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 June 30, 2016

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)

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, 2016, the registrant had 17,364,067 shares of common stock outstanding.

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, 2016 (Unaudited)	December 31, 2015
Assets		
Real estate investments, at cost		
Land	$ 182,785	$ 186,994
Buildings and improvements	492,123	460,379
Total real estate investments, at cost	674,908	647,373
Less accumulated depreciation	89,620	85,116
Real estate investments, net	585,288	562,257
Properties held-for-sale	—	12,259
Investment in unconsolidated joint ventures	11,132	11,350
Cash and cash equivalents	35,557	12,736
Restricted cash	—	1,074
Unbilled rent receivable (including $712 related to properties held-for-sale in 2015)	12,707	13,577
Unamortized intangible lease assets, net	30,849	28,978
Escrow, deposits and other assets and receivables	6,257	4,268
Total assets	$ 681,790	$ 646,499
Liabilities and Equity		
Liabilities:		
Mortgages payable, net of $3,948 and $3,373 deferred financing costs, respectively	$ 351,849	$ 331,055
Line of credit, net of $422 and $506 deferred financing costs, respectively	24,928	17,744
Dividends payable	7,089	6,901
Accrued expenses and other liabilities	17,628	13,852
Unamortized intangible lease liabilities, net	14,244	14,521
Total liabilities	415,738	384,073
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; 25,000 shares authorized; 16,686 and 16,292 shares issued and outstanding	16,686	16,292
Paid-in capital	240,505	232,378
Accumulated other comprehensive loss	(10,728)	(4,390)
Accumulated undistributed net income	17,857	16,215
Total One Liberty Properties, Inc. stockholders' equity	264,320	260,495
Non-controlling interests in consolidated joint ventures	1,732	1,931
Total equity	266,052	262,426
Total liabilities and equity	$ 681,790	$ 646,499

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 June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Revenues:				
Rental income, net	$ 15,594	$ 14,992	$ 30,650	$ 28,886
Tenant reimbursements	1,639	790	2,927	1,572
Lease termination fee	—	—	—	650
Total revenues	17,233	15,782	33,577	31,108
Operating expenses:				
Depreciation and amortization	4,398	3,921	8,583	7,655
General and administrative (see Note 11 for related party information)	2,671	2,390	5,280	4,782
Real estate expenses (see Note 11 for related party information)	2,159	1,273	4,334	2,607
Real estate acquisition costs (see Note 11 for related party information)	244	79	448	327
Federal excise and state taxes	78	124	154	198
Leasehold rent	77	77	154	154
Total operating expenses	9,627	7,864	18,953	15,723
Operating income	7,606	7,918	14,624	15,385
Other income and expenses:				
Gain on sales of real estate, net	8,918	—	9,705	5,392
Purchase price fair value adjustment	—	—	—	960
Prepayment costs on debt	(154)	—	(577)	(568)
Equity in earnings (loss) of unconsolidated joint ventures	357	(183)	566	(36)
Other income	56	72	69	75
Interest:				
Expense	(4,114)	(3,907)	(8,189)	(7,646)
Amortization and write-off of deferred financing costs	(210)	(186)	(455)	(641)
Net income	12,459	3,714	15,743	12,921
Net income attributable to non-controlling interests	(18)	(32)	(16)	(1,383)
Net income attributable to One Liberty Properties, Inc.	$ 12,441	$ 3,682	$ 15,727	$ 11,538
Weighted average number of common shares outstanding:				
Basic	16,579	15,883	16,484	15,830
Diluted	16,686	15,983	16,591	15,930
Per common share attributable to common stockholders:				
Basic	$ .72	$ .22	$ .92	$ .70
Diluted	$ .72	$ .22	$ .91	$ .70
Cash distributions declared per share of common stock	$ .41	$ .39	$ .82	$ .78

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 June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income	$ 12,459	$ 3,714	$ 15,743	$ 12,921
Other comprehensive (loss) gain				
Net unrealized (loss) gain on available-for-sale securities	—	(2)	—	1
Reclassification of gain on available-for-sale securities included in net income	(29)	—	(27)	—
Net unrealized (loss) gain on derivative instruments	(2,294)	1,190	(6,195)	456
One Liberty Properties Inc.'s share of joint venture net unrealized (loss) gain on derivative instruments	(31)	74	(136)	26
Other comprehensive (loss) gain	(2,354)	1,262	(6,358)	483
Comprehensive income	10,105	4,976	9,385	13,404
Net income attributable to non-controlling interests	(18)	(32)	(16)	(1,383)
Adjustment for derivative instruments attributable to non-controlling interests	5	(9)	20	(34)
Comprehensive income attributable to One Liberty Properties, Inc.	$ 10,092	$ 4,935	$ 9,389	$ 11,987

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 Loss	Accumulated Undistributed Net Income	Non-Controlling Interests in Consolidated Joint Ventures	Total
Balances, December 31, 2014	$ 15,728	$ 219,867	$ (3,195)	$ 21,876	$ 1,628	$ 255,904
Distributions - common stock Cash - $.78 per share	—	—	—	(12,801)	—	(12,801)
Shares issued through equity offering program — net	51	1,043	—	—	—	1,094
Restricted stock vesting	72	(72)	—	—	—	—
Shares issued through dividend reinvestment plan	74	1,681	—	—	—	1,755
Contribution from non-controlling interest	—	—	—	—	663	663
Distributions to non-controlling interests	—	—	—	—	(1,633)	(1,633)
Compensation expense - restricted stock	—	1,162	—	—	—	1,162
Net income	—	—	—	11,538	1,383	12,921
Other comprehensive income	—	—	449	—	34	483
Balances, June 30, 2015	$ 15,925	$ 223,681	$ (2,746)	$ 20,613	$ 2,075	$ 259,548
Balances, December 31, 2015	$ 16,292	$ 232,378	$ (4,390)	$ 16,215	$ 1,931	$ 262,426
Distributions - common stock Cash - $.82 per share	—	—	—	(14,085)	—	(14,085)
Shares issued through equity offering program — net	258	5,549	—	—	—	5,807
Restricted stock vesting	73	(73)	—	—	—	—
Shares issued through dividend reinvestment plan	63	1,245	—	—	—	1,308
Contribution from non-controlling interest	—	—	—	—	30	30
Distributions to non-controlling interests	—	—	—	—	(225)	(225)
Compensation expense - restricted stock	—	1,406	—	—	—	1,406
Net income	—	—	—	15,727	16	15,743
Other comprehensive loss	—	—	(6,338)	—	(20)	(6,358)
Balances, June 30, 2016	$ 16,686	$ 240,505	$ (10,728)	$ 17,857	$ 1,732	$ 266,052

See accompanying notes to consolidated financial statements.

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

	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Cash flows from operating activities:		
Net income	$ 15,743	$ 12,921
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of real estate	(9,705)	(5,392)
Purchase price fair value adjustment	—	(960)
Gain on available-for-sale securities	(27)	—
Increase in unbilled rent receivable	(1,141)	(879)
Write-off of unbilled rent receivable	7	226
Decrease in rental income and tenant reimbursements resulting from bad debt expense	190	—
Amortization of intangibles relating to leases, net	(294)	(326)
Amortization of restricted stock expense	1,406	1,162
Equity in (earnings) loss of unconsolidated joint ventures	(566)	36
Distributions of earnings from unconsolidated joint ventures	394	394
Depreciation and amortization	8,583	7,655
Amortization and write-off of deferred financing costs	455	641
Payment of leasing commissions	(874)	(639)
Increase in escrow, deposits, other assets and receivables	(1,015)	(36)
Decrease in accrued expenses and other liabilities	(1,521)	(351)
Net cash provided by operating activities	11,635	14,452
Cash flows from investing activities:		
Purchase of real estate	(47,268)	(31,748)
Improvements to real estate	(2,041)	(1,024)
Net proceeds from sales of real estate	40,051	16,025
Purchase of partner’s interest in unconsolidated joint venture	—	(6,300)
Investment in unconsolidated joint ventures	—	(12,686)
Net proceeds from sale of available-for-sale securities	33	—
Distributions of capital from unconsolidated joint ventures	253	733
Net cash used in investing activities	(8,972)	(35,000)
Cash flows from financing activities:		
Scheduled amortization payments of mortgages payable	(4,216)	(3,769)
Repayment of mortgages payable	(38,115)	(25,308)
Proceeds from mortgage financings	63,700	40,768
Proceeds from sale of common stock, net	5,807	1,094
Proceeds from bank line of credit	39,500	35,900
Repayment on bank line of credit	(32,400)	(18,900)
Issuance of shares through dividend reinvestment plan	1,308	1,755
Payment of financing costs	(1,334)	(523)
Capital contributions from non-controlling interests	30	663
Distributions to non-controlling interests	(225)	(1,633)
Cash distributions to common stockholders	(13,897)	(12,701)
Net cash provided by financing activities	20,158	17,346
Net increase (decrease) in cash and cash equivalents	22,821	(3,202)
Cash and cash equivalents at beginning of year	12,736	20,344
Cash and cash equivalents at end of period	$ 35,557	$ 17,142

Continued on next page

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

	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest expense	$ 8,207	$ 7,773
Cash paid during the period for Federal excise tax	190	300
Supplemental schedule of non-cash investing and financing activities:		
Mortgage debt extinguished upon conveyance of the Company's Morrow, Georgia property to mortgagee by deed-in-lieu of foreclosure	$ —	$ 1,466
Consolidation of real estate investment	—	2,633
Purchase accounting allocation — intangible lease assets	3,967	2,529
Purchase accounting allocation — intangible lease liabilities	(336)	(4,782)

See accompanying notes to consolidated financial statements.

One Liberty Properties, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
June 30, 2016

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 retail, industrial, flex and health and fitness properties, many of which are subject to long-term net leases. As of June 30, 2016, OLP owns 116 properties, including seven properties owned by consolidated joint ventures and five properties owned by unconsolidated joint ventures. The 116 properties are located in 30 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 necessary for fair presentation (including normal recurring accruals) have been included. The results of operations for the three and six months ended June 30, 2016 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, 2015.

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 hereinafter referred to as the "Company". Material intercompany items and transactions have been eliminated in consolidation.

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.

One Liberty Properties, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
June 30, 2016 (Continued)

Note 2 — Summary Accounting Policies (Continued)

On January 1, 2016, the Company adopted ASU 2015-02, *Amendments to the Consolidation Analysis*, which amends the current consolidation guidance. The ASU introduces a separate consolidation analysis specific to limited partnerships and other similar entities. Under this analysis, limited partnerships and other similar entities will be considered a VIE unless the limited partners hold substantive kick-out rights or participating rights (see Note 6).

Consistent with the adoption of ASU 2015-02, 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 the Company and its partner, among other things, (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 a 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.

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. In situations where the Company does not have the power over tenant activities that most significantly impact the performance of the property, the Company would not consolidate tenant operations.

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 has shared 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.

Note 2 — Summary Accounting Policies (Continued)

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 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.

Properties Held-for-Sale

Real estate investments are classified as properties held-for-sale when management determines that the investment meets the applicable criteria. Real estate investments which are held-for-sale are not depreciated.

Tenant Reimbursements

Tenant reimbursements represent tenants' contractual obligations for recoverable real estate taxes and operating expenses and are recognized when earned.

Reclassifications

Certain amounts previously reported in the consolidated financial statements have been reclassified in the accompanying consolidated financial statements to conform to the current period's presentation, primarily to present debt issuance costs as a direct deduction from the carrying amount of the associated debt on the Company's December 31, 2015 consolidated balance sheet. See Note 10.

Note 3 — 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. 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 are excluded from the basic earnings per share calculation, as these units are not participating securities (see Note 14).

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

Note 3 — Earnings Per Common Share (Continued)

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, 2016 and 2015, the diluted weighted average number of shares of common stock includes 107,000 and 100,000 shares, respectively (of an aggregate of 200,000 shares) of common stock underlying the restricted stock units awarded pursuant to the Pay-For-Performance program. These amounts include 100,000 shares that would be issued pursuant to a metric based on the market price and dividends paid at the end of each quarterly period, assuming the end of that quarterly period was the end of the vesting period. Of the remaining 100,000 shares of common stock underlying the restricted stock units awarded under the Pay-For-Performance program (the "ROC Shares"), 7,000 shares are included in the diluted weighted average in the three and six months ended June 30, 2016 and, as they did not meet the return on capital performance metric during the three and six months ended June 30, 2015, none of the ROC Shares were included in the corresponding periods in 2015.

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 June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Numerator for basic and diluted earnings per share:				
Net income	$ 12,459	$ 3,714	$ 15,743	$ 12,921
Less net income attributable to non-controlling interests	(18)	(32)	(16)	(1,383)
Less earnings allocated to unvested restricted stock (a)	(436)	(210)	(554)	(420)
Net income available for common stockholders, basic and diluted	$ 12,005	$ 3,472	$ 15,173	$ 11,118
Denominator for basic earnings per share:				
Weighted average common shares	16,579	15,883	16,484	15,830
Effect of diluted securities:				
Restricted stock units awarded under Pay-for-Performance program	107	100	107	100
Denominator for diluted earnings per share:				
Weighted average shares	16,686	15,983	16,591	15,930
Earnings per common share, basic	$ .72	$ .22	$ .92	$. 70
Earnings per common share, diluted	$ .72	$ .22	$ .91	$. 70
Net income attributable to One Liberty Properties, Inc. common stockholders, net of non-controlling interests	$ 12,441	$ 3,682	$ 15,727	$ 11,538

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

Note 4 — Real Estate Acquisitions

The following chart details the Company's acquisitions of real estate during the six months ended June 30, 2016 (amounts in thousands):

Description of Property	Date Acquired	Contract Purchase Price	Terms of Payment	Third Party Real Estate Acquisition Costs (a)
Multi-tenant industrial facility, Greenville, South Carolina (b)	March 30, 2016	$ 8,100	All cash	$ 95
Multi-tenant industrial facility, Greenville, South Carolina (b)	March 30, 2016	8,950	All cash	94
Toro distribution facility, El Paso, Texas	June 3, 2016	23,695	All cash	70
4 Advanced Auto retail locations, Ohio	June 16, 2016	6,523	Cash and $4,300 mortgage (c)	115
Other costs (d)		—		74
Totals		$ 47,268		$ 448

(a) Included as an expense in the accompanying consolidated statement of income.
(b) These properties are adjacent to one another.
(c) The new mortgage debt, which was obtained simultaneously with the acquisition of the property, bears interest at 3.24%, matures July 1, 2026, and is comprised of four individual loans, which are cross-collateralized.
(d) Costs incurred for properties purchased in 2015, potential future acquisitions and transactions that were not consummated.

The following chart provides the allocation of the purchase price for the Company's acquisitions of real estate during the six months ended June 30, 2016 (amounts in thousands):

Description of Property	Land	Building	Building Improvements	Intangible Lease Asset	Intangible Lease Liability	Total
Multi-tenant industrial facility, Greenville, South Carolina	$ 693	$ 6,718	$ 175	$ 514	$ —	$ 8,100
Multi-tenant industrial facility, Greenville, South Carolina	528	7,893	181	441	(93)	8,950
Toro distribution facility, El Paso, Texas (a)	3,691	17,525	379	2,100	—	23,695
4 Advanced Auto retail locations, Ohio (a)	653	5,012	189	912	(243)	6,523
Totals	$ 5,565	$ 37,148	$ 924	$ 3,967	$ (336)	$ 47,268

(a) The Company is in the process of finalizing the purchase price allocations for the properties acquired during the three months ended June 30, 2016; therefore the allocations are preliminary and subject to change.

Note 4 — Real Estate Acquisitions (Continued)

As of June 30, 2016, the weighted average amortization period is 6.3 years for these intangible lease assets and 13.5 years for these intangible lease liabilities. The Company assessed the fair value of the lease intangibles based on estimated cash flow projections that utilize appropriate discount rates and available market information. Such inputs are Level 3 (as defined in Note 15) in the fair value hierarchy.

The properties purchased by the Company during the six months ended June 30, 2016 are each 100% occupied. Each of the Greenville, South Carolina properties is net leased by three unrelated tenants pursuant to leases which expire between 2017 and 2021. The El Paso, Texas property is net leased by a single tenant pursuant to two separate coterminous leases which expire in 2022. The four Ohio properties are net leased by a single tenant pursuant to four separate leases, three of which expire in 2026 and one of which expires in 2025.

On March 31, 2015, the Company purchased for $6,300,000, its partner's 50% interest in an unconsolidated joint venture that owned a property in Lincoln, Nebraska, and as a result, the Company obtained a controlling financial interest. In consolidating the investment, the Company recorded a purchase price fair value adjustment of $960,000 on the consolidated statement of income, representing the difference between the book value of its preexisting equity investment on the March 31, 2015 purchase date and the fair value of the net assets acquired.

Acquisition Subsequent to June 30, 2016

On August 2, 2016, the Company purchased for $10,500,000 land located in Wheaton, Illinois improved by a 342 unit apartment complex. Simultaneous with the purchase, (i) the Company leased the land to the owner/operator of the complex pursuant to a triple net ground lease (expiring in 2046) and (ii) the owner/operator obtained a $39,400,000 mortgage from a third party, which, together with the Company's purchase of the land, provided substantially all of the aggregate funds to acquire the complex. The Company provided the land as collateral for the owner/operator's mortgage loan; accordingly the Company's land position is subordinate to the mortgage. The owner/operator is an affiliate of the owner/operator of the Lakemoor, Illinois property discussed in Note 6.

Note 5 — Sale of Properties

The following chart details the Company's sales of real estate during the six months ended June 30, 2016 (amounts in thousands):

Description of Property	Date Sold	Sales Price	Gain on Sale of Real Estate, Net
Portfolio of eight retail properties, Louisiana and Mississippi (a)	February 1, 2016	$ 13,750	$ 787
Retail property, Killeen, Texas (b)	May 19, 2016	3,100	980
Land, Sandy Springs, Georgia	June 15, 2016	8,806	2,278
Industrial property, Tomlinson, Pennsylvania (c)	June 30, 2016	14,800	5,660
Totals		$ 40,456	$ 9,705

(a) In connection with the sale, the Company paid off the $7,801 mortgage balance on these properties and incurred a $380 expense for the early termination of the mortgage (included in Prepayment costs on debt) and a $26 write-off of deferred financing costs (included in Amortization and write-off of deferred financing costs). As a result of the sale, the Company also wrote-off, as a reduction to Gain on sale of real estate, net, $706 of unbilled straight-line rent receivable, $79 of intangible lease assets and $54 of tenant origination costs. At December 31, 2015, the Company classified the net book value of the land and buildings, intangible lease assets and tenant origination costs totaling $12,259 as Properties held-for-sale.

(b) As a result of the sale, the Company wrote-off, as a reduction to Gain on sale of real estate, net, $37 of unbilled straight-line rent receivable.

(c) In connection with the sale, the Company paid off the $5,272 mortgage balance on this property and incurred a $154 swap termination fee (included in Prepayment costs on debt) and a $30 write-off of deferred financing costs (included in Amortization and write-off of deferred financing costs). As a result of the sale, the Company wrote-off, as a reduction to Gain on sale of real estate, net, $1,262 of unbilled straight-line rent receivable, $36 of intangible lease assets and $75 of tenant origination costs.

On January 13, 2015, a consolidated joint venture of the Company sold a property located in Cherry Hill, New Jersey for $16,025,000, net of closing costs. The sale resulted in a gain of $5,392,000, recorded as Gain on sale of real estate, net, for the six months ended June 30, 2015. In connection with the sale, the Company paid off the $7,376,000 mortgage balance on this property and incurred a $472,000 swap termination fee (included in Prepayment costs on debt) and a $249,000 write-off of deferred financing costs (included in Amortization and write-off of deferred financing costs). The non-controlling interest's share of income from the transaction was $1,320,000 and is included in net income attributable to non-controlling interests.

Note 6 — Variable Interest Entities, Contingent Liabilities and Consolidated Joint Ventures

Variable Interest Entities — Ground Leases

In June 2014, the Company purchased land for $6,510,000 in Sandy Springs, Georgia, improved with a 196 unit apartment complex, and in March 2015, the Company purchased land for $9,300,000 in Lakemoor, Illinois, improved with a 496 unit apartment complex. With each purchase, the Company simultaneously entered into a triple net ground lease with the owner/operator of the applicable complex. The Company sold the Sandy Springs, Georgia land on June 15, 2016 (see Note 5) to an unrelated third party.

The Company determined that it has a variable interest through its ground leases and the owner/operators are VIEs because their equity investment at risk is insufficient to finance its activities without additional subordinated financial support; this assessment did not change as a result of the adoption of ASU 2015-02 (see Note 2). Simultaneously with the closing of each acquisition, the owner/operator obtained a mortgage from a third party ($16,230,000 for Sandy Springs and $43,824,000 for Lakemoor) which, together with the Company's purchase of the land, provided substantially all of the aggregate funds to acquire the complex. The Company provided its land as collateral for the respective owner/operator's mortgage loans; accordingly, each land position is subordinated to the applicable mortgage. Other than as described above, no other financial support has been provided by the Company.

The Company further determined that for each acquisition it is not the primary beneficiary because the Company does not have the power to direct the activities that most significantly impact the owner/operator's economic performance, such as management, operational budgets and other rights, including leasing of the units, and therefore, does not consolidate the VIEs for financial statement purposes. Accordingly, the Company accounts for these investments as land and the revenues from the ground leases as Rental income, net. Such rental income amounted to $434,000 and $862,000 for the three and six months ended June 30, 2016, respectively and $460,000 and $711,000 for the three and six months ended June 30, 2015.

The carrying amount and maximum exposure to loss at June 30, 2016 of the Company's variable interest in the Lakemoor, Illinois is $9,606,000, consisting of land of $9,592,000 and unbilled rent receivable of $14,000.

Pursuant to the terms of the ground lease for the property in Sandy Springs, Georgia, the owner/operator was obligated to make certain unit renovations as and when units became vacant. The cash reserve balance was $1,074,000 at December 31, 2015, and was classified as Restricted cash on the consolidated balance sheet. In connection with the sale of the property on June 15, 2016, the entire restricted cash balance was disbursed to the owner/operator.

Note 6 — Variable Interest Entities, Contingent Liabilities and Consolidated Joint Ventures (Continued)

Variable Interest Entity — Consolidated Joint Ventures

A joint venture in which the Company has a 95% equity interest, acquired a property located in Joppa, Maryland. (The Company also had a senior preferred equity interest until May 2016 when the joint venture obtained a mortgage on its property and a portion of such mortgage proceeds was used to repay the $6,280,000 preferred interest to the Company, including accrued interest of $455,000.) The Company had historically determined that this joint venture was a VIE. As a result of the adoption of ASU 2015-02, the Company re-assessed its evaluation and determined this venture is still a VIE as the non-controlling interests do not have substantive kick-out or participating rights.

With respect to the six other consolidated joint ventures in which the Company has between an 85% to 95% interest, the Company had historically determined that such ventures were not VIEs. As a result of the adoption of ASU 2015-02, the Company re-assessed its evaluation of these investments and determined such ventures are VIEs because the non-controlling interests do not have substantive kick-out or participating rights.

In each of these seven joint ventures, the Company has determined it is the primary beneficiary of the VIE 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 has continued to consolidate the operations of these joint ventures for financial statement purposes. The joint ventures' creditors do not have recourse to the assets of the Company other than those held by these joint ventures.

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):

	June 30, 2016	December 31, 2015
Land	$ 18,400	$ 18,400
Buildings and improvements, net of depreciation of $2,621 and $2,076, respectively	34,134	34,287
Cash	2,426	1,960
Unbilled rent receivable	640	330
Unamortized intangible lease assets, net	1,793	1,996
Escrow, deposits and other assets and receivables	1,411	752
Mortgages payable, net of deferred financing costs of $666 and $438, respectively	36,285	25,926
Accrued expenses and other liabilities	1,154	793
Unamortized intangible lease liabilities, net	2,294	2,392
Accumulated other comprehensive loss	(333)	(126)
Non-controlling interests in consolidated joint ventures	1,732	1,931

Note 6 — Variable Interest Entities, Contingent Liabilities and Consolidated Joint Ventures (Continued)

MCB Real Estate, LLC and its affiliates ("MCB") are the Company's joint venture partner in five consolidated joint ventures. At June 30, 2016, the Company has aggregate equity investments of approximately $10,358,000 in such ventures.

A joint venture with MCB, in which the Company has a net equity investment of $2,895,000, owns a property formerly operated as a Pathmark supermarket in Philadelphia, Pennsylvania. In July 2015, this tenant filed for Chapter 11 bankruptcy protection, rejected the lease, and in late September 2015, vacated the property. This tenant accounted for approximately 1.2% of the Company's rental income for each of the three and six months ended June 30, 2015. At June 30, 2016, the mortgage debt on, and the net book value of, such property is $4,455,000 and $7,246,000, respectively. The Company has determined that no impairment charge is required currently with respect to this property.

Distributions by Consolidated Joint Ventures

Distributions to each joint venture partner are determined pursuant to the applicable operating agreement and may not be pro rata to the equity interest each partner has in the applicable venture.

Note 7 — Investment in Unconsolidated Joint Ventures

At June 30, 2016 and December 31, 2015, the Company's five unconsolidated joint ventures each own and operate one property. Such ventures are not considered VIEs (see Note 2). The Company's equity investment in such unconsolidated joint ventures at such dates totaled $11,132,000 and $11,350,000, respectively. The Company recorded equity in earnings of $357,000 and $566,000 for the three and six months ended June 30, 2016 and equity in loss of $183,000 and $36,000 for the three and six months ended June 30, 2015. The loss in the three and six months ended June 30, 2015 resulted from the Company's share of the acquisition expenses associated with the June 2015 purchase of a property located in Manahawkin, New Jersey.

Note 8 — Lease Termination Fee Income

In March 2015, the Company received a $650,000 lease termination fee from an industrial tenant in a lease buy-out transaction. In connection with the receipt of this fee, the Company wrote-off $226,000 as an offset to rental income, representing the entire balance of the unbilled rent receivable related to the sole tenant at this property. The Company re-leased this property simultaneously with the termination of the lease.

Note 9 — Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of a tenant to make required rent payments. If the financial condition of a specific tenant were to deteriorate adversely impacting its ability to make payments, Note 9 — Allowance for Doubtful Accounts (Continued)

additional allowances may be required. At June 30, 2016 and December 31, 2015, there was no balance in allowance for doubtful accounts.

The Company records bad debt expense as a reduction of rental income and/or tenant reimbursements. On March 2, 2016, Sports Authority Inc., the tenant at the Company's Greenwood Village, Colorado property, filed for Chapter 11 bankruptcy protection and on June 30, 2016, such tenant vacated the property. This tenant accounted for less than 1% of the Company's rental income for the three and six months ended June 30, 2016 and 2015. For the three and six months ended June 30, 2016, the Company recorded an aggregate bad debt expense of $37,000 and $190,000, respectively, relating to rental income and tenant reimbursements due from this tenant. The Company is marketing the property, which at June 30, 2016 has a net book value of $2,711,000, for sale or lease and has determined that no impairment charge is required currently with respect to this property. In July 2016, the Company received a $466,000 payment from the Colorado Department of Transportation as a deposit against any eventual settlement for the taking of approximately 5% of the land associated with this property, which includes approximately 20 parking spaces.

Note 10 — Debt Obligations

Mortgages Payable

On January 1, 2016, the Company adopted ASU 2015-03, *Interest — Imputation of Interest — Simplifying the Presentation of Debt Issuance Costs*, which amends the balance sheet presentation for debt issuance costs. Under the amended guidance, a company will present unamortized debt issuance costs as a direct deduction from the carrying amount of that debt liability with retrospective application for all prior periods presented. The adoption of this ASU had no impact on the Company's previously reported consolidated financial statements.

As a result of the adoption of this guidance, the following table depicts the adjustments to the Company's previously reported consolidated balance sheet amounts at December 31, 2015 (amounts in thousands):

	As Previously Reported	As Adjusted
Unamortized deferred financing costs, net	$ 3,914	$ —
Escrow, deposits and other assets and receivables	4,233	4,268
Total assets	650,378	646,499
Mortgages payable	334,428	331,055
Line of credit	18,250	17,744
Total liabilities	387,952	384,073
Total liabilities and equity	650,378	646,499

Note 10 — Debt Obligations (Continued)

The following table details the Mortgages payable, net, balances per the consolidated balance sheets at June 30, 2016 and December 31, 2015 (amounts in thousands):

	June 30, 2016	December 31, 2015
Mortgages payable, gross	$ 355,797	$ 334,428
Unamortized deferred financing costs	(3,948)	(3,373)
Mortgages payable, net	$ 351,849	$ 331,055

At June 30, 2016 and December 31, 2015, $399,000 and $35,000, respectively, is included in other assets on the consolidated balance sheets representing unamortized deferred financing costs incurred for which the related mortgage debt has not yet been incurred.

Line of Credit

The Company has a $75,000,000 credit facility with Manufacturers & Traders Trust Company, VNB New York, LLC, Bank Leumi USA and Israel Discount Bank of New York which matures December 31, 2018. The facility provides that the Company pay 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 basis points at June 30, 2016 and 2015. An unused facility fee of .25% per annum applies to the facility. The average interest rate on the facility was approximately 2.19% and 1.93% for the six months ended June 30, 2016 and 2015, respectively. The Company was in compliance with all covenants at June 30, 2016.

The following table details the Line of credit, net, balances per the consolidated balance sheets at June 30, 2016 and December 31, 2015 (amounts in thousands):

	June 30, 2016	December 31, 2015
Line of credit, gross	$ 25,350	$ 18,250
Unamortized deferred financing costs	(422)	(506)
Line of credit, net	$ 24,928	$ 17,744

At August 2, 2016, there was an outstanding balance of $2,000,000 (before unamortized deferred financing costs) under the facility.

Note 11 — Related Party Transactions

Effective January 1, 2016, pursuant to the compensation and services agreement, as amended, with Majestic Property Management Corp., a company wholly-owned by the Company's vice-chairman, property management fees are paid 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 property management fees with respect to properties managed by third parties. Pursuant to the compensation and services agreement, the Company paid $672,000 and $1,324,000 (including property management fees of $261,000 and $503,000) for the three and six months ended June 30, 2016, respectively. For the three and six months ended June 30, 2015, such fees were $634,000 and $1,264,000 (including property management fees of $223,000 and $446,000, respectively). The three and six months ended June 30, 2016 and 2015 includes overhead fees of $49,000 and $98,000, respectively. Included in Other assets on the consolidated balance sheet at June 30, 2016, is a $21,000 prepayment of management fees to Majestic; such amount was deducted from a fee for a subsequent month.

For 2016 and 2015, the Company agreed to pay quarterly fees of $65,625 to the Company's chairman and $26,250 to the Company's vice-chairman.

Executive officers and others providing services under the compensation and services agreement were awarded shares of restricted stock and restricted stock units under the Company's stock incentive plans (described in Note 14). The costs of the plans charged to the Company's operations applicable to the executive officers and others providing services under the compensation and services agreement amounted to $382,000 and $726,000 for the three and six months ended June 30, 2016, and $312,000 and $622,000 for the three and six months ended June 30, 2015.

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

The Company obtains its property insurance in conjunction with Gould and reimburses Gould 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 $101,000 and $202,000 for the three and six months ended June 30, 2016, and $57,000 and $114,000 for the three and six months ended June 30, 2015.

During the three and six months ended June 30, 2016 and the three and six months ended June 30, 2015, the Company paid an aggregate of $36,000, $88,000, $33,000 and $138,000, respectively, to its joint venture partners or their affiliates for property management and acquisition fees, which are included in Real estate expenses and Real estate acquisition costs on the consolidated statements of income. Additionally, in the three and six months

Note 11 — Related Party Transactions (Continued)

ended June 30, 2016 and the three and six months ended June 30, 2015, an unconsolidated joint venture of the Company paid fees of $37,000, $72,000, $326,000 and $326,000 to the other partner of the venture, of which $19,000, $36,000, $163,000 and $163,000, respectively, reduced Equity in earnings of unconsolidated joint ventures on the consolidated statements of income.

Note 12 — Common Stock Cash Dividend

On June 10, 2016, the Board of Directors declared a quarterly cash dividend of $.41 per share on the Company's common stock, totaling $7,089,000. The quarterly dividend was paid on July 7, 2016 to stockholders of record on June 24, 2016.

Note 13 — Shares Issued through Equity Offering Program

On March 20, 2014, the Company entered into an amended and restated 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 approximately $38,360,000, through an "at the market" equity offering program. During the six months ended June 30, 2016, the Company sold 258,629 shares for proceeds of $5,890,000, net of commissions of $59,000, and incurred offering costs of $83,000 for professional fees. Subsequent to June 30, 2016 and through July 8, 2016, the Company sold 34,144 shares for proceeds of $813,000, net of commissions of $8,000.

Note 14 — Stock Based Compensation

The Company's 2016 Incentive Plan, approved by the Company's stockholders in June 2016, permits the Company to grant, among other things, stock options, restricted stock units, 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. An aggregate of 805,000 shares of restricted stock and restricted stock units are outstanding under the Company's 2012 and 2009 equity incentive plans (collectively, the "Prior Plans") and have not yet vested. No additional awards may be granted under the Prior Plans. 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.

Pursuant to the Pay-for-Performance program, there are 200,000 performance share awards in the form of restricted stock units (the "Units") outstanding under the Company's 2009 Incentive Plan. 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 accounting purposes, the shares underlying the Units are not included in the shares shown as outstanding on the balance sheet. No Units were forfeited or vested during the six months ended June 30, 2016.

One Liberty Properties, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
June 30, 2016 (Continued)

Note 14 — 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,	
	2016	2015	2016	2015
Restricted share grants	—	—	139,225	129,975
Per share grant price	—	—	$ 21.74	$ 24.60
Deferred compensation to be recognized over vesting period	—	—	$ 3,027,000	$ 3,197,000
Number of non-vested shares:				
Non-vested beginning of period	605,000	540,285	538,755	480,995
Grants	—	—	139,225	129,975
Vested during period	—	(1,295)	(72,730)	(71,980)
Forfeitures	—	—	(250)	—
Non-vested end of period	605,000	538,990	605,000	538,990

The following information includes the 200,000 Units:

Average per share value of non-vested shares (based on grant price)	$ 18.00	$ 17.12	$ 18.00	$ 17.12
Value of shares vested during the period (based on grant price)	$ —	$ 21,000	$ 1,177,000	$ 607,000
Average value of shares forfeited during the period (based on grant price)	$ —	$ —	$ 21.05	$ —
The total charge to operations for all incentive plans is as follows:				
Outstanding restricted stock grants	$ 641,000	$ 555,000	$ 1,291,000	$ 1,103,000
Outstanding restricted stock units	99,000	30,000	115,000	59,000
Total charge to operations	$ 740,000	$ 585,000	$ 1,406,000	$ 1,162,000

As of June 30, 2016, there were approximately $7,417,000 of total compensation costs related to non-vested awards that have not yet been recognized, including $130,000 related to the Units (net of forfeiture and performance assumptions which are re-evaluated quarterly). These compensation costs will be charged to general and administrative expense over the remaining respective vesting periods. The weighted average vesting period is approximately 2.3 years.

Note 15 — 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, restricted cash, escrow, deposits and other assets and receivables (excluding available-for-sale securities), 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 June 30, 2016, the $371,766,000 estimated fair value of the Company's mortgages payable is more than their $355,797,000 carrying value (before unamortized deferred financing costs) by approximately $15,969,000 assuming a blended market interest rate of 3.73% based on the 9.8 year weighted average remaining term of the mortgages. At December 31, 2015, the $346,614,000 estimated fair value of the Company's mortgages payable is more than their $334,428,000 carrying value (before unamortized deferred financing costs) by approximately $12,186,000 assuming a blended market interest rate of 4.07% based on the 8.9 year weighted average remaining term of the mortgages.

At June 30, 2016 and December 31, 2015, the carrying amount of the Company's line of credit (before unamortized deferred financing costs) of $25,350,000 and $18,250,000, respectively, approximates its fair value.

The fair value of the Company's mortgages payable and line of credit 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.

One Liberty Properties, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
June 30, 2016 (Continued)

Note 15 — Fair Value Measurements (Continued)

Fair Value on a Recurring Basis

The fair value of the Company's available-for-sale securities and derivative financial instruments was determined using the following inputs (amounts in thousands):

	As of	Carrying and Fair Value	Fair Value Measurements on a Recurring Basis	
			Level 1	Level 2
Financial assets:				
Available-for-sale securities:				
Equity securities	June 30, 2016	$ —	$ —	$ —
	December 31, 2015	32	32	—
Financial liabilities:				
Derivative financial instruments:				
Interest rate swaps	June 30, 2016	$ 10,502	$ —	$ 10,502
	December 31, 2015	4,299	—	4,299

The Company does not own any financial instruments that are classified as Level 3.

Available-for-sale securities

At December 31, 2015, the Company's available-for-sale securities was a $32,000 investment in equity securities (included in other assets on the consolidated balance sheet). The aggregate cost of these securities was $5,300 and at December 31, 2015, the unrealized gain of $27,000 was included in accumulated other comprehensive loss on the consolidated balance sheet. Fair value was approximated based on current market quotes from financial sources that track such securities. During the three and six months ended June 30, 2016, the Company sold such equity securities for gross proceeds of $33,000 and recognized a gain of $27,000 (included in other income on the consolidated statement of income).

Derivative financial instruments

The Company's objective in using interest rate swaps is to add stability to interest expense and to manage its exposure to interest rate movements. The Company does not use derivatives for trading or speculative purposes.

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 that 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

Note 15 — Fair Value Measurements (Continued)

the likelihood of default by the Company and its counterparty. As of June 30, 2016, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Company determined that its derivative valuation is classified in Level 2 of the fair value hierarchy.

As of June 30, 2016, the Company had entered into 30 interest rate derivatives, all of which were interest rate swaps, related to 30 outstanding mortgage loans with an aggregate $143,656,000 notional amount and mature between 2018 and 2028 (weighted average remaining maturity of 8.4 years). Such 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 5.75% and a weighted average interest rate of 4.15% at June 30, 2016). The fair value of the Company's derivatives designated as hedging instruments in asset and liability positions reflected as other assets or other liabilities on the consolidated balance sheets were $0 and $10,502,000, respectively, at June 30, 2016, and $0 and $4,299,000, respectively, at December 31, 2015.

Three of the Company's unconsolidated joint ventures, in which wholly-owned subsidiaries of the Company are 50% partners, had two interest rate derivatives outstanding at June 30, 2016 with an aggregate $10,870,000 notional amount. These interest rate swaps, which were designated as cash flow hedges, have interest rates of 3.49% and 5.81% and mature in 2022 and 2018, respectively.

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 June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
One Liberty Properties, Inc. and Consolidated Subsidiaries				
Amount of (loss) gain recognized on derivatives in Other comprehensive loss	$ (3,079)	$ 732	$ (7,582)	$ (891)
Amount of loss reclassification from Accumulated other comprehensive loss into Interest expense	(785)	(458)	(1,387)	(1,347)
Unconsolidated Joint Ventures (Company's share)				
Amount of (loss) gain recognized on derivatives in Other comprehensive loss	$ (55)	$ 46	$ (185)	$ (25)
Amount of loss reclassification from Accumulated other comprehensive loss into Equity in earnings of unconsolidated joint ventures	(24)	(29)	(49)	(51)

Note 15 — Fair Value Measurements (Continued)

No gain or loss was recognized with respect to hedge ineffectiveness or to amounts excluded from effectiveness testing on the Company's cash flow hedges for the three and six months ended June 30, 2016 and 2015. During the twelve months ending June 30, 2017, the Company estimates an additional $2,458,000 will be reclassified from other Accumulated comprehensive loss as an increase to Interest expense and $92,000 will be reclassified from Accumulated other comprehensive loss as a decrease to Equity in earnings of unconsolidated joint ventures.

The derivative agreements in effect at June 30, 2016 provide that if the wholly-owned subsidiary of the Company which is a party to the 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 one of 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, then the Company could be held liable for such swap breakage losses, if any. During the six months ended June 30, 2016, the Company terminated three interest rate swaps in connection with the early payoff of the related mortgages, and during the six months ended June 30, 2015, the Company terminated one interest rate swap in connection with the sale of its Cherry Hill, New Jersey property. The Company accelerated the reclassification of amounts in other comprehensive loss to earnings as a result of these hedged forecasted transactions being terminated. During the three and six months ended June 30, 2016, the accelerated amounts were losses of $154,000 and $178,000, respectively, and during the six months ended June 30, 2015, the accelerated amount was a loss of $472,000, all of which are included in Prepayment costs on debt on the consolidated statements of income.

As of June 30, 2016, the fair value of the derivatives in the liability position, including accrued interest and excluding any adjustments for nonperformance risk, was approximately $11,277,000. In the event that the Company breaches any of the contractual provisions of the derivative contracts, it would be required to settle its obligations thereunder at their termination liability value of $11,277,000. This termination liability value, net of $775,000 adjustments for accrued interest and nonperformance risk, or $10,502,000, is included in Accrued expenses and other liabilities on the consolidated balance sheet at June 30, 2016.

Note 16 — New Accounting Pronouncements

In March 2016, the FASB issued ASU No. 2016-09, *Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, which changes how companies account for certain aspects of share-based payment awards to employees, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. The effective date of the standard will be fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016, and early adoption is permitted. The Company is currently evaluating the new guidance to determine the impact, if any, it may have on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Consideration (Reporting Revenue Gross versus Net)*, which outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services. The effective date of the standard will be fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is permitted but not before annual periods beginning after December 15, 2016. The Company is currently evaluating the new guidance to determine the impact, if any, it may have on its consolidated financial statements.

Also in March 2016, the FASB issued ASU No. 2016-05, *Derivatives and Hedging (Topic 815), Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships*, which states the novation of a derivative contract (i.e., a change in the counterparty) in a hedge accounting relationship does not, in and of itself, require dedesignation of that hedge accounting relationship. The hedge accounting relationship could continue uninterrupted if all of the other hedge accounting criteria are met, including the expectation that the hedge will be highly effective when the creditworthiness of the new counterparty to the derivative contract is considered. The effective date of the standard will be fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016, and early adoption is permitted. The Company is currently evaluating the new guidance to determine the impact, if any, it may have on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. The effective date of the standard will be fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, and early adoption is permitted. The new leases standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. The Company is currently evaluating the new guidance to determine the impact it may have on its consolidated financial statements.

Note 16 — New Accounting Pronouncements (Continued)

In September 2015, the FASB issued ASU No. 2015-16, *Business Combinations: Simplifying the Accounting for Measurement Period Adjustments*, which eliminates the requirement for an acquirer in a business combination to account for measurement period adjustments retrospectively. Instead, acquirers must recognize measurement-period adjustments during the period in which they determine the amounts, including the effect on earnings of any amounts they would have recorded in previous periods if the accounting had been completed at the acquisition date. The effective date of the standard is for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. The Company adopted this guidance on January 1, 2016 and its adoption did not have any impact on its consolidated financial statements.

Note 17 — Subsequent Events

Subsequent events have been evaluated and except as disclosed in Note 4 (Real Estate Acquisitions), Note 9 (Allowance for Doubtful Accounts), Note 10 (Debt Obligations), Note 12 (Common Stock Cash Dividend) and Note 13 (Shares Issued Through Equity Offering Program), there were no other events relative to the Company’s consolidated financial statements that require additional disclosure.

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

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains 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. Forward-looking statements should not be relied on since they involve known and unknown risks, uncertainties and other factors which are, in some cases, beyond our control and which could materially affect actual results, performance or achievements. Investors are encouraged to review the risk factors included in our Annual Report on Form 10-K for the year ended December 31, 2015 under the caption "Item 1A. Risk Factors" for a discussion of certain factors which may cause actual results to differ materially from current expectations and are cautioned not to place undue reliance on any forward-looking statements.

Acquisitions, Sales, Financings and Other Developments During the Six Months Ended June 30, 2016

We acquired seven properties for an aggregate purchase price of $47.3 million. These acquisitions contributed $462,000 and $468,000 of rental income and $203,000 and $222,000 of depreciation expense during the three and six months ended June 30, 2016, respectively. We estimate that commencing July 1, 2016, the rental income from these seven properties will be $829,000 per quarter and depreciation expense will be $370,000 per quarter.

We sold 11 properties (the "Sold Properties"), including a portfolio of eight convenience stores (the "Pantry Portfolio"), for an aggregate sales price of $40.5 million and an aggregate net gain of $9.7 million, before giving effect to prepayment costs on debt of $534,000. For the six months ended June 30, 2016 and 2015, the Sold Properties accounted for approximately (i) $927,000, or 3.0%, and $1.8 million, or 6.1%,respectively, of our rental income, and (ii) an aggregate of $329,000 and $655,000, respectively, of depreciation and amortization expense, mortgage interest expense and amortization of deferred financing costs.

We obtained $63.7 million of gross proceeds from mortgage financings and refinancings, including $14.1 million of proceeds derived from refinancings. The weighted average interest rate on the $63.7 million of mortgage debt is 3.6% and the weighted average remaining term is 11.57 years.

We raised $5.8 million from the issuance of 258,000 shares of common stock pursuant to our at-the-market equity offering program and issued 63,000 shares of common stock through our dividend reinvestment program in lieu of paying dividends of approximately $1.3 million.

On March 2, 2016, the tenant that leased a property operated as a Sports Authority retail store located in Greenwood Village, Colorado filed for Chapter 11 bankruptcy protection and on June 30, 2016, such tenant vacated the property. This tenant accounted for $178,000 and $224,000, or less than 1% of our rental income, for the six months ended June 30, 2016 and 2015, respectively. We are in the process of marketing the property for sale or lease and have determined that no impairment charge is required currently with respect to this property. In July 2016, the Company received a $466,000 payment from the Colorado Department of Transportation (the "CDOT") as a deposit against any eventual settlement for the taking of approximately 5% of the land associated with this property, which includes approximately 20 parking spaces. We are negotiating with the CDOT regarding additional compensation for this taking, although no assurance can be given that we will be successful in this regard. We may be required to expend all or a portion of the proceeds we have already received from the CDOT to repurpose the property for a replacement tenant.

Acquisitions Subsequent to June 30, 2016

On August 2, 2016, we purchased for $10.5 million land located in Wheaton, Illinois improved by a 342 unit apartment complex. Our annual rental income from this property is approximately $1.1 million. See " — Off Balance Sheet Arrangements" for further information.

We anticipate acquiring for $14.2 million, a 131,710 square foot shopping center located on 9.7 acres in St. Louis Park, Minnesota and leased to two tenants. The weighted average remaining term of the leases is approximately 3.2 years. We expect this acquisition, subject to satisfaction of customary closing conditions, will be completed in August 2016. The base rent from this property during the twelve months ending August 31, 2017 will be approximately $1.1 million.

Overview

We are a self-administered and self-managed real estate investment trust, incorporated in Maryland in 1982. We acquire, own and manage a geographically diversified portfolio of retail, (including furniture stores, restaurants, office supply stores and supermarkets), industrial, flex, and health and fitness properties, many of which are leased under long-term leases. As of June 30, 2016, we own 116 properties (including seven properties owned by consolidated joint ventures and five properties owned by unconsolidated joint ventures) located in 30 states. Based on square footage, our occupancy rate at June 30, 2016 is approximately 98.1%.

We face a variety of risks and challenges in our business. We, among other things, face the possibility we will not be able to acquire accretive properties on acceptable terms, lease our properties on favorable terms or at all, our tenants may not be able to pay their rental and other obligations, and we may not be able to renew or relet, on acceptable terms, leases that are expiring.

We seek to manage the risk of our real property portfolio and the related financing arrangements by diversifying among types of properties, industries, locations, tenants, scheduled lease expirations and lenders. We also use interest rate swaps to limit interest rate risk. All of our mortgage debt, after giving effect to interest rate swap agreements, bears interest at fixed rates, eliminating our exposure to interest rate fluctuations 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, obtaining other tenant related financial information, regular contact with tenant's representatives, tenant credit checks and regular management reviews of our tenants.

In acquiring properties, we balance an evaluation of the terms of the leases and the credit of the existing tenants with a fundamental analysis of the real estate to be acquired, 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.

We are sensitive to the risks facing the retail industry as a result of the growth of e-commerce. We are addressing our exposure to the retail industry by seeking to acquire properties that we believe capitalize on e-commerce activities, such as e-commerce distribution and warehousing facilities - however, we intend to continue to acquire retail properties as we deem appropriate. Approximately 52.9% of our 2016 contractual rental income (as described below) is derived from retail tenants, including 10.1% and 4.2% from tenants engaged in retail furniture and office supply activities, respectively.

We have elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended. To qualify as a REIT, 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.

Our 2016 contractual rental income is approximately $57.8 million and represents, after giving effect to any abatements, concessions or adjustments, the base rent payable to us in calendar year 2016 under leases in effect at June 30, 2016. Contractual rental income for 2016 excludes (i) approximately $2.0 million of straight-line rent and $506,000 of amortization of intangibles; and (ii) our share of the rental income payable to our unconsolidated joint ventures, which in 2016 is approximately $2.8 million.

The following table sets forth scheduled lease expirations at our properties as of June 30, 2016 for the calendar years indicated below:

Year of Lease Expiration (1)	Number of Expiring Leases	Approximate Square Footage Subject to Expiring Leases	2016 Contractual Rental Income Under Expiring Leases	Percent of 2016 Contractual Rental Income Represented by Expiring Leases
2016	2	120,307	$ 883,678	1.5%
2017	18	116,479	1,589,066	2.7
2018	21	404,767	3,290,724	5.7
2019	12	228,648	2,037,344	3.5
2020	10	142,008	2,913,573	5.0
2021	20	568,985	4,399,177	7.6
2022	16	2,344,608	15,078,724	26.1
2023	8	609,001	4,366,740	7.6
2024	5	377,222	1,909,589	3.3
2025	11	400,728	5,605,695	9.7
2026 and thereafter	32	2,064,059	15,768,958	27.3
	155	7,376,812	$ 57,843,268	100.0%

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

Results of Operations

Revenues

The following table compares revenues for the periods indicated:

(Dollars in thousands)	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Increase (Decrease)	% Change	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015	Increase (Decrease)	% Change
Revenues:								
Rental income, net	$ 15,594	$ 14,992	$ 602	4.0%	$ 30,650	$ 28,886	$ 1,764	6.1%
Tenant reimbursements	1,639	790	849	107.5	2,927	1,572	1,355	86.2
Lease termination fee	—	—	—	—	—	650	(650)	(100.0)
Total revenues	$ 17,233	$ 15,782	$ 1,451	9.2	$ 33,577	$ 31,108	$ 2,469	7.9

Rental income, net. The increases are due primarily to (i) $1.2 million and $2.8 million in the three and six months ended June 30, 2016, respectively, generated by 14 properties acquired in 2016 and 2015; (ii) $115,000 and $221,000, respectively, from three replacement tenants that leased vacant space at our El Paso, Texas property; and (iii) the write-off in the six months ended June 30, 2015 of straight-line rent of $226,000 related to the lease termination fee described below. Partially offsetting these increases are decreases in the three and six months ended June 30, 2016 of $539,000 and $848,000, respectively, due to the 2016 sale of the Sold Properties. Additionally, there was a decrease of $186,000 in the six months ended June 30, 2016 as we did not commence recognizing rental income from a new tenant until April 1, 2016 at a property at which the prior tenant's lease expired on December 31, 2015. Rental income for the three and six months ended June 30, 2015 included $179,000 and $357,000, respectively, from a property which is now vacant, that was formerly leased to Pathmark, which filed for Chapter 11 bankruptcy protection in September 2015.

Tenant reimbursements. Real estate tax and operating expense reimbursements in the three and six months ended June 30, 2016 increased by (i) $335,000 and $596,000, respectively, from seven properties acquired in 2016 and 2015 and (ii) $514,000 and $759,000, respectively, from other properties in our portfolio. We recognized an equivalent amount of real estate expense for these tenant reimbursements.

Lease termination fee. In March 2015, we received a lease termination fee of $650,000 in a lease buy-out transaction. We re-leased the property simultaneously with the lease termination.

Operating Expenses

The following table compares operating expenses for the periods indicated:

(Dollars in thousands)	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Increase (Decrease)	% Change	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015	Increase (Decrease)	% Change
Operating expenses:								
Depreciation and amortization	$ 4,398	$ 3,921	$ 477	12.2%	$ 8,583	$ 7,655	$ 928	12.1%
General and administrative	2,671	2,390	281	11.8	5,280	4,782	498	10.4
Real estate expenses	2,159	1,273	886	69.6	4,334	2,607	1,727	66.2
Real estate acquisition costs	244	79	165	208.9	448	327	121	37.0
Federal excise and state taxes	78	124	(46)	(37.1)	154	198	(44)	(22.2)
Leasehold rent	77	77	—	—	154	154	—	—
Total operating expenses	9,627	7,864	1,763	22.4	18,953	15,723	3,230	20.5
Operating income	$ 7,606	$ 7,918	$ (312)	(3.9)	$14,624	$15,385	$ (761)	(4.9)

Depreciation and amortization. Approximately $475,000 and $982,000, respectively, of the increases for the three and six months ended June 30, 2016 are due to depreciation expense on the properties we acquired in 2016 and 2015, and approximately $111,000 and $187,000, respectively, from amortization of property improvements placed in service during 2016 and 2015. Partially offsetting these increases are decreases in the three and six months ended June 30, 2016 of (i) $89,000 and $165,000, respectively, of expenses related to the Sold Properties and (ii) $20,000 and $76,000, respectively, of amortization and write-offs of intangibles and lease commissions that were non-recurring.

General and administrative. Contributing to the increases in the three and six months ended June 30, 2016 were increases of: (i) $155,000 and $244,000, respectively, in non-cash compensation expense primarily related to the increase in the number of shares of restricted stock granted in 2016 and the higher fair value of the awards granted in 2016 in comparison to the awards granted in 2011 that vested in January 2016; (ii) $75,000 and $147,000, respectively, for third party audit services; and (iii) $42,000 and $82,000, respectively, in compensation expense primarily due to higher compensation levels.

Real estate expenses. The increases in the three and six months ended June 30, 2016 are due primarily to increases of $362,000 and $651,000, respectively, from properties acquired in 2015 and 2016 and $390,000 and $696,000 from other properties in our portfolio. Substantially all of these increases are rebilled to tenants. Also contributing to the increase in the three and six months ended June 30, 2016 were $58,000 and $172,000 of expenses related to the vacant former Pathmark property and $76,000 and $208,000, respectively, of expenses related to the vacant former Sports Authority property.

Real estate acquisition costs. The increases in the three and six months ended June 30, 2016 are due to increased acquisition activity.

Other Income and Expenses

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

(Dollars in thousands)	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Increase (Decrease)	% Change	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015	Increase (Decrease)	% Change
Other income and expenses:								
Gain on sales of real estate, net	$ 8,918	$ —	$ 8,918	n/a	$ 9,705	$ 5,392	$ 4,313	80.0%
Purchase price fair value adjustment	—	—	—	—	—	960	(960)	(100.0)
Prepayment costs on debt	(154)	—	(154)	n/a	(577)	(568)	9	1.6
Equity in earnings (loss) of unconsolidated joint ventures	357	(183)	540	295.1%	566	(36)	602	1,672.2
Other income	56	72	(16)	(22.2)	69	75	(6)	(8.0)
Interest:								
Expense	(4,114)	(3,907)	207	5.3	(8,189)	(7,646)	543	7.1
Amortization and write-off of deferred financing costs	(210)	(186)	24	12.9	(455)	(641)	(186)	(29.0)

Gain on sales of real estate, net. The gains in the current year were realized from the sales of three properties in the three months ended June 30, 2016 and the February 2016 sale of the Pantry Portfolio. The 2015 gain was realized from the January 2015 sale of the Cherry Hill, New Jersey property. The minority partner’s share of the gain on the Cherry Hill, New Jersey property was $1.3 million, which is the primary reason for the $1.4 million decrease in net income attributable to non-controlling interests for the six months ended June 30, 2016 as compared to June 30, 2015.

Purchase price fair value adjustment. In connection with the acquisition of our joint venture partner’s 50% interest in a property located in Lincoln, Nebraska, we recorded this adjustment, representing the difference between the book value of the preexisting equity investment on the March 31, 2015 purchase date and the fair value of the investment.

Prepayment costs on debt. These costs were incurred primarily in connection with property sales and the payoff, prior to the stated maturity, of the related mortgage debt. In 2016, these costs related primarily from the sales of the Tomlinson, Pennsylvania property and the Pantry Portfolio and in 2015, these costs related primarily to the sale of the Cherry Hill, New Jersey property.

Equity in earnings (loss) of unconsolidated joint ventures. The increases in the 2016 three and six month periods are due primarily to increases of $516,000 and $642,000, respectively, in our share of income from the Manahawkin, New Jersey retail center which was acquired June 15, 2015. The three and six months ended June 30, 2015 included our $400,000 share of acquisition expenses associated with the purchase of this center.

Interest expense. The following table details the components of interest expense for the periods indicated:

(Dollars in thousands)	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Increase (Decrease)	% Change	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015	Increase (Decrease)	% Change
Interest expense:								
Credit line interest	$ 189	$ 158	$ 31	19.6%	$ 317	$ 255	$ 62	24.3%
Mortgage interest	3,925	3,749	176	4.7	7,872	7,391	481	6.5
Total	$ 4,114	$ 3,907	$ 207	5.3	$ 8,189	$ 7,646	$ 543	7.1

Credit line interest

The increases in the three and six months ended June 30, 2016 are due to (i) a 26 basis point increase in the average interest rate from 1.93% to 2.19% in each period and (ii) the $2.8 million and $3.6 million increases, respectively, in the weighted average balances outstanding under our line of credit. The weighted average balances increased due to borrowings for property acquisitions, partially offset by repayments with proceeds from financings and property sales.

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 June 30, 2016	Three Months Ended June 30, 2015	Increase (Decrease)	% Change	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015	Increase (Decrease)	% Change
Average interest rate on mortgage debt	4.62%	4.96%	(.34)%	(6.9)%	4.70%	4.96%	(.26)%	(5.2)%
Average principal amount of mortgage debt	$ 339,574	$ 302,460	$ 37,114	12.3%	$ 336,513	$ 297,263	$ 39,250	13.2%

The increase in mortgage interest expense is due to the increase in the average principal amount of mortgage debt outstanding, partially offset by a decrease in the average interest rate on outstanding mortgage debt. The increase in the average balance outstanding is substantially due to the incurrence of mortgage debt of $42.1 million in connection with properties acquired in 2015 and 2016 and the financing or refinancing of $79.0 million of mortgage debt, net of refinanced amounts, in connection with properties acquired prior to 2015. The decrease in the average interest rate is due to the financing (including financings effectuated in connection with acquisitions) or refinancing in 2016 and 2015 of $143.3 million of gross mortgage debt (including $22.2 million of refinanced amounts) with an average interest rate of approximately 3.9%.

Amortization and write-off of deferred financing costs. The decrease in the six months ended June 30, 2016 is primarily due to the write-off in 2015 of $249,000 relating to the sale of the Cherry Hill, New Jersey property.

Liquidity and Capital Resources

Our sources of liquidity and capital are cash flow from operations, cash and cash equivalents, borrowings under our revolving credit facility, refinancing existing mortgage loans, obtaining mortgage loans secured by our unencumbered properties, issuance of equity securities and property sales. Our available liquidity at August 2, 2016, was approximately $79.7 million, including approximately $6.7 million of cash and cash equivalents (net of the credit facility's required $3.0 million deposit maintenance balance) and $73.0 million available under our revolving credit facility.

Liquidity and Financing

We expect to meet substantially all of our operating cash requirements (including dividend and mortgage amortization payments) from cash flow from operations. To the extent that this cash flow is inadequate to cover all of our operating needs, we will be required to use our available cash and cash equivalents, or draw on our credit line (to the extent permitted).

At June 30, 2016, excluding mortgage indebtedness of our unconsolidated joint ventures, we had 69 outstanding mortgages payable secured by 85 properties, in the aggregate principal amount of $355.8 million (before netting unamortized deferred financing costs). These mortgages represent first liens on individual real estate investments with an aggregate carrying value of $540.0 million, before accumulated depreciation of $69.1 million. After giving effect to interest rate swap agreements, the mortgage payments bear interest at fixed rates ranging from 3.02% to 7.81% (a 4.48% weighted average interest rate) and mature between 2017 and 2041 (a 9.8 year weighted average remaining term).

The following table sets forth as of June 30, 2016, information with respect to our mortgage debt, that is payable from July 1, 2016 through December 31, 2019 (excluding mortgage debt of our unconsolidated joint ventures):

(Dollars in thousands)	2016	2017	2018	2019	Total
Amortization payments	$ 4,414	$ 10,505	$ 10,308	$ 10,732	$ 35,959
Principal due at maturity	—	14,282	10,260	3,485	28,027
Total	$ 4,414	$ 24,787	$ 20,568	$ 14,217	$ 63,986

At June 30, 2016, our unconsolidated joint ventures had first mortgages on four properties with outstanding balances aggregating $36.4 million, bearing interest at rates ranging from 3.49% to 5.81% (i.e., a 3.94% weighted average interest rate) and maturing between 2018 and 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 or extend the mortgage loans which mature in 2016 through 2019. We intend to repay the amounts not refinanced or extended from our existing funds and sources of funds, including our available cash and our credit line (to the extent available).

We continually seek to refinance existing mortgage loans on terms we deem acceptable to obtain better terms and to generate additional liquidity. Additionally, in the ordinary course of our business, we sell properties when we determine that it is in our best interests, 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.

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. As a result, in order to grow our business, it is important to have a credit facility in place.

Credit Facility

We can borrow up to $75 million pursuant to our revolving credit facility which is available to us for the acquisition of commercial real estate, repayment of mortgage debt, property improvements and general working capital purposes; provided, that if used for property improvements and working capital purposes, the amount outstanding for such purposes will not exceed the lesser of $15 million and 15% of the borrowing base and if used for working capital purposes, will not exceed $10 million. The facility matures December 31, 2018 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 basis points at June 30, 2016 and 2015. There is an unused facility fee of 0.25% per annum on the difference between the outstanding loan balance and $75 million. The credit facility requires the maintenance of $3 million in average deposit balances.

The terms of our revolving credit facility include 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 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 June 30, 2016, we were in compliance with the covenants under this facility.

Statement of Cash Flows

The following discussion of our cash flows is based on the consolidated statements of cash flows and is not meant to be a comprehensive discussion of the changes in our cash flows for the periods presented.

	Six Months Ended June 30,	
(Amounts in thousands)	**2016**	**2015**
Cash flow provided by operating activities	$ 11,635	$ 14,452
Cash flow used in investing activities	(8,972)	(35,000)
Cash flow provided by financing activities	20,158	17,346
Net increase (decrease) in cash and cash equivalents	22,821	(3,202)
Cash and cash equivalents at beginning of year	12,736	20,344
Cash and cash equivalents at end of period	$ 35,557	$ 17,142

Our principal source of cash flows is from the operation of our properties. Our properties provide a relatively consistent stream of cash flows that provide us with the resources to fund operating expenses, debt service and quarterly dividends.

The decrease in cash flow provided by operating activities during the six months ended June 30, 2016 compared to the six months ended June 30, 2015 is due to a number of factors including a $650,000 lease termination fee received in the six months ended June 30, 2015 and the timing of cash receipts and cash expenditures in the normal course of operations.

The decrease in cash used in investing activities during the six months ended June 30, 2016 compared to the six months ended June 30, 2015 is due primarily to (i) the increase in net proceeds from sales of real estate in the current six month period and (ii) the investment in unconsolidated joint ventures in the six months ended June 30, 2015, while there was no such investment in the six months ended June 30, 2016. These decreases were offset in part by an increase in the purchase of real estate.

The increase in cash flow provided by financing activities during the six months ended June 30, 2016 compared to the six months ended June 30, 2015 is due primarily to an increase in proceeds from mortgage financings, offset in part by an increase in repayment of mortgages payable and an increase in repayment (net of proceeds) on the credit facility.

Off-Balance Sheet Arrangements

At June 30, 2016, we are not a party to any off-balance sheet arrangements other than with respect to our property located in Lakemoor, Illinois. This property is a ground lease improved by a multi-family property and generated $554,000 and $247,000 of rental income during the six months ended June 30, 2016 and 2015, respectively. At June 30, 2016, our maximum exposure to loss with respect to this property is $9.6 million, primarily representing the carrying value of the land; such leasehold position is subordinate to an aggregate of $43.8 million of mortgage debt incurred by our tenant, the owner/operator of the multi-family 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. See Note 6 to our consolidated financial statements for additional information regarding this arrangement.

On August 2, 2016, we purchased for $10.5 million land located in Wheaton, Illinois improved by a 342 unit apartment complex. Simultaneous with the purchase, (i) we leased the land to the owner/operator of the complex pursuant to a triple net ground lease (expiring in 2046) and (ii) the owner/operator obtained a $39.4 million mortgage from a third party which, together with our purchase of the land, provided substantially all of the aggregate funds to acquire the complex. We provided the land as collateral for the owner/operator's mortgage loan; accordingly our land position is subordinate to the mortgage. The owner/operator is an affiliate of the owner/operator of the Lakemoor, Illinois property discussed above. Our annual rental income from this ground lease is approximately $1.1 million.

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 (computed in accordance with generally accepting accounting principles), excluding gains (or losses) from sales of property, plus real estate depreciation and amortization, plus impairment write-downs of depreciable real estate and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures will be calculated to reflect funds from operations 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. Since the NAREIT White Paper only provides guidelines for computing FFO, the computation of FFO may vary from one REIT to another. 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 fees and gain on extinguishment of debt and adding back amortization of restricted stock compensation, amortization of costs in connection with our financing activities (including our share of our unconsolidated joint ventures) and debt prepayment costs.

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 assures 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 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.

The table below provides a reconciliation of net income in accordance with GAAP to FFO and AFFO for the periods indicated (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
GAAP net income attributable to One Liberty Properties, Inc.	$ 12,441	$ 3,682	$ 15,727	$ 11,538
Add: depreciation of properties	4,319	3,872	8,443	7,522
Add: our share of depreciation of unconsolidated joint ventures	223	87	447	180
Add: amortization of deferred leasing costs	79	49	140	133
Add: Federal excise tax relating to gain on sales	(5)	45	6	84
Deduct: gain on sales of real estate	(8,918)	—	(9,705)	(5,392)
Deduct: purchase price fair value adjustment	—	—	—	(960)
Adjustments for non-controlling interests	(35)	(36)	(71)	1,469
NAREIT funds from operations applicable to common stock	8,104	7,699	14,987	14,574
Deduct: straight-line rent accruals and amortization of lease intangibles	(667)	(677)	(1,428)	(979)
Deduct: lease termination fee income	—	—	—	(650)
Add: our share of straight-line rent accruals and amortization of lease intangibles of unconsolidated joint ventures	12	1	23	—
Add: amortization of restricted stock compensation	740	585	1,406	1,162
Add: prepayment costs on debt	154	—	577	568
Add: amortization and write-off of deferred financing costs	210	186	455	641
Add: our share of amortization of deferred financing costs of unconsolidated joint ventures	6	3	13	11
Adjustments for non-controlling interests	16	10	20	(198)
Adjusted funds from operations applicable to common stock	$ 8,575	$ 7,807	$ 16,053	$ 15,129

The table below provides a reconciliation of net income per common share (on a diluted basis) in accordance with GAAP to FFO and AFFO:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
GAAP net income attributable to One Liberty Properties, Inc.	$ .72	$ .22	$ .91	$ .70
Add: depreciation of properties	.26	.24	.49	.46
Add: our share of depreciation of unconsolidated joint ventures	.01	.01	.02	.01
Add: amortization of deferred leasing costs	—	—	.01	.01
Add: Federal excise tax relating to gain on sales	—	—	—	—
Deduct: gain on sales of real estate	(.52)	—	(.56)	(.33)
Deduct: purchase price fair value adjustment	—	—	—	(.06)
Adjustments for non-controlling interests	—	—	—	.09
NAREIT funds from operations per share of common stock	.47	.47	.87	.88
Deduct: straight-line rent accruals and amortization of lease intangibles	(.04)	(.05)	(.08)	(.06)
Deduct: lease termination fee income	—	—	—	(.04)
Add: our share of straight-line rent accruals and amortization of lease intangibles of unconsolidated joint ventures	—	—	—	—
Add: amortization of restricted stock compensation	.04	.04	.08	.08
Add: prepayment costs on debt	.01	—	.03	.03
Add: amortization and write-off of deferred financing costs	.02	.01	.03	.04
Add: our share of amortization of deferred financing costs of unconsolidated joint ventures	—	—	—	—
Adjustments for non-controlling interests	—	—	—	(.01)
Adjusted funds from operations per share of common stock	$ .50	$ .47	$ .93	$ .92

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 utilize interest rate swaps to limit interest rate risk. These swaps are used for hedging purposes-not for speculation. We do not enter into interest rate swaps for trading purposes. At June 30, 2016, our aggregate liability in the event of the early termination of our swaps was $11.3 million.

At June 30, 2016, we had 32 interest rate swap agreements outstanding (including two held by three of our unconsolidated joint ventures). 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 June 30, 2016, 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 $10.5 million and the net unrealized loss on derivative instruments would have decreased by $10.5 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 $10.3 million and the net unrealized loss on derivative instruments would have increased by $10.3 million. These changes would not have any impact on our net income or cash.

Our mortgage debt, after giving effect to 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. At June 30, 2016, a 100 basis point increase of the interest rate on this facility would increase our related interest costs over the next twelve months by approximately $254,000 and a 100 basis point decrease of the interest rate would decrease our related interest costs over the next twelve months by approximately $112,000.

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.

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 June 30, 2016 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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Item 6. Exhibits

Exhibit No.	Title of Exhibit
10.1	One Liberty Properties, Inc. 2016 Incentive Plan.
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.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Definition Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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: August 5, 2016	/s/ Patrick J. Callan, Jr. Patrick J. Callan, Jr. President and Chief Executive Officer (principal executive officer)
Date: August 5, 2016	/s/ David W. Kalish David W. Kalish Senior Vice President and Chief Financial Officer (principal financial officer)

Exhibit 10.1

ONE LIBERTY PROPERTIES, INC.

2016 INCENTIVE PLAN

SECTION 1
EFFECTIVE DATE AND PURPOSE

1.1 *Effective Date*. This Plan (as defined) shall become effective upon approval by the stockholders of the Company (as defined), as and to the extent required by the listing requirements of the New York Stock Exchange and Section 162(m) of the Code (as defined).

1.2 *Purpose of the Plan*. The Plan is designed to motivate, retain and attract Participants (as defined) of experience and ability and to further the financial success of the Company by aligning the interests of Participants through the ownership of Shares (as defined) with the interests of the Company's stockholders.

SECTION 2
DEFINITIONS

The following terms shall have the following meanings (whether used in the singular or plural) unless a different meaning is plainly required by the context:

"*1934 Act*" means the Securities Exchange Act of 1934, as amended. Reference to a specific section of the 1934 Act or a regulation thereunder shall include any regulation promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such section or regulation.

"*Affiliate*" or "*Affiliates*" has the meaning ascribed to such term by Rule 501 promulgated under the Securities Act of 1933, as amended.

"*Award*" means, individually or collectively, a grant under the Plan of Nonqualified Stock Options, Incentive Stock Options, Restricted Stock, Restricted Stock Units, Dividend Equivalent Rights and Performance Share Awards.

"*Award Agreement*" means either (1) the written agreement setting forth the terms and provisions applicable to each Award granted under the Plan or (2) a statement (including an electronic communication) issued by the Company to a Participant describing the terms and provisions of such Award.

"*Board*" or "*Board of Directors*" means the Board of Directors of the Company, or any analogous governing body of any successor to the Company.

"*Code*" means the Internal Revenue Code of 1986, as amended from time to time, and the regulations thereunder.

"*Committee*" means the Compensation Committee of the Board or the committee of the Board appointed to administer the Plan.

"*Dividend Equivalent Right*" means an Award granted pursuant to Section 9, entitling the Participant to receive an amount of cash equal to the cash distributions that would have been paid on the Shares specified in the Award to which such Dividend Equivalent Right relates, as if such Shares had been issued to and held by the Participant holding such Dividend Equivalent Right during the period beginning with the grant date (or if otherwise determined by the committee, the beginning of the Performance Cycle) of the Award to which the Dividend Equivalent Right relates through the vesting date of such award.

"*Disability*" or "*Disabled*" means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.

"*Exercise Price*" means the price at which a Share may be purchased by a Participant pursuant to the exercise of an Option.

"*Fair Market Value*" means, as of any given date: (i) the closing sales price of the Shares on any national securities exchange on which the Shares are listed; (ii) the closing sales price if the Shares are listed on the OTCBB or other over the counter market; or (iii) if there is no regular public trading market for such Shares, the fair market value of the Shares as determined by the Committee.

"*Grant Date*" means, with respect to an Award, the effective date that such Award is granted to a Participant.

"*Incentive Stock Option*" means an Option to purchase Shares which is designated as an Incentive Stock Option and is intended to meet the requirements of Section 422 of the Code.

"*Non-management Director*" means a director who, in the applicable calendar year, was not compensated, directly or indirectly, by the Company, any Subsidiary or any of their Affiliates, other than compensation for service as a director or as a member of any committee of the Board.

"*Nonqualified Stock Option*" means an Option to purchase Shares which is not an Incentive Stock Option.

"*Option*" means an Incentive Stock Option or a Nonqualified Stock Option.

"*Participant*" means an officer, employee, director or consultant of the Company or any of its Subsidiaries who has been granted an Award under the Plan.

"*Performance-Based Award*" means any Restricted Stock Award, Restricted Stock Unit, Option or Performance Share Award granted to a Participant that qualifies as "performance based compensation" under Section 162(m) of the Code.

"*Performance Criteria*" shall mean any, a combination of, or all of the following: (i) pre-tax income, (ii) after-tax income, (iii) net income (meaning net income as reflected in the Company's financial reports for the applicable period), (iv) operating income (including net operating income), (v) cash flow, cash flow from operations, free cash flow and any one or more of the foregoing, (vi) return on any one or more of equity, invested capital and assets, (vii) funds available for distribution, (viii) occupancy rate at any one or more of the Company's or its Subsidiaries' properties, (ix) total stockholder return, (x) funds from operations ("FFO"), as computed in accordance with standards established by the National Association of Real Estate Trusts ("NAREIT"), (xi) adjusted FFO (*i.e*., adjusting FFO to give effect to any one or more of the following: property acquisition costs, straight-line rent, amortization of lease intangibles, lease termination fee income, amortization of restricted stock or other non-cash compensation expense, amortization and/or write-off of deferred financing costs and debt prepayment costs),(xii) stock appreciation (meaning an increase in the price or value of the Shares after the date of grant of an award and during the applicable period), (xiii) revenues, (xiv) assets, (xv) earnings before any one or more of the following items: interest, taxes, impairment charges, depreciation or amortization for the applicable period, as reflected in the Company's financial reports for the applicable period, (xvi) reduction in expense levels, (xvii) operating cost management and employee productivity, (xviii) strategic business criteria consisting of one or more objectives based on meeting specified revenue, market share, market penetration, geographic business expansion goals, objectively identified project milestones, cost targets and goals relating to acquisition or divestitures; and (xix) achievement of business or operational goals such as market share and/or business development. Performance Criteria need not be the same with respect to all Participants and may be established on an aggregate or per share basis (diluted or undiluted), may be based on performance compared to performance by businesses or indices specified by the Committee, may be compared to any prior period, may be based on a company-wide basis or in respect of any one or more business units, may be measured on an absolute or relative basis, may be adjusted for non-controlling interests, and any one or more of the foregoing. All calculations and financial accounting matters relevant to this Plan shall be determined in accordance with GAAP, except as otherwise directed by the Committee.

"*Performance Cycle*" means one or more periods of time which may be of varying and overlapping durations, as the Committee may select, over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participants right to and the payment of a Restricted Stock Award, Restricted Stock Unit, Option or Performance Share Award. Each such period shall not be less then twelve months.

"*Performance Goals*" means for a Performance Cycle, the specific goals established by the Committee for a Performance Cycle based upon the Performance Criteria.

"*Period of Restriction*" means the period during which an Award granted hereunder is subject to a substantial risk of forfeiture. Such restrictions may be based on the passage of time, the achievement of Performance Goals or the occurrence of other events as determined by the Committee.

"*Plan*" means the One Liberty Properties, Inc. 2016 Incentive Plan, as set forth in this instrument, and as hereafter amended from time to time.

"*Restricted Stock*" means an Award of Shares, the grant, issuance, retention and/or vesting of which is subject to such conditions as are expressed in the Award Agreement and as contemplated herein.

"*Restricted Stock Unit*" or "*RSU*" means an Award of a right to receive one Share, the grant, issuance, retention and/or vesting of which is subject to such conditions as are expressed in the Award Agreement and as contemplated herein.

"*Retirement*" means (i) a director who has attained the age of 65 years who resigns or retires from the Board or does not stand for re-election to the Board and has served continuously as a director of the Company for not less than six consecutive years, and (ii) an officer or employee of, or consultant to, the Company who has attained the age of 65 years who resigns or retires from the Company or one of its Subsidiaries and has served in any such capacity with the Company or one of its Subsidiaries for not less than ten consecutive years at the time of retirement or resignation, provided that such Participant has not acted in a manner during the period of his relationship with the Company or any of its Subsidiaries which has been harmful to the business or reputation of the Company. A determination as to whether a "retiree" acted in a manner which has been harmful to the business or reputation of the Company shall be made by the Committee, whose determination shall be conclusive and binding in all respects on the Participant and the Company.

"*Shares*" means the shares of common stock, $1.00 par value, of the Company, or any other security of the Company determined by the Committee pursuant to Section 5.3.

"*Subsidiary*" means (i) a corporation, association or other business entity of which 50% or more of the total combined voting power of all classes of capital stock is owned, directly or indirectly, by the Company or by one or more Subsidiaries of the Company or by the Company and one or more Subsidiaries of the Company, (ii) any partnership or limited liability company of which 50% or more of the capital and profit interests is owned, directly or indirectly, by the Company or by one or more Subsidiaries of the Company or by the Company and one or more Subsidiaries of the Company, or (iii) any other entity not described in clauses (i) or (ii) above of which 50% or more of the ownership and the power, pursuant to a written contract or agreement, to direct the policies and management or the financial and the other affairs thereof, are owned or controlled by the Company or by one or more Subsidiaries of the Company or by the Company and one or more Subsidiaries of the Company.

"*Company*" means One Liberty Properties, Inc., a Maryland corporation, or any successor thereto (including any entity that is a successor issuer in accordance with Rule 12g-3 under the 1934 Act and Rule 414 under the Securities Act of 1933, as amended).

SECTION 3
ELIGIBILITY

3.1 *Participants*. Awards may be granted in the discretion of the Committee to officers, employees, directors and consultants of the Company and its Subsidiaries.

3.2 *Non-Uniformity*. Awards granted hereunder need not be uniform among eligible Participants and may reflect distinctions based on title, compensation, responsibility or any other factor the Committee deems appropriate.

SECTION 4
ADMINISTRATION

4.1 *The Committee*. The Plan will be administered by the Committee, which, to the extent deemed necessary by the Board, will consist of two or more persons who satisfy the requirements for a "non-employee director" under Rule 16b-3 promulgated under the 1934 Act and/or the requirements for an "outside director" under section 162(m) of the Code. The members of the Committee shall be appointed from time to time by, and shall serve at the pleasure of, the Board of Directors. In the absence of such appointment, the Board of Directors shall serve as the Committee and shall have all of the responsibilities, duties, and authority of the Committee set forth herein.

4.2 *Authority of the Committee*. Subject to applicable law, the Committee shall have the exclusive authority to administer and construe the Plan in accordance with its provisions. The Committee's authority shall include, without limitation, the power to (a) determine persons eligible for Awards, (b) prescribe the terms and conditions of the Awards, (c) construe and interpret the Plan, the Awards and any Award Agreement, (d) adopt rules for the administration, interpretation and application of the Plan as are consistent therewith and (e) establish, interpret, amend or revoke any such rules. With respect to any Award that is intended to qualify as "performance-based compensation" within the meaning of section 162(m) of the Code, the Committee shall have no discretion to increase the amount of compensation that otherwise would be due upon attainment of a Performance Goal, although the Committee may have discretion to deny an Award or to adjust downward the compensation payable pursuant to an Award, as the Committee determines in its sole judgment. The Committee, in its sole discretion and on such terms and conditions as it may provide, may delegate all or any part of its authority and powers under the Plan to one or more officers of the Company to the extent permitted by law.

4.3 *Decisions Binding*. All determinations and decisions made by the Committee and any of its delegatees pursuant to Section 4.2 shall be final, conclusive and binding on all persons, and shall be given the maximum deference permitted by law.

4.4 *Limitation on Awards Granted to Non-Management Directors*. The maximum number of Shares issuable pursuant to Awards that may be granted to a Non-management Director in any calendar year shall not exceed 10,000 Shares.

SECTION 5
SHARES SUBJECT TO THE PLAN

5.1 *Number of Shares*. Subject to adjustment as provided in Section 5.3, the total number of Shares available for grant under the Plan shall not exceed 750,000 Shares. The Shares available for issuance under the Plan shall be authorized but unissued Shares of the Company.

5.2 *Lapsed Awards*. Unless determined otherwise by the Committee, Shares related to Awards that are forfeited, cancelled, terminated or expire unexercised, shall be available for grant under the Plan. Shares that are tendered by a Participant to the Company in connection with the exercise of an Award, withheld from issuance in connection with a Participant's payment of tax withholding liability, or settled in such other manner so that a portion or all of the Shares included in an Award are not issued to a Participant shall not be available for grant under the Plan.

5.3 *Adjustments in Awards and Authorized Shares*. In the event of a stock dividend or stock split, the number of Shares subject to the Plan, outstanding Awards and the numerical amounts set forth in Sections 5.1, 6.1, 7.1 and 8.1 shall automatically be adjusted proportionally to prevent the dilution or diminution of such Awards, except to the extent directed otherwise by the Committee. In the event of a merger, reorganization, consolidation, recapitalization, separation, liquidation, combination or other similar change in the structure of the Company affecting the Shares, the Committee shall adjust the number and class of Shares which may be delivered under the Plan, the number, class and price of Shares subject to outstanding Awards, and the numerical limits of Sections 5.1, 6.1, 7.1 and 8.1 in such manner as the Committee shall determine to be advisable or appropriate to prevent the dilution or diminution of such Awards. Any such numerical limitations shall be subject to adjustment under this Section only to the extent such adjustment will not affect the status of any Award intended to qualify as "performance-based compensation" under section 162(m) of the Code or the ability to grant or the qualification of Incentive Stock Options under the Plan.

5.4 *Restrictions on Transferability*. The Committee may impose such restrictions on any Award, Award of Shares or Shares acquired pursuant to an Award as it deems advisable or appropriate, including, but not limited to, restrictions related to applicable Federal securities laws, the requirements of any national securities exchange or system upon which Shares are then listed or traded, and any blue sky or state securities laws.

SECTION 6
STOCK OPTIONS

6.1 *Grant of Options*. Subject to the terms and provisions of the Plan, Options may be granted to Participants at any time and from time to time as determined by the Committee. The Committee shall determine the number of Shares subject to each Option. The Committee may grant Incentive Stock Options, Nonqualified Stock Options, or any combination thereof. Except to the extent such Awards are intended to qualify as Performance Based Awards, the maximum aggregate number of Shares underlying Options granted in any one calendar year to an individual Participant shall be 50,000.

6.2 *Award Agreement*. Each Option shall be evidenced by an Award Agreement that shall specify the Exercise Price, the expiration date of the Option, the number of Shares to which the Option pertains, whether the Option is intended to be an Incentive Stock Option or a Nonqualified Stock Option, any conditions on exercise of the Option and such other terms and conditions as the Committee shall determine, including terms regarding forfeiture of Awards or continued exercisability of Awards in the event of termination of employment by the Participant.

6.3 *Exercise Price*. The Exercise Price for each Option shall be determined by the Committee and shall be provided in each Award Agreement; *provided*, *however*, the Exercise Price for each Option may not be less than one hundred percent (100%) of the Fair Market Value of a Share on the Grant Date. In the case of an Incentive Stock Option, the Exercise Price shall be not less than one hundred ten percent (110%) of the Fair Market Value of a Share if the Participant (together with persons whose stock ownership is attributed to the Participant pursuant to section 424(d) of the Code) owns on the Grant Date stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any of its Subsidiaries.

6.4 *Expiration of Options*. Except as provided in Section 6.7(c) regarding Incentive Stock Options, each Option shall terminate upon the earliest to occur of (i) the date(s) for termination of the Option set forth in the Award Agreement or (ii) the expiration of ten (10) years from the Grant Date. Subject to such limits, the Committee shall provide in each Award Agreement when each Option expires and becomes un-exercisable. The Committee may not, after an Option is granted, extend the maximum term of the Option.

6.5 *Exercisability of Options*. Options granted under the Plan shall be exercisable, in whole or in part, at such times and be subject to such restrictions and conditions as the Committee shall determine. After an Option is granted, the Committee may accelerate or waive any condition constituting a substantial risk of forfeiture applicable to the Option. Notwithstanding the foregoing, the Committee shall not act in a manner that would cause a grant that is intended to be "performance-based compensation" under Code Section 162(m) to fail to be performance-based.

6.6 *Payment*. Options shall be exercised by a Participant's delivery of a written notice of exercise to the Secretary of the Company (or his or her designee), setting forth the number of Shares with respect to which the Option is to be exercised, accompanied by full payment for the Shares. Upon the exercise of an Option, the Exercise Price shall be payable to the Company in full in cash or its equivalent. The Committee may permit exercise (a) by the Participant tendering previously acquired Shares having an aggregate Fair Market Value at the time of exercise equal to the total Exercise Price, (b) the Participant tendering a combination of cash and previously acquired Shares equal to total Exercise Price (the Shares tendered being valued at Fair Market Value at the time of exercise), or (c) by any other means which the Committee determines to provide legal consideration for the Shares, and to be consistent with the purposes of the Plan. As soon as practicable after receipt of a written notification of exercise and full payment for the Shares purchased, the Company shall deliver, or cause to be delivered, to the Participant, evidence of such Participant's ownership of such Shares. No right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the

Shares as to which the Option has been exercised until the records of the Company or its transfer agent reflect the issuance of such Shares. No adjustment will be made for a dividend or other rights for which a record date is established prior to the date the records of the Company or its transfer agent reflect the issuance of the Shares upon exercise of the Options.

6.7 *Certain Additional Provisions for Incentive Stock Options*.

(a) *Exercisability*. The aggregate Fair Market Value (determined on the Grant Date(s)) of the Shares with respect to which Incentive Stock Options are exercisable for the first time by any Participant during any calendar year (under all plans of the Company, any parent and its Subsidiaries) shall not exceed $100,000. The portion of the Option which is in excess of the $100,000 limitation shall be treated as a Non-Qualified Option pursuant to Section 422(d)(1) of the Code.

(b) *Company and Subsidiaries Only*. Incentive Stock Options may be granted only to Participants who are officers or employees of the Company or a Subsidiary on the Grant Date.

(c) *Expiration*. No Incentive Stock Option may be exercised after the expiration of ten (10) years from the Grant Date. In the case of an Incentive Stock Option that is granted to a Participant who (together with persons whose stock ownership is attributed to the Participant pursuant to Section 424(d) of the Code) owns on the Grant Date stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any of its Subsidiaries, the term of such Incentive Stock Option shall be no more than five years from the Grant Date.

6.8 *Restriction on Transfer*. Except as otherwise determined by the Committee, no Option may be transferred, gifted, pledged, assigned, or otherwise alienated or hypothecated, voluntarily or involuntarily. Upon the death or Disability of a Participant, an Option may be exercised by the duly appointed personal representative of the deceased Participant or in the event of a Disability by the Participant or the duly appointed committee of the Disabled Participant to the extent the Option was exercisable on the date of death or the date of Disability and shall be exercisable for a period of six months from the date of death or the date of Disability. Upon Retirement of a Participant an Option may be exercised to the extent it was exercisable on the effective date of the Retirement and shall be exercisable for a period of six months from the effective date of such Retirement.

6.9 *Repricing of Options*. Without stockholder approval, (i) the Company will not reprice, replace or regrant an outstanding Option either in connection with the cancellation of such Option or by amending an Award Agreement to lower the exercise price of such Option, and (ii) the Company will not cancel outstanding Options in exchange for cash or other Awards.

6.10 *Voting Rights*. A Participant shall have no voting rights with respect to any Options granted hereunder.

SECTION 7
RESTRICTED STOCK AND RESTRICTED STOCK UNITS

7.1 *Grant of Restricted Stock and Restricted Stock Units*. Subject to the terms and provisions of the Plan, the Committee, at any time and from time to time, may grant Shares of Restricted Stock and/or Restricted Stock Units to Participants in such amounts as the Committee shall determine. The Committee shall determine the number of Shares of Restricted Stock and/or RSU's to be granted to each Participant and the time when each Award shall be granted. Except to the extent such Awards are intended to qualify as Performance Based Awards, no more than 100,000 Shares of each of Restricted Stock and Shares underlying Restricted Stock Units may be granted to any individual Participant in any one calendar year.

7.2 *Restricted Stock and RSU Agreements*. Each Award of Restricted Stock and Restricted Stock Units shall be evidenced by an Award Agreement that shall specify the Period of Restriction, the number of Shares of Restricted Stock granted, the number of Shares subject to a Restricted Stock Unit, any applicable Performance Goals and Performance Cycle, and such other terms and conditions as the Committee shall determine, including terms regarding forfeiture of Awards in the event of termination of employment by the Participant or termination of the Participant's relationship with the Company as a director or consultant.

7.3 *Transferability*. Except as otherwise determined by the Committee, Shares of Restricted Stock and Restricted Stock Units (including Shares underlying RSU's) may not be sold, transferred, gifted, bequeathed, pledged, assigned, or otherwise alienated or hypothecated, voluntarily or involuntarily, until the end of the applicable Period of Restriction and the satisfaction, in whole or in part, of any applicable Performance Goals within the applicable Performance Cycle. Except as otherwise determined by the Committee, in the event of the death, Disability or Retirement of a Participant, all unvested Restricted Stock and unvested RSU's shall not vest on the date of death or Disability or the effective date of Retirement. Without stockholder approval, the Company will not, except as otherwise provided for in the Plan, repurchase outstanding unvested Restricted Stock or unvested RSU's in exchange for cash or accelerate the vesting of outstanding unvested Shares of Restricted Stock or RSU's.

7.4 *Other Restrictions*. The Committee may impose such other restrictions on Shares of Restricted Stock and Restricted Stock Units (including Shares underlying RSU's) as it may deem advisable or appropriate in accordance with this Section 7.4.

(a) *General Restrictions*. The Committee may set one or more restrictions based upon (a) the achievement of specific Performance Goals, (b) applicable Federal or state securities laws, (c) time-based restrictions, or (d) any other restrictions determined by the Committee.

(b) *Section 162(m) Performance Restrictions*. For purposes of qualifying grants of Restricted Stock and/or RSUs as "performance-based compensation" under Section 162(m) of the Code, the Committee, in its sole discretion, may set restrictions based upon the achievement of Performance Goals. The Performance Goals shall be set by the Committee on or before the latest date permissible to enable the Restricted Stock and/or RSUs to qualify as "performance-based compensation" under section 162(m) of the Code. In granting Restricted Stock and/or RSUs that are intended to qualify under section 162(m) of the Code, the Committee shall follow any procedures determined by it in its sole discretion from time to time to be necessary, advisable or appropriate to ensure qualification of the Restricted Stock and/or RSUs under section 162(m) of the Code.

(c) *Methods of Implementing Restrictions*. The Committee may take such action as it, in its sole discretion, deems appropriate to give notice to the Participant of, and implement, the restrictions imposed pursuant to Section 7.

7.5 *Removal of Restrictions*. After the end of the Period of Restriction, the Shares shall be freely transferable by the Participant, subject to any other restrictions on transfer (including without limitation, limitations imposed pursuant to the Company's organizational documents) which may apply to such Shares. Notwithstanding the foregoing, the Committee shall not act in a manner that would cause a grant that is intended to be "performance-based compensation" under Code Section 162(m) to fail to be performance-based.

7.6 *Voting Rights*. Except as otherwise determined by the Committee and set forth in the Award Agreement, Participants holding (a) Shares of Restricted Stock shall have voting rights during the Period of Restriction and (b) Restricted Stock Units shall not have voting rights during the Period of Restriction.

7.7 *Dividends and Other Distributions*. Except as otherwise determined by the Committee and set forth in the Award Agreement, Participants holding (a) Shares of Restricted Stock shall be entitled to receive all dividends and other distributions paid with respect to the Shares during the Period of Restriction and (b) except to the extent a Dividend Equivalent Right is granted in tandem with an RSU, RSUs shall not be entitled to receive any dividends or other distributions paid with respect to the underlying Shares during the Period of Restriction.

SECTION 8
PERFORMANCE-BASED AWARDS

8.1 *Performance-Based Awards*. Participants selected by the Committee may be granted one or more Performance Awards in the form of Options, Restricted Stock, Restricted Stock Units, Dividend Equivalent Rights or Performance Share Awards payable upon the attainment of Performance Goals that are established by the Committee and related to one or more of the Performance Criteria, in each case on a specified date or dates or over a Performance Cycle determined by the Committee. A Performance Cycle shall be at least one year. The Committee in its sole discretion shall determine whether an Award is to qualify as "performance based compensation" under Section 162(m) of the Code. The Committee in its sole discretion shall determine Awards that are based on Performance Goals but are not intended to quality as "performance based compensation" under Section 162(m). The Committee shall define the manner of calculating the

Performance Criteria it selects to use for any Performance Cycle. Depending on the Performance Criteria used to establish such Performance Goals, the Performance Goals may be expressed in terms of overall Company performance or the performance of an individual. The Committee, in its discretion, may adjust or modify the calculation of Performance Goals for such Performance Cycle in order to prevent the dilution or enlargement of the rights of an individual (i) in the event of, or in anticipation of, any unusual or extraordinary corporate item, transaction, event or development, (ii) in recognition of, or in anticipation of, any other unusual or nonrecurring events affecting the Company, or the financial statements of the Company, or (iii) in response to, or in anticipation of, changes in applicable laws, regulations, accounting principles, or business conditions; *provided however*, that the Committee may not exercise such discretion in a manner that would increase the Performance-Based Award granted to a Participant. Each Performance-Based Award shall comply with the provisions set forth below. Performance Awards, other than Dividend Equivalent Rights, shall be paid in Shares.

(a) *Grant of Performance-Based Awards*. With respect to each Performance-Based Award granted to a Participant, if intended by the Committee to qualify as "performance based compensation" under Section 162(m) of the Code, the Committee shall select, within the first 90 days of a Performance Cycle, the Performance Criteria for such grant, and the Performance Goals with respect to each Performance Criterion (including a threshold level of performance below which no amount will become payable with respect to such Award). Each Performance-Based Award will specify the amount payable, or the formula for determining the amount payable, upon achievement of the various applicable performance targets. The Performance Criteria established by the Committee may be (but need not be) different for each Performance Cycle and different Performance Goals may be applicable to Performance-Based Awards to different Participants.

(b) *Payment of Performance-Based Awards*. Following the completion of a Performance Cycle, the Committee shall meet to review and certify in writing whether, and to what extent, the Performance Goals for the Performance Cycle have been achieved and, if so, to calculate and certify in writing the amount of the Performance-Based Awards earned for the Performance Cycle. The Committee shall then determine the actual size of each Participant's Performance-Based Award, and, in doing so, may reduce or eliminate the amount of the Performance-Based Award for a Participant if, in its sole judgment, such reduction or elimination is appropriate.

(c) *Maximum Award Payable*. The maximum Performance-Based Award payable to any one Participant under the Plan for a Performance Cycle is 100,000 Shares (subject to adjustment as provided in Section 5.3 hereof).

SECTION 9
DIVIDEND EQUIVALENT RIGHTS

A Dividend Equivalent Right may be granted hereunder to any Participant only in tandem with an Award of RSU's or a Performance Based Award (other than an Award of Restricted Stock or Options). The terms and conditions of Dividend Equivalent Rights shall be specified in the Award Agreement which shall provide that such Dividend Equivalent Right, except to the extent otherwise provided in the related Award Agreement, shall (i) not be sold, transferred, gifted, bequeathed, pledged, assigned, or otherwise alienated or hypothecated, voluntarily or involuntarily, until the end of the applicable Period of Restriction and the satisfaction, in whole or in part, of any applicable Performance Goals within the applicable Performance Cycle, and (ii) be settled upon settlement or payment of, or lapse of restrictions on, the Award to which it relates, and such Dividend Equivalent Right shall expire or be forfeited or annulled under the same conditions as such Award.

SECTION 10
AMENDMENT, TERMINATION, AND DURATION

10.1 *Amendment, Suspension, or Termination*. The Board, in its sole discretion, may amend, suspend or terminate the Plan, or any part thereof, at any time and for any reason; *provided*, *however*, that if and to the extent required by law or to maintain the Plan's compliance with the Code, the rules of any national securities exchange (if applicable), or any other applicable law, any such amendment shall be subject to stockholder approval. The amendment, suspension or termination of the Plan shall not, without the consent of the Participant, alter or impair any rights or obligations under any Award theretofore granted to such Participant. No Award may be granted during any period of suspension or after termination of the Plan.

10.2 *Duration of the Plan*. The Plan shall become effective in accordance with Section 1.1, and subject to Section 10.1, shall remain in effect until the tenth anniversary of the effective date of the Plan.

SECTION 11
TAX WITHHOLDING

11.1 *Withholding Requirements*. Prior to the delivery of any Shares pursuant to an Award (or the exercise thereof), the Company shall have the power and the right to deduct or withhold from any amounts due to the Participant from the Company, or require a Participant to remit to the Company, an amount sufficient to satisfy Federal, state and local taxes (including the Participant's FICA obligation) required or appropriate to be withheld with respect to such Award (or the exercise or vesting thereof).

11.2 *Withholding Arrangements*. The Company, pursuant to such procedures as it may specify from time to time, may permit a Participant to satisfy such tax withholding obligation, in whole or in part, by (a) electing to have the Company withhold otherwise deliverable Shares, or (b) delivering to the Company, Shares then owned by the Participant. The amount of the withholding requirement shall be deemed to include any amount that the Company agrees may be withheld at the time any such election is made, not to exceed the amount determined by using the maximum federal, state and local marginal income tax rates applicable to the Participant with respect to the Award on the date that the amount of tax to be withheld is to be determined. The Fair Market Value of the Shares to be withheld or delivered shall be determined as of the date that the taxes are required to be withheld.

SECTION 12
CHANGE IN CONTROL

12.1 *Change in Control*. For purposes of the Plan, a Change in Control means any of the following:

(a) the acquisition (other than from the Company) in one or more transactions by any person (as such term is used in Section 13 (d) of the 1934 Act) of the beneficial ownership (within the meaning of Rule 13d-3 under the 1934 Act) of 25% or more of (i) the then outstanding Shares or (ii) the combined voting power of the then outstanding securities of the Company entitled to vote generally in the election of directors (the "Company Voting Stock"); *provided, however,* the provision of this Section 11.1(a) is not applicable to acquisitions made individually, or as a group, by Fredric H. Gould, Matthew J. Gould and Jeffrey A. Gould, and their respective spouses, lineal descendants and Affiliates;

(b) individuals who, as of the date of the Award, constitute the Board of Directors (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; *provided*, *however*, that any individual becoming a director subsequent to the date of such Award whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Regulation 14A promulgated under the 1934 Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(c) the closing of a sale or other conveyance of all or substantially all of the assets of the Company; or

(d) the effective time of any merger, share exchange, consolidation, or other business combination involving the Company if immediately after such transaction persons who hold a majority of the outstanding voting securities entitled to vote generally in the election of directors of the surviving entity (or the entity owning 100% of such surviving entity) are not persons who, immediately prior to such transaction, held the Company's voting Shares.

12.2 *Effect of Change of Control*. On the effective date of any Change in Control, unless the applicable Award Agreement provides otherwise: (i) in the case of an Option, each such outstanding Option shall become exercisable in full in respect of the aggregate number of Shares covered thereby; and (ii) in the case of Restricted Stock, Restricted Stock Units, Dividend Equivalent Rights and Performance Share Awards, the Period of Restriction applicable to each such Award shall be deemed to have expired. Notwithstanding the foregoing, unless otherwise provided in the applicable Award Agreement, the Committee may, in its discretion, determine that any or all outstanding Awards of any or all types granted pursuant to the Plan will not become exercisable on an accelerated basis nor will the Restriction Period expire in connection with a Change of Control if effective provision has been made for the taking of such action which, in the opinion of the Committee, is equitable and appropriate to substitute a new Award for such Award or for the assumption of such Award and to make such new or assumed Award, as nearly as may be practicable, equivalent to the old Award (before giving effect to any acceleration of the exercisability or the expiration of the Restriction Period), taking into account, to the extent applicable, the kind and amount of securities, cash, or other assets into or for which the Shares may be changed, converted, or exchanged in connection with such Change of Control.

SECTION 13
MISCELLANEOUS

13.1 *Deferrals*. To the extent consistent with the requirements of section 409A of the Code, the Committee may provide in an Award Agreement or another document that a Participant is permitted or required to defer receipt of the delivery of Shares that would otherwise be due to such Participant under an Award. Any such deferral shall be subject to such rules and procedures as shall be determined by the Committee.

13.2 *Termination for Cause*. If a Participant’s employment or relationship with the Company or a Subsidiary shall be terminated for cause by the Company or such Subsidiary during the Restriction Period or prior to the exercise of any Option (for these purposes, cause shall have the meaning ascribed thereto in any employment agreement or Award Agreement to which such Participant is a party or, in the absence thereof, shall include, but not be limited to, insubordination, dishonesty, incompetence, moral turpitude, the refusal to perform his duties and responsibilities for any reason (other than illness or incapacity) and other misconduct of any kind, as determined by the Committee, then, (i) all Options shall immediately terminate and (ii) such Participant’s rights to all Restricted Stock, RSU’s, Dividend Equivalent Rights and Performance Share Awards shall be forfeited immediately.

13.3 *Section 162(m)*. Notwithstanding anything to the contrary herein or in an Award Agreement, an Award that is intended to qualify as “performance based compensation” under Section 162(m) of the Code, shall not vest in whole or in part in the event of the Participant’s Retirement, involuntary termination or if the Participant terminates his or her relationship with the Company, except to the extent (a) the Performance Goal’s shall be achieved within the Performance Cycle or (b) otherwise permitted under Section 162 (m) of the Code.

13.4 *No Effect on Employment or Service*. Nothing in the Plan, any Award or any Award Agreement, and no action of the Committee, shall confer or be construed to confer on any Participant any right to continue in the employ or service of the Company or any Subsidiary or shall interfere with or limit in any way the right of the Company or any Subsidiary to terminate any Participant’s employment or service at any time, with or without cause. Employment with the Company or any Subsidiary is on an at-will basis only, unless otherwise provided by an applicable employment or service agreement between the Participant and the Company or any Subsidiary, as the case may be.

13.5 *Successors*. All obligations of the Company under the Plan, with respect to Awards granted hereunder, shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect merger, consolidation or otherwise, or the purchase of all or substantially all of the business or assets of the Company.

13.6 *No Rights as Stockholder*. Except to the limited extent provided in Sections 7.6 and 7.7, no Participant (nor any beneficiary thereof) shall have any of the rights or privileges of a stockholder of the Company with respect to any Shares issuable pursuant to an Award (or the exercise or vesting thereof), unless and until the issuance of such Shares shall have been recorded on the records of the Company or its transfer agents or registrars.

13.7 *Uncertificated Shares*. Notwithstanding any provision of the Plan to the contrary, the ownership of Shares issued under the Plan may be evidenced in such a manner as the Company, in its sole discretion, deems appropriate, including by book-entry or direct registration (including transaction advices) or the issuance of one or more share certificates, and to the extent that the Plan, applicable law or the Company's organizational documents, require or contemplate the imposition of a legend or other notation on one or more certificates evidencing Shares or an Award, the Company shall have the sole discretion to determine the manner in which such legend or notation is implemented.

13.8 *Fractional Shares*. No fractional Shares shall be issued or delivered pursuant to the Plan or any Award. The Committee shall determine whether cash, or Awards, or other property shall be issued or paid in lieu of fractional Shares or whether such fractional Shares or any rights thereto shall be forfeited or otherwise eliminated.

13.9 *Severability*. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

13.10 *Requirements of Law; Claw-Back Policies*. The grant of Awards and the issuance of Shares under the Plan shall be subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required from time to time, and shall be subject to the applicable provisions of any claw-back policy implemented by the Company, whether implemented prior to or after the grant of such Award, including without limitation, any claw-back policy adopted to comply with the requirements of applicable law (including the requirements of a national securities exchange).

13.11 *Securities Law Compliance*. To the extent any provision of the Plan, Award Agreement or action by the Committee fails to comply with any applicable federal or state securities law, it shall be deemed null and void, to the extent permitted by law and deemed advisable or appropriate by the Committee.

13.12 *Real Estate Investment Trust*. No Award shall be granted or awarded and, with respect to any Award granted under the Plan, such Award shall not vest, be exercisable or be settled, to the extent that the grant, vesting, exercise or settlement of such Award could cause the Participant or any other person to be in violation of any restrictions on ownership and transfer of the Company's securities set forth in its articles of incorporation or other governing instrument or organizational documents, as amended, and in effect from time to time, or if, in the discretion of the Committee, the grant, vesting, exercise or settlement of such award could otherwise impair the Company's status as a real estate investment trust under the Code.

13.13 *Governing Law*. The Plan and all Award Agreements shall be construed in accordance with and governed by the laws of the State of Maryland.

13.14 *Captions*. Captions are provided herein for convenience of reference only, and shall not serve as a basis for interpretation or construction of the Plan.

EXHIBIT 31.1

CERTIFICATION

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

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2016 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: August 5, 2016

/s/ Patrick J. Callan, Jr.
Patrick J. Callan, Jr.
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, David W. Kalish, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2016 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: August 5, 2016

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

EXHIBIT 32.1

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 June 30, 2016 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: August 5, 2016

/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.

EXHIBIT 32.2

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 June 30, 2016 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: August 5, 2016

/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.

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