

ONE LIBERTY PROPERTIES INC  
Form 10-Q  
August 08, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

**FORM 10-Q**

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

For the quarterly period ended June 30, 2013

OR

**o 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)

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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)

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 and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted 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 and post such files).

Yes  No

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

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

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 August 1, 2013, the registrant had 15,562,520 shares of common stock outstanding.



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One Liberty Properties, Inc. and Subsidiaries

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## Part I FINANCIAL INFORMATION

Item 1. Financial Statements

## ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands, Except Par Value)

	June 30, 2013 (Unaudited)	December 31, 2012
<b>Assets</b>		
Real estate investments, at cost		
Land	\$ 142,749	\$ 138,152
Buildings and improvements	337,598	335,189
Total real estate investments, at cost	480,347	473,341
Less accumulated depreciation	67,497	62,816
Real estate investments, net	412,850	410,525
Investment in unconsolidated joint ventures	5,085	19,485
Cash and cash equivalents	40,931	14,577
Unbilled rent receivable	13,043	12,629
Unamortized intangible lease assets	14,882	16,491
Escrow, deposits and other assets and receivables	5,522	3,741
Investment in BRT Realty Trust at market (related party)	260	241
Unamortized deferred financing costs	3,242	3,477
Total assets	\$ 495,815	\$ 481,166
<b>Liabilities and Equity</b>		
<b>Liabilities:</b>		
Mortgages payable	\$ 227,853	\$ 225,971
Dividends payable	5,435	5,252
Accrued expenses and other liabilities	6,077	6,584
Unamortized intangible lease liabilities	5,885	5,300
Total liabilities	245,250	243,107
<b>Commitments and contingencies</b>		
<b>Equity:</b>		
One Liberty Properties, Inc. stockholders' equity:		
Preferred stock, \$1 par value; 12,500 shares authorized; none issued		
Common stock, \$1 par value; 25,000 shares authorized; 15,058 and 14,598 shares issued and outstanding	15,058	14,598
Paid-in capital	206,462	196,107
Accumulated other comprehensive loss	(564)	(1,578)
Accumulated undistributed net income	28,440	28,001
Total One Liberty Properties, Inc. stockholders' equity	249,396	237,128

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Non-controlling interests in joint ventures		1,169		931
Total equity		250,565		238,059
Total liabilities and equity	\$	495,815	\$	481,166

See accompanying notes to consolidated financial statements.

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## ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Per Share Data)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
<b>Revenues:</b>				
Rental income, net	\$ 12,227	\$ 11,102	\$ 24,329	\$ 21,860
<b>Operating expenses:</b>				
Depreciation and amortization	2,717	2,410	5,386	4,753
General and administrative (including \$572, \$572, \$1,144 and \$1,144, respectively, to related party)	1,944	1,749	3,904	3,590
Federal excise and state taxes	184	47	226	96
Real estate acquisition costs	126	123	278	166
Real estate expenses (including \$150, \$150, \$300 and \$300, respectively, to related party)	751	677	1,524	1,299
Leasehold rent	77	77	154	154
Total operating expenses	5,799	5,083	11,472	10,058
Operating income	6,428	6,019	12,857	11,802
<b>Other income and expenses:</b>				
Equity in earnings of unconsolidated joint ventures	57	534	391	748
Gain on disposition of real estate - unconsolidated joint venture	2,807		2,807	
Gain on sale - unconsolidated joint venture interest	1,898		1,898	
Other income	11	209	80	223
<b>Interest:</b>				
Expense	(3,223)	(3,308)	(6,393)	(6,492)
Amortization of deferred financing costs	(226)	(188)	(439)	(373)
Gain on sale of real estate				319
Income from continuing operations	7,752	3,266	11,201	6,227
<b>Discontinued operations:</b>				
Income from operations		283		547
Net gain on sales		2,205		2,205
Income from discontinued operations		2,488		2,752
Net income	7,752	5,754	11,201	8,979
Less net income attributable to non-controlling interests	(16)	(4)	(15)	(7)
Net income attributable to One Liberty Properties, Inc.	\$ 7,736	\$ 5,750	\$ 11,186	\$ 8,972

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## ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Per Share Data)

(Unaudited) (Continued)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Weighted average number of common shares outstanding:				
Basic	14,844	14,378	14,759	14,333
Diluted	14,944	14,478	14,859	14,433
Per common share attributable to common stockholders basic:				
Income from continuing operations	\$ .51	\$ .22	\$ .73	\$ .42
Income from discontinued operations		.17		.19
	\$ .51	\$ .39	\$ .73	\$ .61
Per common share attributable to common stockholders diluted:				
Income from continuing operations	\$ .50	\$ .22	\$ .73	\$ .42
Income from discontinued operations		.17		.18
	\$ .50	\$ .39	\$ .73	\$ .60
Cash distributions declared per share of common stock	\$ .35	\$ .33	\$ .70	\$ .66

See accompanying notes to consolidated financial statements.

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## ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net income	\$ 7,752	\$ 5,754	\$ 11,201	\$ 8,979
Other comprehensive gain				
Net unrealized (loss) gain on available-for-sale securities	(1)	(19)	45	11
Net unrealized gain (loss) on derivative instruments	730	(401)	908	(412)
One Liberty Property's share of joint venture net unrealized gain (loss) on derivative instruments	51	(35)	61	(24)
Other comprehensive gain (loss)	780	(455)	1,014	(425)
Comprehensive income	8,532	5,299	12,215	8,554
Less: comprehensive income attributable to non-controlling interests	(16)	(4)	(15)	(7)
Comprehensive income attributable to One Liberty Properties, Inc.	\$ 8,516	\$ 5,295	\$ 12,200	\$ 8,547

See accompanying notes to consolidated financial statements.

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ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six month period ended June 30, 2013 (Unaudited)

and the year ended December 31, 2012

(Amounts in Thousands, Except Per Share Data)

	Common Stock	Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Undistributed Net Income	Non- Controlling Interests in Joint Ventures	Total
Balances, January 1, 2012	\$ 14,213	\$ 189,486	\$ (1,019)	\$ 15,605	\$ 662	\$ 218,947
Distributions - common stock Cash - \$1.34 per share				(19,924)		(19,924)
Shares issued through equity offering program net	121	2,010				2,131
Shares issued through dividend reinvestment plan	215	3,437				3,652
Contribution from non-controlling interest					571	571
Distributions to non-controlling interest					(290)	(290)
Restricted stock vesting	49	(49)				
Compensation expense - restricted stock		1,223				1,223
Net income (loss)				32,320	(12)	32,308
Other comprehensive (loss)			(559)			(559)
Balances, December 31, 2012	14,598	196,107	(1,578)	28,001	931	238,059
Distributions - common stock Cash - \$.70 per share				(10,747)		(10,747)
Shares issued through equity offering program net	298	7,473				7,771
Shares issued through dividend reinvestment plan	112	2,166				2,278
Contribution from non-controlling interest					481	481
Distributions to non-controlling interest					(258)	(258)
Restricted stock vesting	50	(50)				
Compensation expense - restricted stock		766				766
Net income				11,186	15	11,201
Other comprehensive income			1,014			1,014
Balances, June 30, 2013	\$ 15,058	\$ 206,462	\$ (564)	\$ 28,440	\$ 1,169	\$ 250,565

See accompanying notes to consolidated financial statements.

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## ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

(Unaudited)

	Six Months Ended June 30,	
	2013	2012
Cash flows from operating activities:		
Net income	\$ 11,201	\$ 8,979
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on disposition-real estate held by unconsolidated joint venture	(2,807)	
Gain on sale-unconsolidated joint venture interest	(1,898)	
Gain on sale of real estate		(2,524)
Gain on sale of available-for-sale securities	(6)	(9)
Increase in rental income from straight-lining of rent	(414)	(695)
Increase in rental income resulting from bad debt recovery, net		(17)
Increase in rental income from amortization of intangibles relating to leases	(66)	(2)
Amortization of restricted stock expense	766	586
Equity in earnings of unconsolidated joint ventures	(391)	(748)
Distributions of earnings from unconsolidated joint ventures	860	491
Depreciation and amortization	5,386	4,965
Amortization and write off of financing costs	439	390
Changes in assets and liabilities:		
Increase in escrow, deposits, other assets and receivables	(109)	(528)
Increase (decrease) in accrued expenses and other liabilities	112	(840)
Net cash provided by operating activities	13,073	10,048
Cash flows from investing activities:		
Purchase of real estate	(6,215)	(13,885)
Improvements to real estate	(627)	(2,631)
Distributions of return of capital from unconsolidated joint ventures	5,284	84
Net proceeds from sale of real estate		7,048
Net proceeds from disposition of unconsolidated joint venture interest	13,444	
Payment of leasing commissions	(40)	(219)
Net proceeds from sale of available-for-sale securities	19	369
Net cash provided by (used in) investing activities	11,865	(9,234)
Cash flows from financing activities:		
Scheduled amortization payments of mortgages payable	(3,169)	(2,753)
Repayment of mortgages payable	(2,816)	
Proceeds from mortgage financings	7,867	13,817
Proceeds from sale of common stock, net	7,771	
Proceeds from bank line of credit	3,500	9,300
Repayment on bank line of credit	(3,500)	(9,700)
Issuance of shares through dividend reinvestment plan	2,278	1,889
Payment of financing costs	(174)	(819)
Capital contributions from non-controlling interests	481	93
Distribution to non-controlling interests	(258)	(290)
Cash distributions to common stockholders	(10,564)	(9,666)
Net cash provided by financing activities	1,416	1,871
Net increase in cash and cash equivalents	26,354	2,685

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Cash and cash equivalents at beginning of period		14,577		12,668
Cash and cash equivalents at end of period	\$	40,931	\$	15,353

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ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

(Unaudited) (Continued)

	Six Months Ended June 30,	
	2013	2012
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest expense	\$ 6,338	\$ 6,874
Supplemental schedule of non-cash investing and financing activities:		
Contribution of property to unconsolidated joint venture		11,734
Purchase accounting allocation - intangible lease assets	762	3,487
Purchase accounting allocation - intangible lease liabilities	857	11

See accompanying notes to consolidated financial statements.

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One Liberty Properties, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

June 30, 2013

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 of retail, industrial, health and fitness, office, flex and other properties, a substantial portion of which are under long-term net leases. As of June 30, 2013, OLP owned 94 properties, five of which are owned by consolidated joint ventures. OLP s unconsolidated joint ventures owned a total of five properties. The 99 properties are located in 28 states.

Note 2 - Basis of Preparation

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 necessary for fair presentation (including normal recurring accruals) have been included. The results of operations for the three and six months ended June 30, 2013 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 the Company s Annual Report on Form 10-K for the year ended December 31, 2012.

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 and its investment in five joint ventures in which the Company, as defined, has a controlling interest. OLP and its consolidated subsidiaries are hereinafter referred to as the Company . Material intercompany items and transactions have been eliminated in consolidation.

Investment in Joint Ventures



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The Financial Accounting Standards Board, or FASB, guidance for determining whether an entity is a variable interest entity, or VIE, requires the performance of a qualitative rather than a quantitative analysis to determine the primary beneficiary of a VIE. Under this guidance, an entity would be required to consolidate a VIE if it has (i) the power to direct the activities that most significantly impact the entity's economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could be significant to the VIE.

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One Liberty Properties, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

June 30, 2013 (Continued)

Note 2 - Basis of Preparation (Continued)

The Company assesses the accounting treatment for each joint venture investment. This assessment includes a review of each joint venture or limited liability company 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 the payment of capital expenditures and operating expenditures outside of the approved budget or operating plan. In situations where the Company and its partner (i) approve the annual budget, (ii) approve certain expenditures, (iii) prepare or review and approve the joint venture's tax return before filing, and (iv) approve each lease at each property, the Company does not consolidate the joint venture as the Company considers these to be substantive participation rights that result in shared power over the activities that most significantly impact the performance of the joint venture.

With respect to the five consolidated joint ventures in which the Company has between an 85% to 95% interest, the Company has determined that (i) such ventures are not VIEs and (ii) the Company exercises substantial operating control and accordingly, such ventures are consolidated for financial statement purposes.

The Company accounts for its investments in five unconsolidated joint ventures under the equity method of accounting. All investments in these five 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 five joint ventures are VIEs. In addition, although the Company is the managing member, it does not exercise substantial operating control 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.

Reclassification

Certain amounts reported in previous consolidated financial statements for the three and six months ended June 30, 2012 have been reclassified in the accompanying consolidated financial statements to conform to the current period's presentation, primarily to reclassify the operations of two properties that were sold in October and December 2012 to discontinued operations. In addition, the operations of the Company's tenant-in-common interest were reclassified for the three and six months ended June 30, 2012. The reclassification transfers the tenant-in-common interest related amounts recorded in certain line items on the income statement (rental income, depreciation and amortization, real estate expenses, mortgage interest expense and amortization of deferred financing costs) to equity in earnings of unconsolidated joint ventures. This tenant-in-common interest was sold in May 2013.



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One Liberty Properties, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

June 30, 2013 (Continued)

Note 2 - Basis of Preparation (Continued)

Additionally, the accompanying income statements include the reclassification of state tax expense in the three and six months ended June 30, 2012 from general and administrative expense to federal excise and state taxes to conform to the current year's presentation.

Note 3 - Earnings Per Common Share

Basic earnings per share was determined by dividing net income allocable to common stockholders for the applicable period by the weighted average number of shares of common stock outstanding during such period. Net income is also allocated to the unvested restricted stock during the applicable period, as the restricted stock is entitled to receive dividends and is therefore considered a participating security. Unvested restricted stock is not allocated net losses and/or any excess of dividends declared over net income; such amounts are allocated entirely to the common stockholders other than the holders of unvested restricted stock. The restricted stock units awarded under the Pay-for-Performance program described in 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. For the three and six months ended June 30, 2013 and 2012, the diluted weighted average number of common shares includes 100,000 shares (of an aggregate of 200,000 shares) of common stock underlying the restricted stock units awarded pursuant to the Pay-For-Performance Program. These 100,000 shares may vest upon satisfaction of the total stockholder return metric. The number of shares that would be issued pursuant to this metric is based on the market price and dividends paid as of the end of each quarterly period assuming the end of that quarterly period was the end of the vesting period. The remaining 100,000 shares of common stock underlying the restricted stock units awarded under the Pay-For-Performance Program are not included during the three and six months ended June 30, 2013 and 2012, as they did not meet the return on capital performance metric during such periods.

There were no options outstanding to purchase shares of common stock or other rights exercisable for, or convertible into, common stock during the six months ended June 30, 2013 and 2012.

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## One Liberty Properties, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (Unaudited)

June 30, 2013 (Continued)

Note 3 - Earnings Per Common Share (Continued)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Numerator for basic and diluted earnings per share:				
Income from continuing operations	\$ 7,752	\$ 3,266	\$ 11,201	\$ 6,227
Less net income attributable to noncontrolling interests	(16)	(4)	(15)	(7)
Less earnings allocated to unvested shares				(270)
Income from continuing operations available for common stockholders	7,736	3,262	11,186	5,950
Discontinued operations		2,488		2,752
Net income available for common stockholders, basic and diluted	\$ 7,736	\$ 5,750	\$ 11,186	\$ 8,702
Denominator for basic earnings per share:				
- weighted average common shares	14,844	14,378	14,759	14,333
- weighted average unvested restricted stock shares	470	409	477	
	15,314	14,787	15,236	14,333
Effect of diluted securities:				
- restricted stock units awarded under Pay-for-Performance program	100	100	100	100
Denominator for diluted earnings per share				
- weighted average shares	15,414	14,887	15,336	14,433
Earnings per common share, basic	\$ .51	\$ .39	\$ .73	\$ .61
Earnings per common share, diluted	\$ .50	\$ .39	\$ .73	\$ .60
Amounts attributable to One Liberty Properties, Inc. common stockholders, net of noncontrolling interests:				
Income from continuing operations	\$ 7,736	\$ 3,262	\$ 11,186	\$ 6,220
Income from discontinued operations		2,488		2,752
Net income attributable to One Liberty Properties, Inc.	\$ 7,736	\$ 5,750	\$ 11,186	\$ 8,972



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One Liberty Properties, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

June 30, 2013 (Continued)

Note 4 - Investment in Unconsolidated Joint Ventures

At June 30, 2013 and December 31, 2012, the Company had investments in five and seven unconsolidated joint ventures, respectively, each of which owned and operated one property and the Company's equity investment in such unconsolidated joint ventures totaled \$5,085,000 and \$19,485,000, respectively. In addition to the \$4,705,000 gain on sale of properties in 2013 discussed below, the Company recorded equity in earnings of \$391,000 and \$748,000 for the six months ended June 30, 2013 and 2012, respectively, and \$57,000 and \$534,000 for the three months ended June 30, 2013 and 2012, respectively.

In February 2012, the Company entered into a joint venture with an affiliate of Trammell Crow Company pursuant to which the venture contemplated redeveloping a 6.2 acre site located in Plano, Texas. The Company contributed this property to the joint venture in exchange for a 90% equity interest therein and Trammell Crow contributed \$1,500,000 in exchange for a 10% equity interest therein which resulted in a \$319,000 gain to the Company in the six months ended June 30, 2012. In February 2013, the Company elected not to participate in the redevelopment plan and Trammell Crow exercised its right to purchase the Company's 90% equity interest in the unconsolidated joint venture for \$13,500,000. The sale was completed on April 16, 2013 and the Company recorded a gain of \$1,898,000.

In May 2013, a property located in Los Angeles, California and owned by the Company and another entity as tenants-in-common and accounted for as an unconsolidated joint venture, was sold for \$25,000,000. The Company recorded a \$2,807,000 gain on this sale and incurred its \$148,000 share of the related mortgage prepayment penalty. The Company received net proceeds of \$4,630,000 from the sale transaction.

Note 5 - Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its tenants to make required rent payments. If the financial condition of a specific tenant were to deteriorate resulting in an impairment of its ability to make payments, additional allowances may be required. At December 31, 2012, the balance in allowance for doubtful accounts was \$132,000, recorded as a reduction to accounts receivable. At June 30, 2013, there was no balance in allowance for doubtful accounts. The Company records bad debt expense as a reduction of rental income. For the three and six months ended June 30, 2012, the Company recorded bad debt expense of \$23,000 and \$40,000, respectively, in income from continuing operations and net recoveries of previously recognized bad debt expense of \$57,000 in discontinued operations as a result of collections in the six months ended June 30, 2012 from one tenant. For the three and six months ended June 30, 2013, the Company did not incur any bad debt expense.

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One Liberty Properties, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

June 30, 2013 (Continued)

Note 6 - Real Estate Acquisitions

On March 22, 2013, a consolidated joint venture in which the Company has a 90% interest, acquired a retail property located in Clemmons, North Carolina for an all cash purchase price of \$4,640,000. The property is 100% net leased to Kmart pursuant to a lease expiring in 2018. The Company incurred third party acquisition costs of \$119,000 during the six months ended June 30, 2013 related to this acquisition.

As a result of this acquisition, the Company recorded an intangible lease asset of \$211,000 and an intangible lease liability of \$823,000, representing the value of the origination costs and acquired lease. As of June 30, 2013, the weighted average amortization period for this acquisition is 4.92 years for the intangible lease asset and liability. The Company assessed the fair value of the lease intangible based on estimated cash flow projections that utilize appropriate discount rates and available market information. Such inputs are Level 3 (as defined in Note 12) in the fair value hierarchy. The Company is currently in the process of finalizing the purchase price allocations for the property, as well as for a property purchased in December 2012; therefore, the allocations are preliminary and subject to change.

Acquisitions Subsequent to June 30, 2013

On July 1, 2013, the Company purchased a production, office and distribution facility located in Fort Mill, South Carolina for \$15,500,000, which was financed in part by mortgage financing of \$9,300,000. The mortgage, which matures in July 2023, bears interest at an effective rate of 4.562% per annum. The property is net leased to Shutterfly, Inc. through 2023.

On July 30, 2013, the Company purchased a restaurant property located in Killeen, Texas in a sales/leaseback transaction for \$2,020,000, which was paid in cash. The property is net leased to Texas Land & Cattle Steakhouse through 2025.

On August 1, 2013, the Company purchased a Hooters restaurant property located in Concord, North Carolina for \$2,469,000, which was paid in cash. The property is net leased through 2032.

On August 6, 2013, the Company purchased a property operated as an assisted living facility located in Round Rock, Texas (a suburb of Austin, Texas) for \$22,800,000, which was financed in part by mortgage financing of \$15,275,000. The mortgage, which matures in August 2023, bears interest at an effective rate of 5.375% per annum. The property is net leased to an indirect subsidiary of Harden Healthcare, LLC through 2027.



The aggregate annual base rent at the time of acquisition for these four properties is approximately \$3,100,000.

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## One Liberty Properties, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements (Unaudited)

June 30, 2013 (Continued)

Note 7 - Discontinued Operations

The following summarizes the components of income from discontinued operations applicable to five properties sold during 2012 (dollars in thousands):

	Three Months Ended June 30, 2012		Six Months Ended June 30, 2012	
Rental income	\$	543	\$	1,093
Depreciation and amortization		101		211
Real estate expenses		42		102
Interest expense		117		233
Total expenses		260		546
Income from operations		283		547
Net gain on sales		2,205		2,205
Income from discontinued operations	\$	2,488	\$	2,752

Note 8 - Line of Credit

The Company has a \$75,000,000 revolving credit facility ( Facility ) with VNB New York Corp., Bank Leumi USA, Israel Discount Bank of New York and Manufacturer s & Trader s Trust Company. The Facility matures March 31, 2015 and provides that the Company pay interest at the greater of (i) 90 day LIBOR plus 3% (3.27% at June 30, 2013) and (ii) 4.75% per annum, and there is an unused facility fee of .25% per annum. At June 30, 2013 and August 2, 2013, there was no outstanding balance under the facility. The Company was in compliance with all covenants at June 30, 2013.

Note 9 - Common Stock Cash Dividend

On June 13, 2013, the Board of Directors declared a quarterly cash dividend of \$.35 per share on the Company s common stock, totaling \$5,435,000. The quarterly dividend was paid on July 2, 2013 to stockholders of record on June 25, 2013.

Note 10 Shares Issued Through Equity Offering Program

On August 9, 2012, the Company entered into an equity offering sales agreement to sell shares of the Company's common stock from time to time with an aggregate sales price of up to \$50,000,000, through an at the market equity offering program. During the three months ended June 30, 2013, the Company sold 298,194 shares for proceeds of \$7,829,000, net of commissions of \$79,000, and incurred offering costs of \$58,000.

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One Liberty Properties, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

June 30, 2013 (Continued)

Note 11 - Stock Based Compensation

The Company's 2012 Incentive Plan, approved by the Company's stockholders in June 2012, permits the Company to grant, among other things, stock options, restricted stock, restricted stock units and performance share awards and any one or more of the foregoing to its employees, officers, directors and consultants. A maximum of 600,000 shares of the Company's common stock is authorized for issuance pursuant to this Plan, of which 112,650 have been issued and 50 have vested. An aggregate of 557,415 shares of restricted stock and restricted stock units are outstanding under the Company's 2003 and 2009 equity incentive plans (collectively, the "Prior Plans") and have not yet vested. No additional awards may be granted under the Prior Plans.

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. Substantially all restricted stock awards made to date provide for vesting upon the fifth anniversary of the grant date and under certain circumstances may vest earlier. For financial statement 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.

On September 14, 2010, the Board of Directors approved a Pay-for-Performance Program under the Company's 2009 Incentive Plan and awarded 200,000 performance share awards in the form of restricted stock units (the "Units"). The holders of Units are not entitled to dividends or to vote the underlying shares until the Units vest and shares are issued. Accordingly, for financial statement purposes, the shares underlying the Units are not included in the shares shown as outstanding on the balance sheet. If the defined performance criteria are satisfied in full at June 30, 2017, one share of the Company's common stock will vest and be issued for each Unit outstanding and a pro-rata portion of the Units will vest and be issued if the performance criteria fall between defined ranges. In the event that the performance criteria are not satisfied in whole or in part at June 30, 2017, the unvested Units will be forfeited and no shares of the Company's common stock will be issued for those Units. No Units were forfeited or vested in the six months ended June 30, 2013.

As of June 30, 2013 and December 31, 2012, there were no options outstanding under the Company's equity incentive plans.

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One Liberty Properties, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

June 30, 2013 (Continued)

Note 11 - Stock Based Compensation (Continued)

The following is a summary of the activity of the equity incentive plans (excluding, except as otherwise noted, the 200,000 Units):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Restricted share grants			112,650	109,450
Average per share grant price			\$ 21.59	\$ 16.77
Deferred compensation to be recognized over vesting period			\$ 2,432,000	\$ 1,835,000
Non-vested shares:				
Non-vested beginning of period	470,015	408,510	407,460	348,385
Grants			112,650	109,450
Vested during period			(50,095)	(49,325)
Forfeitures				
Non-vested end of period	470,015	408,510	470,015	408,510
Average per share value of non-vested shares (based on grant price)	\$ 14.22	\$ 12.59	\$ 14.22	\$ 12.59
Value of shares vested during the period (based on grant price)	\$	\$	\$ 876,000	\$ 1,208,000
The total charge to operations for all incentive plans, including the 200,000 Units, is as follows:				
Outstanding restricted stock grants	\$ 335,000	\$ 260,000	\$ 702,000	\$ 542,000
Outstanding restricted stock units	34,000	24,000	64,000	44,000
Total charge to operations				