ventures	4	4
Adjustments for non-controlling interests	3	—
Adjusted funds from operations applicable to common stock	<u>\$ 10,654</u>	<u>\$ 10,009</u>

	Three Months Ended March 31,	
	2022	2021
GAAP net income per common share attributable to One Liberty Properties, Inc.	\$.44	\$.13
Add: depreciation and amortization of properties	.26	.28
Add: our share of depreciation and amortization of unconsolidated joint ventures	.01	.01
Add: amortization of deferred leasing costs	.01	—
Add: our share of amortization of deferred leasing costs of unconsolidated joint ventures	—	—
Deduct: gain on sale of real estate, net	(.22)	—
Adjustments for non-controlling interests	—	—
NAREIT funds from operations per share of common stock (a)	.50	.42
Deduct: straight-line rent accruals and amortization of lease intangibles	(.03)	(.01)
Deduct: our share of straight-line rent accruals and amortization of lease intangibles of unconsolidated joint ventures	—	—
Deduct: income on insurance recoveries from casualty loss	(.04)	—
Deduct: lease termination fee income	—	(.01)
Deduct: lease assignment fee income	—	—
Add: amortization of restricted stock and RSU compensation	.06	.07
Add: amortization of deferred financing costs	.01	.01
Add: our share of amortization of deferred financing costs of unconsolidated joint ventures	—	—
Adjustments for non-controlling interests	—	—
Adjusted funds from operations per share of common stock (a)	<u>\$.50</u>	<u>\$.48</u>

- (a) The weighted average number of diluted common shares used to compute FFO and AFFO applicable to common stock includes unvested restricted shares that are excluded from the computation of diluted EPS.

[Table of Contents](#)

The \$1.8 million, or 20.3%, increase in FFO is due to:

- an \$847,000 net increase in rental income,
- a \$756,000 increase in other income,
- a \$328,000 decrease in interest expense, and
- a \$138,000 increase in equity in earnings of unconsolidated ventures.

Offsetting the increase is a \$150,000 increase in general and administrative expense and a \$107,000 decrease in lease termination fee income.

See “—Results of Operations” for further information regarding these changes.

The \$645,000, or 6.4%, increase in AFFO is due to the increase in FFO as described above, offset by the exclusion from AFFO of:

- a \$798,000 increase in other income from insurance recoveries and lease assignment fees,
- a \$473,000 increase in rental income related to straight-line rent accruals, and
- a \$107,000 decrease in lease termination fee income.

See “—Results of Operations” for further information regarding these changes.

Diluted per share FFO and AFFO were impacted negatively in the three months ended March 31, 2022 by an average increase from March 31, 2021 of approximately 482,000 in the weighted average number of shares of common stock outstanding as a result of stock issuances pursuant to the equity incentive, at-the-market equity offering and dividend reinvestment programs.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our primary market risk exposure is the effect of changes in interest rates on the interest cost of draws on our revolving variable rate credit facility and the effect of changes in the fair value of our interest rate swap agreements. Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control.

We use interest rate swaps to limit interest rate risk on variable rate mortgages. These swaps are used for hedging purposes—not for speculation. We do not enter into interest rate swaps for trading purposes. At March 31, 2022, our aggregate liability in the event of the early termination of our swaps was \$195,000.

At March 31, 2022, we had 19 interest rate swap agreements outstanding. The fair market value of the interest rate swaps is dependent upon existing market interest rates and swap spreads, which change over time. As of March 31, 2022, if there had been an increase of 100 basis points in forward interest rates, the fair market value of the interest rate swaps would have increased by approximately \$1.1 million and the net unrealized gain on derivative instruments would have increased by \$1.1 million. If there were a decrease of 100 basis points in forward interest rates, the fair market value of the interest rate swaps would have decreased by approximately \$1.1 million and the net unrealized gain on derivative instruments would have decreased by \$1.1 million. These changes would not have any impact on our cash or net income.

Our variable mortgage debt, after giving effect to the interest rate swap agreements, bears interest at fixed rates and accordingly, the effect of changes in interest rates would not impact the amount of interest expense that we incur under these mortgages.

Our variable rate credit facility is sensitive to interest rate changes. Based on the \$5.1 million outstanding balance under this facility at March 31, 2022, a 100 basis point increase of the interest rate would increase our related interest costs over the next twelve months by approximately \$51,000 and a 100 basis point decrease of the interest rate would decrease our related interest costs over the next twelve months by approximately \$17,000.

The fair market value of our long-term debt is estimated based on discounting future cash flows at interest rates that our management believes reflect the risks associated with long-term debt of similar risk and duration.

[Table of Contents](#)

Item 4. Controls and Procedures

Based on their evaluation as of the end of the period covered by this report, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) are effective.

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) promulgated under the Exchange Act) during the three months ended March 31, 2022 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 6. Exhibits

<u>Exhibit No.</u>	<u>Title of Exhibit</u>
10.1	Settlement Agreement by and between OLP Wyoming Springs, LLC and Harden Healthcare, LLC.
31.1	Certification of President and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Senior Vice President and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of President and Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Senior Vice President and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial statements and notes from the One Liberty Properties, Inc. Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2022 filed on May 6, 2022, formatted in Inline XBRL: (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Income; (iii) Consolidated Statements of Comprehensive Income; (iv) Consolidated Statements of Changes in Equity; (v) Consolidated Statements of Cash Flows; and (vi) Notes to the Consolidated Financial Statements.
104	Cover Page Interactive Data File (the cover page XBRL tags are embedded in the Inline XBRL document and included in Exhibit 101).

**ONE LIBERTY PROPERTIES, INC.
SIGNATURES**

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 thereunto duly authorized.

ONE LIBERTY PROPERTIES, INC.
(Registrant)

Date: May 6, 2022

/s/ Patrick J. Callan, Jr.
Patrick J. Callan, Jr.
President and Chief Executive Officer
(principal executive officer)

Date: May 6, 2022

/s/ David W. Kalish
David W. Kalish
Senior Vice President and
Chief Financial Officer
(principal financial officer)

SETTLEMENT AGREEMENT

This Settlement Agreement (the “Agreement”) is made and entered into by and between OLP Wyoming Springs, LLC (“OLP”) and Harden Healthcare, LLC (“Harden”). The parties to this Agreement are sometimes referred to herein individually as a “Party” and collectively as the “Parties.”

RECITALS

WHEREAS, OLP alleges that on or about November 10, 2010, Prevarian Senior Living, LP (“Prevarian 1”), as landlord, entered into a commercial lease agreement with PM Management – Round Rock AL, LLC, as tenant (including all successor tenants, collectively, “Lessee”), pursuant to which Prevarian leased Lessee that certain assisted living and memory care facility in Williamson County, Texas (the “Facility”) under that certain Lease Agreement dated November 10, 2010 (as the same may have been amended and/or modified from time to time, the “Lease”);

WHEREAS, the Lease was subsequently assigned from Prevarian 1 to Prevarian SL Round Rock, LP (“Prevarian 2”), and on August 6, 2013, the Lease was assigned from Prevarian 2 to OLP (“OLP”);

WHEREAS, OLP alleges Harden entered into a Guaranty Agreement wherein Harden agreed to guaranty Lessee’s obligations under the Lease (“Harden Guaranty”);

WHEREAS, Harden alleges that in September 2013, Harden was merged with and into an affiliate of Gentiva Health Services, Inc. (“Gentiva”), and, in conjunction with that merger, the long-term care businesses previously owned by Harden, including the Facility operated by Lessee, were spun-off prior to the merger and retained by Harden’s prior owners (referred to herein as the “Indemnitors”) in an entity known as CTLTC Real Estate, LLC (“CTLTC”), which included Lessee, such that Harden had no further ownership, control, or input, over Lessee or the operation of the Facility;

WHEREAS, Harden alleges that in conjunction with the merger, the Indemnitors agreed to indemnify Harden for, *inter alia*, certain losses related to the long-term care businesses that were spun-off to CTLTC, including losses related to the Harden Guaranty (“Indemnification Obligations”);

WHEREAS, Harden alleges Benjamin Hanson (“Hanson”) was a Harden executive prior to the merger, and the President and Chief Executive Officer of CTLTC until it was subsequently sold to Senior Care Centers, LLC (“SCC”) in April 2015;

WHEREAS, Harden alleges the merger between Gentiva and Harden closed on or about October 18, 2013, and, contemporaneously with the closing, Hanson resigned from any position previously held with Harden, and was no longer affiliated with it;

WHEREAS, Harden alleges that after the merger between Gentiva and Harden closed, and Hanson had resigned from Harden, OLP requested Hanson and CTLTC execute a series of documents related to the Lease;

WHEREAS, Harden alleges that on December 3, 2013, in response to OLP's request, Hanson provided OLP an executed Guaranty Agreement on behalf of CTLTC with respect to the Lease, dated November 12, 2013, and also executed and provided OLP an Affirmation of Guaranty, dated November 12, 2013 ("Affirmation of Guaranty"), wherein he purported to affirm the Harden Guaranty notwithstanding that he was no longer affiliated with Harden and was managing the affairs of Lessee as the President and CEO of CTLTC;

WHEREAS, Harden alleges that in April 2015, CTLTC sold all of its equity interests to SCC, and CTLTC and Lessee became subsidiaries and/or affiliates of SCC;

WHEREAS, OLP alleges Lessee subsequently defaulted on the Lease in November 2018;

WHEREAS, OLP initiated a lawsuit against, *inter alia*, Harden, styled *OLP Wyoming Springs, LLC, v. Harden Healthcare, LLC, et al.*, Cause No. 18-1511, in the 368th Judicial District, Williamson County, Texas, wherein OLP alleges it is entitled to recover outstanding amounts owed under the Lease from Harden, as guarantor of the Lease ("Lawsuit");

WHEREAS, Harden alleges that on December 4, 2018, SCC and certain subsidiaries and/or affiliates, including CTLTC and Lessee, filed for relief under Chapter 11 of the United States Bankruptcy Code, in the United States Bankruptcy Court for the Northern District of Texas, jointly administered in Case No. 18-33967 ("SCC Bankruptcy");

WHEREAS, Harden alleges it has sought indemnification from the Indemnitors arising out of and related to, *inter alia*, the Harden Guaranty;

WHEREAS, Harden disputed the allegations in the Lawsuit, and asserted third party claims against Hanson in the Lawsuit for, *inter alia*, breach of fiduciary duty, negligence, and declaratory relief, wherein Harden alleges, *inter alia*, Hanson breached duties owed to Harden when acting on behalf of CTLTC, including, but not limited to, his purported execution of the Affirmation of Guaranty and failure to disclose to OLP that he was not authorized to act on behalf of Harden, which Harden alleges proximately caused any damages Harden may incur arising from Hanson's role in connection with the Harden Guaranty and Affirmation of Guaranty ("Harden Claims");

WHEREAS, Hanson disputed the Harden Claims in the Lawsuit, and has asserted his right to a jury trial; and

WHEREAS, the Parties mediated the dispute with Ross Stoddard, and now desire to enter into this Agreement to avoid the costs and uncertainties of litigation, and resolve all issues and claims that have been and could have been brought against the other in the Lawsuit or related to the Lease, Harden Guaranty, or Affirmation of Guaranty.

NOW, THEREFORE in consideration of the foregoing, the mutual promises, agreements, covenants, representations, warranties, and provisions herein contained, and other good and

valuable consideration described below, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows.

TERMS

1. **Payment.** OLP shall be paid the sum of Five Million Three Hundred Eighty-Seven Thousand Five Hundred Dollars (\$5,387,500.00), on or before April 15, 2022 (“Settlement Amount”).

(a) **Wiring Instructions.** Unless otherwise agreed in writing (email suffices), the Settlement Amount shall be by wire transfer to:

M&T Bank
350 Park Avenue
New York, NY 10022
ABA # 022-000-046
Acct Name: One Liberty Properties, Inc.
Acct # 8890724076
Reference: Harden Litigation

(b) **Non-Affiliate Payments.** The Parties acknowledge and understand that the Settlement Amount paid to OLP pursuant to the terms of this Agreement may be made by one or more of the Indemnitors (including Hanson), not Harden, and that Harden is not undertaking any obligation under this Agreement to pay any portion of the Settlement Amount.

(c) **Conditions Precedent.** The Parties acknowledge that timely receipt of the Settlement Amount, and delivery to OLP by Hanson of the executed Consent to Release in the form attached hereto as Exhibit A, are expressly made a condition precedent to the release provisions of this Agreement (collectively, the “**Conditions Precedent**”), and the Parties reserve all rights, claims, and defenses, in the event the Conditions Precedent are not timely satisfied. For the purposes of clarity, in the event the Conditions Precedent are not timely satisfied, the release provisions in Paragraphs 3 and 4 below shall be of no force or effect, OLP may continue to pursue all of its rights, claims, and defenses against Harden, and Harden may continue to assert all of its rights, claims, and defenses against OLP, notwithstanding the terms of this Agreement.

2. **Trial Reset, Jury Trial Waiver, Dismissal.** Upon execution of this Agreement, the Parties shall jointly seek to reset the current trial date in the Lawsuit to June 27, 2022, and secure first status on the Court’s trial docket. Provided the Conditions Precedent are performed timely, the Parties shall cooperate, through their counsel, to request within five (5) business days of performance in full of the Conditions Precedent, dismissal with prejudice of all claims by and between the Parties, with each Party bearing its own attorneys’ fees and costs. In the event the Conditions Precedent are not timely performed in full, Harden shall undertake its best efforts to dispose of Hanson’s demand for a jury trial such that the reset trial date for the Lawsuit proceeds as a bench trial.

3. **OLP Release.** Provided the Conditions Precedent are timely performed in full, OLP, and its parent(s), successors, and assigns, hereby release and forever discharge Harden, and its parent(s), affiliates, successors, and assigns, and Hanson, from any and all liability, claims, demands, damages, injuries, losses, costs, expenses, compensation, attorneys’ fees, actions, causes of actions, duties, debts, responsibilities, and liabilities of law or equity, whether known or

unknown, which arise out of or relate to the Lease, the Harden Guaranty, the Affirmation of Guaranty, the SCC Bankruptcy, or the Lawsuit. Notwithstanding the foregoing, this release does not apply to or include OLP's rights and remedies to enforce any rights or obligations arising out of or related to this Agreement.

4. **Harden and Hanson Release.** Provided the Conditions Precedent are timely performed in full, Harden, and its parent(s), successors, and assigns, and Hanson, hereby release and forever discharge OLP, and its parent(s), affiliates, successors, and assigns, from any and all liability, claims, demands, damages, injuries, losses, costs, expenses, compensation, attorneys' fees, actions, causes of actions, duties, debts, responsibilities, and liabilities of law or equity, whether known or unknown, which arise out of or relate to the Lease, the Harden Guaranty, the Affirmation of Guaranty, the SCC Bankruptcy, or the Lawsuit. Notwithstanding the foregoing, the release does not apply to or include Harden's rights and remedies to enforce any rights or obligations arising out of or related to this Agreement.

5. **Ownership.** It is expressly warranted by the Parties that they are the owners of all claims or causes of action released, and that they have not assigned any claims or cause of action to any third party, except as provided in this Agreement.

6. **Entire Agreement After Independent Investigation and Advice of Counsel.** Each of the Parties hereto has cooperated in the drafting and preparation of this Agreement. Therefore, in any construction to be made of this Agreement, the rule of construction that any ambiguity in an agreement should be construed against the drafting Party will not be asserted by or applied against any of the Parties hereto. The Parties represent, warrant, and agree that this Agreement contains the entire agreement between the Parties, and that the Recital clauses herein are incorporated as a substantive and material part of this Agreement. The Parties represent, warrant, and agree that this Agreement has been made after each of the Parties has made an independent investigation of the facts and relied upon the legal knowledge and advice of their attorneys in executing this Agreement. No Party is relying on any statement or representation made by any other Party, or the other Party's representatives, concerning the subject matter, basis, or effect of this Agreement, other than as set forth in this Agreement. The Parties further agree that this Agreement may not be modified or amended except by mutual and signed written consent of all the Parties.

7. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original, and all of which together will be deemed one and the same instrument. This Agreement may be executed on varying dates and by facsimile or PDF email attachments, and a facsimile or PDF email signature will be as valid as an original signature.

8. **Severability.** If any one or more of the provisions of this Agreement, or the application of any such provision to any person, entity, or set of circumstances, shall be determined to be invalid, unlawful, or unenforceable to any extent at any time, the remainder of this Agreement, and the application of such provision to persons, entities, or circumstances other than those as to which it is determined to be invalid, unlawful, or unenforceable, shall not be affected, and shall continue to be enforceable to the fullest extent permitted by law. Any invalid, unlawful, or unenforceable provision hereof shall be reformed to the extent necessary to render it valid,

lawful, and enforceable in a manner consistent with the intentions of the parties hereto regarding such provision.

9. **No Waiver.** No failure or forbearance by any of the Parties to exercise any right or remedy with respect to the enforcement of this Agreement, or waiver or indulgence of any breach or series of breaches of this Agreement, will be deemed or construed as an ongoing waiver in regard to any subsequent breach or as a waiver of any provision of this Agreement, or affect the enforceability of any part or all of this Agreement, and no waiver will be valid unless executed in writing by the waiving Party.

10. **No Admission.** The Parties agree and acknowledge that this Agreement is not an admission of liability of any kind by either Party.

11. **Confidentiality.** The terms and conditions of this Agreement shall remain confidential between the Parties and shall not be disclosed to any third-party except (i) as may be reasonably necessary to disclose to a Party's mediators, attorneys, accountants, insurers, regulators, tax and/or financial advisors, and subsidiaries/affiliates and their respective members and shareholders; (ii) the Indemnitors and Hanson; (iii) any of Hanson's or the Indemnitors' mediators, attorneys, accountants, insurers, regulators, tax and/or financial advisors and subsidiaries/affiliates and their respective members and shareholders; and (iv) in connection with satisfying the Parties' obligations under Section 2. The Parties, Hanson, and the Indemnitors may also disclose the terms and conditions of this Agreement as may be reasonably necessary to assert or protect their rights or interests in a court proceeding or to comply with applicable law (including the requirements of any national securities exchange). The Parties expressly understand and agree that OLP may disclose the fact of receipt of payment of the Settlement Amount in connection with any claim asserted against SCC's bankruptcy estate and the reduction of such claim as a result of receipt of the Settlement Amount, and in connection with any national securities exchange filings; provided, however, that OLP's disclosures shall not describe payment of the Settlement Amount as paid by Harden.

12. **Binding on Successors.** This Agreement shall be binding upon, and shall inure to the benefit of, the Parties and their successors, heirs, legal representatives, and permitted assigns, as well as any other persons or entities expressly identified or contemplated herein.

13. **Governing Law.** This Agreement shall be governed by the laws of the State of Texas.

[Signature Page To Follow]

EXECUTED on the dates as noted below.

OLP WYOMING SPRINGS, LLC

By: _____
Larry Ricketts

Title: _____

Date: _____

HARDEN HEALTHCARE, LLC

By: _____
Scott Wandstrat

Title: Chief Litigation Officer

Date: _____

EXHIBIT A

Consent to Release

This Consent to Release is executed in connection with that certain Settlement Agreement by and between Harden Healthcare, LLC (“Harden”) and OLP Wyoming Springs, LLC (“OLP”) dated effective as of February __, 2022 (the “Settlement Agreement”).

The undersigned, having allegedly indemnified Harden for certain losses as described in the Settlement Agreement, hereby (i) acknowledges receipt of the Settlement Agreement; (ii) consents and agrees to be bound by the release contained in Paragraph 4 of the Settlement Agreement; and (iii) as it relates to interpretation and enforcement of this Consent to Release, consents and agrees to be bound by Paragraphs 5-13 of the Settlement Agreement as if the undersigned were a party to the Settlement Agreement.

Signed and dated this ____ day of _____, 2022

Benjamin Hanson

CERTIFICATION

I, Patrick J. Callan, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2022 of One Liberty Properties, 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 registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer 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 Rule 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 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; and
 - 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 affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer 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: May 6, 2022

/s/ Patrick J. Callan, Jr.

Patrick J. Callan, Jr.

President and Chief Executive Officer

CERTIFICATION

I, David W. Kalish, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2022 of One Liberty Properties, 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 registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer 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 Rule 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 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; and
 - 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 affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer 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: May 6, 2022

/s/ David W. Kalish

David W. Kalish

Senior Vice President and Chief Financial Officer

CERTIFICATION OF PRESIDENT AND CHIEF EXECUTIVE OFFICER

PURSUANT TO 18 U.S.C. 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

I, Patrick J. Callan, Jr., do hereby certify, pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that based upon a review of the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2022 of One Liberty Properties, Inc. ("the Registrant"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"):

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: May 6, 2022

/s/ Patrick J. Callan, Jr.

Patrick J. Callan, Jr.

President and

Chief Executive Officer

The foregoing certification is being furnished pursuant to 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and it is not to be incorporated by reference into any filing of the Company, regardless of any general incorporation language in such filing.

CERTIFICATION OF SENIOR VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

PURSUANT TO 18 U.S.C. 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

I, David W. Kalish, do hereby certify, pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that based upon a review of the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2022 of One Liberty Properties, Inc. ("the Registrant"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"):

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: May 6, 2022

/s/ David W. Kalish
David W. Kalish
Senior Vice President and
Chief Financial Officer

The foregoing certification is being furnished pursuant to 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and it is not to be incorporated by reference into any filing of the Company, regardless of any general incorporation language in such filing.
