

ONE LIBERTY PROPERTIES INC
Form 10-K/A
March 31, 2009

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

FORM 10-K/A
Amendment No. 1

ANNUAL REPORT
PURSUANT TO SECTIONS 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

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

For the fiscal year ended December 31, 2008

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)

Registrant's telephone number, including area code: (516) 466-3100

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

Title of each class	Name of exchange on which registered
Common Stock, par value \$1.00 per share	New York Stock Exchange

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

NONE

Indicate by check mark if the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act.
Yes o No x

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Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes
o No x

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 x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.
x

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

Large accelerated filer o

Accelerated filer x

Non-accelerated filer o

Small reporting company o

(Do not check if a small reporting company)

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

As of June 30, 2008 (the last business day of the registrant's most recently completed second quarter), the aggregate market value of all common equity held by non-affiliates of the registrant, computed by reference to the price at which common equity was last sold on said date, was approximately \$129.4 million.

As of March 25, 2009, the registrant had 10,175,345 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

EXPLANATORY NOTE

As announced in a Current Report on Form 8-K, filed on March 16, 2009, the board of directors of One Liberty Properties, Inc. (“OLP,” “Company,” “we,” “us,” “our,” and “registrant”), declared a quarterly dividend for the Company’s common stock of \$.22 per share payable in cash and/or shares of our common stock. The dividend is payable on April 27, 2009, to stockholders of record as of March 30, 2009. In connection therewith, the Company filed a Registration Statement on Form S-3 on March 26, 2009 and will file a Prospectus Supplement with respect to the dividend as soon after the effectiveness of the S-3 as is practicable.

The purpose of this Amendment No. 1 on Form 10-K/A is to amend Item 2 and Footnote 2 to our financial statements in Part IV, Item 15, and to include Part III, Items 10 through 14. Item 2 and Footnote 2 to our financial statements in Part IV, Item 15 are being amended herein solely for the purpose of providing information inadvertently omitted from such Items in our Annual Report on Form 10-K for the year ended December 31, 2008, as filed with the Securities and Exchange Commission (the “SEC”) on March 13, 2009 (the “Annual Report”). Other than Footnote 2, our financial statements in Part IV, Item 15 presented herein are identical to those presented in our Annual Report.

Part III, Items 10 through 14 were previously omitted from our Annual Report in reliance on General Instruction G to Form 10-K. General Instruction G provides that registrants may incorporate by reference certain information from a definitive proxy statement filed with the SEC within 120 days after the end of the fiscal year, which involves the election of directors. While we anticipate filing our proxy statement within such period, the information provided herein is being made public in connection with delivery of the prospectus constituting a part of our Registration Statement on Form S-3, when declared effective, and the Prospectus Supplement (collectively, the “Prospectus”) relating to the above referenced dividend prior to our filing our definitive proxy statement. The reference on the cover of the Annual Report to the incorporation by reference of the registrant’s definitive proxy statement into Part III of the Annual Report is hereby deleted.

In addition, as required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended, new certifications by our principal executive officer and principal financial officer are filed as exhibits to this Annual Report under Item 15 of Part IV hereof.

For purposes of this Annual Report on Form 10-K/A, and in accordance with Rule 12b-15, Item 2, Items 10 through 14 and the financial statements in Item 15 of our Annual Report have been amended and restated in their entirety. Except as stated herein, this Form 10-K/A does not reflect events occurring after the filing of the Annual Report on March 13, 2009 and no attempt has been made in this Annual Report on Form 10-K/A to modify or update other disclosures as presented in the Annual Report. Accordingly, this Form 10-K/A should be read in conjunction with our filings with the SEC subsequent to the filing of the Annual Report.

This Annual Report on Form 10-K/A, together with other statements and information publicly disseminated by us, 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. You should not rely on forward-looking statements since they involve known and unknown risks, uncertainties and other factors which are, in some cases, beyond our control and which could materially affect actual results, performance or achievements.

PART I

Item 2. Properties.

As of December 31, 2008, we owned 79 properties, three of which are vacant, three of which are leased to a tenant in bankruptcy (which is liquidating its assets) and one of which is a 50% tenancy in common interest, and participated in five joint ventures that own five properties, one of which is vacant. For the year ended December 31, 2008, the average annual rental per square foot for our total portfolio of real estate investments, including each property owned by our joint ventures was \$7.08. The properties owned by us and our joint ventures are suitable and adequate for their current uses. The aggregate net book value of our 79 properties was \$387.5 million after taking into account impairment charges of \$6 million for the year ended December 31, 2008.

The tables below set forth information as of December 31, 2008 concerning each property which we own and in which we currently own an equity interest. Except for one movie theater property, we and our joint ventures own fee title to each property.

Our Properties

Location	Type of Property	Percentage of 2009 Contractual Rental Income (1)	Approximate Building Square Feet
Baltimore, MD	Industrial	5.6%	367,000
Parsippany, NJ	Office	4.7	106,680
Hau pp a u g e , NY	Flex	4.3	149,870
El Paso, TX	Retail	3.8	110,179
St. Cloud, MN	Industrial	3.8	338,000
Hanover, PA	Industrial	3.4	458,560
Plano, TX	Retail (2)	3.3	112,389
Los Angeles, CA	Office (3)	3.1	106,262
Greensboro, NC	Theater	3.0	61,213
Brooklyn, NY	Office	2.6	66,000
Knoxville, TN	Retail	2.6	35,330
Columbus, OH	Retail (2)	2.5	96,924
Plano, TX	Retail (4)	2.3	51,018
Philadelphia, PA	Industrial	2.2	166,000
East Palo Alto, CA	Retail (5)	2.1	30,978
Tucker, GA	Health & Fitness	2.1	58,800
Ronkonkoma, NY	Flex	1.8	89,500
Lake Charles, LA	Retail (6)	1.6	54,229
Manhattan, NY	Residential	1.6	125,000
Cedar Park, TX	Retail (2)	1.6	50,810

Grand Rapids, Health & MI Fitness	1.4	130,000
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Location	Type of Property	Percentage of 2009 Contractual Rental Income (1)	Approximate Building Square Feet
Ft. Myers, FL	Retail	1.3	29,993
Chicago, IL	Retail (5)	1.3	23,939
Newark, DE	Retail (5)	1.3	23,547
Columbus, OH	Industrial	1.2	100,220
Miami Springs, FL	Retail (5)	1.2	25,000
Kennesaw, GA	Retail (5)	1.2	32,052
Wichita, KS	Retail (2)	1.2	88,108
Atlanta, GA	Retail	1.2	50,400
Naples, FL	Retail (5)	1.1	15,912
Athens, GA	Retail (7)	1.1	41,280
Saco, ME	Industrial	1.1	91,400
Champaign, IL	Retail	1.1	50,530
New Hyde Park, NY	Industrial	1.1	38,000
Greenwood Village, CO	Retail	1.1	45,000
Tyler, TX	Retail (2)	1.0	72,000
Melville, NY	Industrial	1.0	51,351
Cary, NC	Retail (5)	1.0	33,490
Mesquite, TX	Retail (2)	1.0	22,900
Fayetteville, GA	Retail (2)	1.0	65,951
Onalaska, WI	Retail	1.0	63,919
Richmond, VA	Retail (2)	.9	38,788
Amarillo, TX	Retail (2)	.9	72,227
Virginia Beach, VA	Retail (2)	.9	58,937
Eugene, OR	Retail (5)	.8	24,978
Selden, NY	Retail	.8	14,550
Pensacola, FL	Retail (5)	.8	22,700
Lexington, KY	Retail (2)	.8	30,173
El Paso, TX	Retail (5)	.8	25,000

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Location	Type of Property	Percentage of 2009 Contractual Rental Income (1)	Approximate Building Square Feet
Duluth, GA	Retail (2)	.8	50,260
Grand Rapids, MI	Health & Fitness	.8	72,000
Newport News, VA	Retail (2)	.7	49,865
Hyannis, MA	Retail	.7	9,750
Batavia, NY	Retail (5)	.6	23,483
Gurnee, IL	Retail (2)	.6	22,768
Somerville, MA	Retail	.6	12,054
Hauppauge, NY	Retail	.6	7,000
Bluffton, SC	Retail (2)	.6	35,011
Houston, TX	Retail	.5	12,000
Vicksburg, MS	Retail	.4	2,790
Everett, MA	Retail	.4	18,572
Killeen, TX	Retail	.4	8,000
Flowood, MS	Retail	.4	4,505
Marston Mills, MA	Retail	.4	8,775
Bastrop, LA	Retail	.4	2,607
Monroe, LA	Retail	.4	2,756
D'Iberville, MS	Retail	.4	2,650
Kentwood, LA	Retail	.4	2,578
Monroe, LA	Retail	.3	2,806
Vicksburg, MS	Retail	.3	4,505
Rosenberg, TX	Retail	.3	8,000
West Palm Beach, FL	Industrial	.3	10,361
Seattle, WA	Retail	.1	3,038
St. Louis, MO	Retail (8)	-	30,772
Fairview Heights, IL	Retail (8)	-	31,252
Florence, KY	Retail (8)	-	31,252
Antioch, TN	Retail (8)	-	34,059
Ferguson, MO	Retail (8)	-	32,046
New Hyde Park, NY	Industrial (9)	-	51,000
		100%	4,603,602

Properties Owned by Joint Ventures (10)		Percentage of Our Share of Rent Payable in 2009 to Our Joint Ventures	Approximate Building Square Feet
Location	Type of Property		
Lincoln, NE	Retail	43.3%	112,260
Milwaukee, WI	Industrial	40.4	927,685
Miami, FL	Industrial	11.1	396,000
Savannah, GA	Retail	5.2	101,550
Savannah, GA	Retail (9)	-	7,959
		100%	1,545,454

(1) Percentage of 2009 contractual rental income payable to us pursuant to leases as of December 31, 2008, including rental income payable on our tenancy in common interest and excluding any rental income from five properties formerly leased by Circuit City.

(2) This property is leased to a retail furniture operator.

(3) An undivided 50% interest in this property is owned by us as tenant in common with an unrelated entity. Percentage of contractual rental income indicated represents our share of the 2009 rental income. Approximate square footage indicated represents the total rentable square footage of the property.

(4) Property has two tenants, of which approximately 53% is leased to a retail furniture operator.

(5) This property is leased to a retail office supply operator.

(6) Property has three tenants, of which approximately 43% is leased to a retail office supply operator.

(7) Property has two tenants, of which approximately 48% is leased to a retail office supply operator.

(8) Property was leased to Circuit City, which in 2008 rejected the leases for properties located in Antioch, TN, and Ferguson, MO, both of which are vacant. Circuit City rejected its remaining leases with us in March 2009 for our properties located in St. Louis, MO, Fairview Heights, IL and Florence, KY.

(9) Vacant property.

(10) Each property is owned by a joint venture in which we are a venture partner. Except for the joint venture which owns the Miami, Florida property, in which we own a 36% economic interest, we own a 50% economic interest in each joint venture. Approximate square footage indicated represents the total rentable square footage of the property owned by the joint venture.

The occupancy rate for our properties (including the property in which we own a tenancy in common interest and the five properties formerly leased to Circuit City) based on total rentable square footage, was 97.5% and 100% as of

December 31, 2008 and 2007. The occupancy rate for the properties owned by our joint ventures, based on total rentable square footage, was approximately 99.5% and 98.9% as of December 31, 2008 and 2007, respectively.

As of December 31, 2008, the 79 properties owned by us and the five properties owned by our joint ventures are located in 29 states. The following tables set forth certain information, presented by state, related to our properties and properties owned by our joint ventures as of December 31, 2008.

Our Properties State	Number of Properties	2009 Contractual Rental Income	Approximate Building Square Feet
Texas	11	\$ 6,648,615	544,523
New York	10	6,094,678	615,754
Georgia	6	3,103,938	298,743
Maryland	1	2,340,923	367,000
Pennsylvania	2	2,338,343	624,560
California	2	2,186,055	137,240
Florida	5	2,011,972	103,966
New Jersey	1	1,981,581	106,680
North Carolina	2	1,692,751	94,703
Minnesota	1	1,574,022	338,000
Ohio	2	1,572,080	197,144
Louisiana	5	1,301,690	128,489
Illinois	4	1,258,630	64,976
Tennessee	2	1,079,367	69,389
Other	25	6,768,441	912,435
	79	\$ 41,953,086	4,603,602

Properties Owned by Joint Ventures

State	Number of Properties	Our Share of Rent Payable in 2009 to Our Joint Ventures	Approximate Building Square Feet
Nebraska	1	\$ 603,594	112,260
Wisconsin	1	562,500	927,685
Florida	1	154,488	396,000
Georgia	2	72,188	109,509
	5	\$ 1,392,770	1,545,454

At December 31, 2008, we had first mortgages on 61 of the 79 properties we owned as of that date (including our 50% tenancy in common interest, but excluding properties owned by our joint ventures). At December 31, 2008, we had approximately \$225.5 million of mortgage loans outstanding, bearing interest at rates ranging from 5.44% to 8.8%. Substantially all of our mortgage loans contain prepayment penalties. The following table sets forth scheduled principal mortgage payments due for our properties as of December 31, 2008, and assumes no payment is made on principal on any outstanding mortgage in advance of its due date:

YEAR	PRINCIPAL PAYMENTS DUE IN YEAR INDICATED (Amounts in Thousands)	
	2009	\$
2010		22,532
2011		8,816
2012		37,806
2013		19,036
2014 and thereafter		118,455
Total	\$	225,514

Included in 2009 is a \$8.7 million non-recourse mortgage which is secured and cross collateralized by the five Circuit City properties. The Company has not made any payments on this mortgage since December 1, 2008 and has entered into negotiations with representatives of the mortgagee relating to possible modifications of the mortgage. The mortgage is due in 2014.

At December 31, 2008, our joint ventures had first mortgages on three properties with outstanding balances of approximately \$18.3 million, bearing interest at rates ranging from 5.8% to 6.4%. Substantially all these mortgages contain prepayment penalties. The following table sets forth the scheduled principal mortgage payments due for properties owned by our joint ventures as of December 31, 2008, and assumes no payment is made on principal on any outstanding mortgage in advance of its due date:

YEAR	PRINCIPAL PAYMENTS DUE IN YEAR INDICATED (Amounts in Thousands)	
	2009	\$
2010		462
2011		490
2012		520
2013		552
2014 and thereafter		15,882
Total	\$	18,341

Significant Tenants

As of December 31, 2008, no single property owned by us had a book value equal to or greater than 10% of our total assets or had revenues which accounted for more than 10% of our aggregate annual gross revenues in the year ended December 31, 2008.

Haverty Furniture Companies, Inc.

As of December 31, 2008, we owned a portfolio of eleven properties leased under a master lease to Haverty Furniture Companies, Inc., which properties had a net book value equal to 13.6% of our depreciated book value of real estate investments, and revenues which accounted for 12% of our aggregate annual gross revenues in the year ended December 31, 2008. Of the eleven properties, three are located in each of Texas and Virginia, two are located in

Georgia, and one is located in each of Kansas, Kentucky and South Carolina. The properties contain buildings with an aggregate of approximately 612,130 square feet.

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The properties are net leased to Haverty Furniture Companies, Inc. pursuant to a master lease, which expires on August 14, 2022. Haverty Furniture Companies, Inc. is a New York Stock Exchange listed company and operates over 100 showrooms in 17 states. The master lease provides for a current base rent of \$4,310,000 per annum (which accounts for 10.3% of our 2009 contractual rental income), increasing on August 15, 2012 and every five years thereafter and provides the tenant with certain renewal options. Pursuant to the master lease, the tenant is responsible for maintenance and repairs, and for real estate taxes and assessments on the properties. The 2008 annual real estate taxes on the properties aggregated \$800,000. The tenant utilizes approximately 86% of the properties for retail and 14% for warehouse.

The mortgage loan, which our subsidiary, OLP Havertportfolio L.P. assumed when it acquired these eleven properties in 2006, is secured by mortgages/deeds of trust on all such properties in the principal amount of approximately \$25.4 million at December 31, 2008. The mortgage loan bears interest at 6.87% per annum, matures on September 1, 2012 and is being amortized based on a 25-year amortization schedule. Assuming only contractual payments are made on the principal amount of the mortgage loan, the principal balance due on the maturity date will be approximately \$23 million. Although the mortgage loan provides for defeasance, it is generally not prepayable until 90 days prior to the maturity date.

Office Depot, Inc.

As of December 31, 2008, we owned a portfolio of ten properties, each of which is subject to a lease with Office Depot, Inc. We purchased eight of these properties on September 26, 2008. The ten Office Depot, Inc. properties have a net book value equal to 12.6% of our depreciated book value of real estate investments, accounted for 3.8% of our 2008 rental income and will account for 10.6% of our 2009 contractual rental income. Of the ten properties, two are located in each of Florida and Georgia, and one is located in each of California, Illinois, Louisiana, North Carolina, Oregon and Texas. The properties contain buildings with an aggregate of approximately 261,678 square feet.

Each property is subject to a separate lease. Eight of the leases contain cross-default provisions, expire on September 30, 2018, and provide the tenant with four five-year renewal options. One lease expires on June 30, 2013 and provides the tenant with three five-year renewal options, and one lease expires on February 28, 2014 and provides the tenant with four five-year renewal options. Office Depot, Inc. is a New York Stock Exchange listed company and operates over 1,700 worldwide retail stores. The ten leases provide for an aggregate current base rent of \$4,435,000. The lease rent for eight of the properties increases every five years by 10%. The lease rent for one property increases by 5% every five years and the lease rent for one property increases by \$20,000 every five years. Pursuant to the leases, the tenant is responsible for maintenance and repairs, and for real estate taxes and assessments on the properties. The 2008 annual real estate taxes on the properties aggregated \$666,000.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

We have adopted an Amended and Restated Business Code of Conduct and Ethics that applies to all directors, officers and employees, including our principal executive officer, principal financial officer and principal accounting officer. You can find our Business Code of Conduct and Ethics on our web site by going to the following address: www.onelibertyproperties.com. We will post any amendments to our Amended and Restated Business Code of Conduct and Ethics as well as any waivers that are required to be disclosed by the rules of either the SEC or The New York Stock Exchange on our web site.

Our board of directors has adopted corporate governance guidelines and charters for the audit, compensation and nominating and corporate governance committees of our board of directors. You can find these documents on our web site by going to the following address: www.onelibertyproperties.com.

A printed copy of any of the materials referred to above may be obtained by contacting us at the following address: One Liberty Properties, Inc., 60 Cutter Mill Road, Great Neck, New York 11021, Attention: Secretary, or telephone number: 800-450-5816.

Directors and Executive Officers.

Pursuant to our bylaws, as amended, the number of directors has been fixed at 10 by our board of directors. The board is divided into three classes. Each class is elected to serve a three year term and is to be as equal in size as is possible. The classes are elected on a staggered basis.

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Directors who hold office until the 2009 Annual Meeting:

Name and Age	Principal Occupation For The Past Five Years and other Directorships or Significant Affiliations
Joseph A. DeLuca 63 Years	Director since June 2004; Principal of MHD Capital Partners, LLC, an entity engaged in real estate investing and consulting since March 2006; Principal and sole shareholder of Joseph A. DeLuca, Inc., a company engaged in real estate capital and investment consulting since September 1998, including serving as Director of Real Estate Investments for Equitable Life Assurance Society of America under a consulting contract from June 1999 to June 2002; Executive Vice President and head of Real Estate Finance at Chemical Bank from September 1990 until its merger with the Chase Manhattan Bank in 1996 and Managing Director and Group Head of the Chase Real Estate Finance Group of the Chase Manhattan Bank from the merger to April 1998.
Fredric H. Gould 73 Years	Chairman of our board since June 1989, Chief Executive Officer from December 1999 to December 2001 and from July 2005 to December 2007; Chairman of Georgetown Partners, Inc., Managing General Partner of Gould Investors L.P., a limited partnership engaged in real estate ownership, since December 1997; Chairman of the board of BRT Realty Trust, a mortgage real estate investment trust, since 1984 and President of REIT Management Corp., adviser to BRT Realty Trust, since 1986; Director of EastGroup Properties, Inc., a real estate investment trust engaged in the acquisition, ownership and development of industrial properties, since 1998. Fredric H. Gould is the father of Jeffrey A. Gould and Matthew J. Gould.
Eugene I. Zuriff 69 Years	Director since December 2005; Vice Chairman of PBS Real Estate LLC, real estate brokers, since March 2008; President of The Smith & Wollensky Restaurant Group, Inc., developer, owner and operator of a diversified portfolio of white tablecloth restaurants in the United States, from May 2004 to October 2007; consultant to The Smith & Wollensky Restaurant Group, Inc., from February 1997 to May 2004 and a Director of The Smith & Wollensky Restaurant Group, Inc., from 1997 to October 2007; Director of Doral Federal Savings Bank from 2001 to July 2007 and Chairman of the Audit Committee from 2001 to July 2003.

Directors to continue in office until the 2010 Annual Meeting:

Name and Age	Principal Occupation For The Past Five Years and other Directorships or Significant Affiliations
Joseph A. Amato 73 Years	Director since June 1989; Real estate developer; Managing partner of the Kent Companies, an owner, manager and developer of income producing real estate since 1970.
Jeffrey A. Gould 43 Years	Director since December 1999; Vice President of our company from 1989 to December 1999 and a Senior Vice President since December 1999; President and Chief Executive Officer of BRT Realty Trust since January 2002; President and Chief Operating Officer of BRT Realty Trust from March 1996 to December 2001; Trustee of BRT Realty Trust since 1997; Senior Vice President of Georgetown Partners, Inc., since March 1996. Jeffrey A. Gould is the son of Fredric H. Gould and brother of Matthew J. Gould.
Matthew J. Gould 49 Years	Director since December 1999; President and Chief Executive Officer of our company from June 1989 to December 1999 and a Senior Vice President since December 1999; President of Georgetown Partners, Inc. since 1996; Senior Vice President of BRT Realty Trust since 1993 and Trustee since June 2004 and from March 2001 to March 2004; Vice President of REIT Management Corp. since 1986. Matthew J. Gould is the son of Fredric H. Gould and brother of Jeffrey A. Gould.
J. Robert Lovejoy 64 Years	Director since 2004; Managing director of Groton Partners, LLC, merchant bankers, since January 2006; Senior managing director of Ripplewood Holdings, LLC, a private equity investment firm, from January 2000 to December 2005; a managing director of Lazard Freres & Co. LLC and a general partner of Lazard's predecessor partnership for over 15 years prior to January 2000; Director of Orient-Express Hotels Ltd. since 2000.

Directors who hold office until the 2011 Annual Meeting:

Name and Age	Principal Occupation For The Past Five Years and other Directorships or Significant Affiliations
Charles Biederman 75 Years	Director since June 1989; Chairman since January 2008 of Universal Development Company, a commercial general contractor engaged in turnkey hotel, commercial and residential projects; Principal of Sunstone Hotel Investors, LLC, a company engaged in the management, ownership and development of hotel properties, from November 1994 to December 2007; Executive Vice President of Sunstone Hotel Investors, Inc., a real estate investment trust engaged in the ownership of hotel properties, from September 1994 to November 1998 and Vice Chairman of Sunstone Hotel Investors from January 1998 to November 1999.
James J. Burns 69 Years	Director since June 2000; Vice Chairman from March 2006 to the present and Senior Vice President and Chief Financial Officer of Reis, Inc. and its predecessor, Wellsford Real Properties, Inc., from October 1999 to March 2006; Partner of Ernst & Young LLP, certified public accountants, and predecessor firms from January 1977 to September 1999; Director of Cedar Shopping Centers, Inc., a real estate investment trust engaged in the ownership, management and leasing of retail properties, since 2001.
Patrick J. Callan, Jr. 46 Years	Director since June 2002; President of our company since January 2006 and Chief Executive Officer since January 2008; Senior Vice President of First Washington Realty, Inc. from March 2004 to November 2005; Vice President of Real Estate for Kimco Realty Corporation, a real estate investment trust, from May 1998 to March 2004.

Information concerning our executive officers is set forth in Part I of our Annual Report filed with the SEC on March 13, 2009. The business history of our executive officers who are also directors (Fredric H. Gould, Patrick J. Callan, Jr., Matthew J. Gould and Jeffrey A. Gould) is set forth above in this Item 10. See Item 13, "Certain Relationships and Related Transactions, and Director Independence," below, for more information regarding family relationships among our executive officers and directors.

Section 16(a) Beneficial Ownership Reporting Compliance.

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our executive officers and directors, and persons who beneficially own more than 10% of our issued and outstanding capital stock, to file Initial Reports of Ownership and Reports of Changes in Ownership with the Securities and Exchange Commission and the New York Stock Exchange. Executive officers, directors and greater than 10% beneficial owners are required by the rules and regulations promulgated by the SEC to furnish us with copies of all Section 16(a) forms they file. We prepare and file the requisite forms on behalf of our executive officers and directors. Based on a review of information supplied to us by our executive officers and directors, and public filings made by any 10% beneficial owners, we believe that all Section 16(a) filing requirements applicable to our executive officers, directors and 10% beneficial owners with respect to fiscal 2008 were met, other than the failure to timely file a Form 4 by our treasurer, Alysa Block, in December 2008.

Nominating Committee

There have not been any changes to the procedures by which security holders may recommend nominees to our board of directors since disclosure of such procedures in our proxy statement dated April 29, 2008 for our Annual Meeting held on June 13, 2008.

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Audit Committee

Our audit committee is a separately designated standing committee, the members of which are Charles Biederman, James J. Burns and Joseph A. DeLuca. Our board of directors has adopted an audit committee charter delineating the composition and responsibilities of the audit committee.

The audit committee charter requires that the audit committee be comprised of at least three members, all of whom are independent directors and at least one of whom is an “audit committee financial expert.” Our board of directors has determined that all of the members of our audit committee are independent for the purposes of Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended, and Section 303.01 of the Listed Company Manual of the New York Stock Exchange, that all members of the audit committee are financially literate and that James J. Burns qualifies as an “audit committee financial expert,” as that term is defined in Item 407(5)(ii) of Regulation S-K promulgated pursuant to the Securities Exchange Act of 1934, as amended.

Item 11. Executive Compensation.

Compensation Discussion and Analysis

This compensation discussion and analysis describes our compensation objectives, policies and decisions as applied to our executive officers in 2008. This discussion and analysis focuses on the information contained in the compensation tables that follow this discussion and analysis, but also describes our historic compensation structure for our executive officers to enhance an understanding of our executive compensation disclosure. Our compensation committee oversees our compensation program, recommends the compensation of officers employed by us on a full-time basis to our board of directors for its approval, approves the annual fee paid by us to the chairman of our board, and approves the annual fees paid by us pursuant to a compensation and services agreement to Majestic Property Management Corp., an affiliated entity (hereinafter, “Majestic”), which results in the payment by Majestic of compensation to our part-time officers including Fredric H. Gould, Matthew J. Gould and David W. Kalish. Majestic is wholly-owned by Fredric H. Gould, the chairman of our board.

Historically, including in 2008, we have had two categories of officers: (i) officers who devote their full business time to our affairs, and (ii) officers who devote their business time to us on a part-time basis. The officers who devote their full business time to our affairs are compensated directly and solely by us. Prior to 2007, the basic compensation (base salary, bonus, if any, and perquisites) of certain of our part-time officers, who perform primarily legal and accounting services on our behalf, was allocated to us and other affiliated entities pursuant to a shared services agreement and certain officers (including officers who did not allocate any of their compensation to us and officers who allocated their compensation to us) received compensation from Majestic, whose gross revenues included fees paid by us for services performed on our behalf (property management, sales and lease consulting and brokerage services, mortgage brokerage services and construction supervisory services). All of our part-time officers and other employees of affiliated companies who perform services for us on a part-time basis receive annual restricted stock awards approved by the compensation committee and the board of directors.

In 2006, in connection with a review of our allocation methods and our related party transactions with affiliated entities, our audit committee recommended to our compensation committee and board of directors a change in the manner in which compensation is paid to those officers (and employees) who perform services for us on a part-time basis, including legal and accounting services, as well as a change in the manner in which any affiliated entity, primarily Majestic, is compensated for services performed on our behalf. The services provided by Majestic to us included billing and collection of rent and additional rent and property management services, property acquisition review and analysis, sales and lease consulting and brokerage services, consulting services in respect to mortgage financings and construction supervisory services. The audit committee recommended changes to the manner in which compensation is paid to part-time officers and employees and the manner in which Majestic is compensated for services performed on our behalf because, in its view, the changes would simplify the compensation structure, limit the need for the audit committee, the internal auditor and the independent auditor to review the allocations and limit potential conflict issues which may arise as a result of related party transactions. The audit committee, the compensation committee and the board of directors were of the opinion that it was desirable for us to maintain the services of those officers who perform services for us on a part-time basis, as well as the services of Majestic, which performs necessary services on our behalf.

In order to effectuate our audit committee's recommendation, we entered into an agreement with Majestic, which was effective January 1, 2007, under which Majestic assumed our obligations to make payments under the shared services agreement and agreed to provide to us the services of all executive, administrative, legal, accounting and clerical personnel that had previously been utilized by us on a part-time basis and for which we paid, as reimbursement, an allocated portion of the payroll expenses of such personnel in accordance with a shared services agreement. Since Majestic now provides such personnel for us, we no longer incur any allocated payroll expenses and the payroll expenses of such executives and part-time employees is allocated to Majestic. Under the terms of the agreement, Majestic also agreed to continue to provide to us the property management services, property acquisition, sales and lease consulting and brokerage services, consulting services in respect to mortgage financings, and construction supervisory services that it provided to us in the past and we, therefore, do not incur any fees or expenses for such services, except for the annual fee referred to below. As consideration for providing the services of such personnel to us, and for providing property management services, property acquisition, sales and lease consulting and brokerage services, consulting services in respect to mortgage financings and construction supervisory services, we agreed to pay to Majestic a fee of \$2,025,000 for 2008. Majestic may earn a profit from payments under the agreement. Majestic credits against the fee due to it any management or other fees received by it from any of our joint ventures (except for fees paid by the tenant-in-common on a property located in Los Angeles, CA). In addition, under the agreement, we agreed to pay compensation to the chairman of our board of \$250,000 per annum and to make an additional payment to Majestic of \$175,000 in 2008 for our share of all direct office expenses, including rent, telephone, computer services, internet usage, etc., previously allocated under the shared services agreement and since 2007 allocated to Majestic. The annual payments made by us to Majestic are to be reviewed and renegotiated by our audit committee and Majestic annually and at other times as may be determined by our audit committee.

For the year ended December 31, 2008, our named executive officers are Patrick J. Callan, Jr., president (and chief executive officer effective January 1, 2008) and Lawrence G. Ricketts, Jr., executive vice president (and chief operating officer effective January 1, 2008), both of whom devote their full time to our affairs, and Fredric H. Gould, chairman of our board (chief executive officer through December 31, 2007), David W. Kalish, senior vice president and chief financial officer, and Matthew J. Gould, a senior vice president, who devote time to our affairs on a part-time basis.

Objectives of our Compensation Program

The overriding objective of our compensation program for full-time officers is to ensure that the total compensation paid to such officers is fair, reasonable and competitive. The compensation committee believes that relying on this principal will permit us to both retain and motivate our officers. With respect to our part-time officers, the

compensation committee must be satisfied that such officers provide us with sufficient time and attention to fully meet our needs and fully perform their duties on our behalf. The compensation committee has considered this issue and is of the opinion that our part-time officers devote sufficient time and attention to our business needs, are able to fully meet our needs and that this arrangement does not adversely affect their ability to perform their duties effectively on our behalf. The compensation committee is of the opinion that our part-time officers perform valuable services on our behalf, are not distracted by their activities on behalf of affiliated entities and the performance of activities on behalf of affiliated entities does not adversely affect their ability to perform duties on our behalf. The compensation committee is also of the opinion that utilizing the services of various senior officers with diverse skills on a part-time basis enables us to benefit from a greater degree of executive experience and competence than an organization of our size could otherwise afford.

We have historically experienced an extremely low level of officer and employee turnover. Fredric H. Gould, Matthew J. Gould and David W. Kalish each has been an officer with us for over 18 years and Mr. Lawrence G. Ricketts, Jr. has been employed by us for approximately 10 years. Mr. Patrick J. Callan, Jr. has been a member of our board of directors for seven years and has been our president for in excess of three years.

Compensation Setting Process

Full-time Officers

Our compensation committee refers to the compensation survey prepared for the National Association of Real Estate Investment Trusts (NAREIT) to understand the base salary, bonus, long-term incentives and total compensation paid by other REITs to their officers to assist it in providing a fair, reasonable and competitive compensation package to our full-time officers. Although there are many REITs engaged in acquiring and managing real estate portfolios, there are few equity REITs which have a market capitalization comparable to ours. As a result, the NAREIT compensation survey, although informative, does not provide information which is directly applicable to us. Accordingly, we determine compensation for our full-time officers, including our full-time named executive officers, on a case-by-case basis. In addition, from time to time our compensation committee retains an independent compensation consultant to provide the committee with an analysis of the compensation paid to our executive officers in comparison to a selected peer group (see "Compensation Consultant" below). We do not utilize performance targets.

In determining compensation for 2008, the recommendations of Fredric H. Gould, chairman of our board (and formerly chief executive officer), played a significant role in the compensation-setting process since, as the chairman of the board, he was aware of each officer's duties and responsibilities and was most qualified to assess the level of each officer's performance. The chairman of our board, prior to making recommendations to the compensation committee concerning each full-time officer's compensation, consulted with certain senior officers. During the process, they considered our overall performance for the immediately preceding fiscal year, including, rental income, funds from operations, net income and cash distributions paid to stockholders. None of these measures of performance was given more weight than any other and they were used to provide an overall view of our performance for the preceding year. The chairman of the board and other senior officers also assessed each individual's performance in such year, which assessment was highly subjective. Positively impacting the compensation decisions with respect to our full-time named executive officers for 2008 was the recognition of certain corporate accomplishments in 2007, including increases in rental income and funds from operations. Also taken into consideration was the fact that, although we had a decline in net income year over year, the decline was due primarily to gains in 2006 on the disposition of real estate by unconsolidated joint ventures, offset by mortgage prepayment premiums required as part of these sales. During this process, the chairman of our board proposed to the compensation committee with respect to each full-time named executive officer, a base salary for the 2008 calendar year, a bonus applicable to the 2007 calendar year (paid in 2008) and the number of shares of restricted stock to be awarded to each individual full-time named executive officer. At its annual compensation committee meeting, the compensation committee reviewed these recommendations. The compensation committee has discretion to accept, reject or modify the recommendations. The final decision by the compensation committee on compensation matters related to all officers was reported to the board of directors, which approved the actions of the committee.

Part-time Officers

We believe that utilizing part-time officers pursuant to the shared services agreement through December 31, 2006, and, since January 1, 2007 pursuant to the compensation and services agreement, enables us to benefit from access to, and the services of, a group of senior officers with experience and knowledge in real estate ownership, operations and management and finance, legal, accounting and tax matters that an organization our size could not otherwise afford. Our chairman, in consultation with certain of our part-time senior officers, determines the total annual base compensation, bonus, if any, and perquisites to be paid by all parties to the shared services agreement to our part-time officers.

Pursuant to the compensation and services agreement, Majestic assumed our obligations under the shared services agreement, and agreed to provide to us the services of all affiliated executive, administrative, legal, accounting and clerical personnel that we previously used on a part-time basis. For 2008, the portion of our part-time officers' compensation which was allocated to us in prior years pursuant to the shared services agreement, and would have been allocated to us in 2008 if the compensation and services agreement was not in effect, was allocated to Majestic. The terms of the compensation and services agreement were negotiated by our audit committee, approved by our compensation committee and our board of directors and the agreement was effective as of January 1, 2007. For 2006, the audit committee reviewed the amount of compensation of part-time officers allocated to us to determine if the allocation process was performed in accordance with the shared services agreement, and the compensation committee reviewed the reasonableness of the compensation allocated to us. For 2006, the audit committee determined that each part-time officer's compensation was properly allocated to us in accordance with the shared services agreement. The fee paid to Majestic in 2008 and 2007 under the compensation and services agreement was negotiated by the audit committee and management of Majestic and approved by our compensation committee and board of directors. The compensation committee was advised of the total compensation received by each part-time officer from Majestic and other affiliated entities in 2008 and 2007.

Compensation Consultant

In October 2008, our compensation committee engaged an independent compensation consultant, FPL Associates L.P., a nationally recognized compensation consulting firm specializing in the real estate industry. FPL Associates L.P. has no relationship with us or any of our affiliates, except that it was also retained in 2008 as the independent compensation consultant for BRT Realty Trust, which may be deemed an affiliate of ours. The primary purpose of the engagement was for the compensation consultant to conduct a comprehensive benchmarking analysis for our senior executives, to enable our compensation committee to determine if the compensation of our senior executive officers is fair and reasonable and to assist our compensation committee in making any necessary adjustments to the compensation components. The compensation consultant reviewed the compensation of seven of our senior executive officers, including our named executive officers other than Matthew J. Gould. Matthew J. Gould was not included in the compensation consultant's study since none of his basic compensation (salary or bonus) is paid by us or allocated to Majestic.

Prior to commencing its benchmarking analysis, the compensation consultant and management discussed and agreed upon a methodology for determining the comparative peer groups. Based upon such discussions it was determined to use two peer groups as follows:

• **A Full-Time Peer Group;** to be used for executives who dedicate all, or substantially all, of their business time to our affairs. The Full Time Peer Group includes public REITs active in the net lease space; public real estate companies comparable in size to us (measured by market and total capitalization); and/or public real estate companies located in New York. The Full Time Peer Group selected for benchmarking purposes consists of eleven public real estate companies with a market capitalization which is generally larger than our capitalization. The compensation consultant noted in its report to the compensation committee that none of the specific peer group companies are a

perfect match to us, due to our small size position among our most direct peers.

• A Shared Peer Group; to be used for executives who dedicate a portion of their business time to our affairs and who also dedicate time to affiliated companies (primarily BRT Realty Trust, a public company engaged in mortgage originations). The Shared Peer Group exude similar characteristics as described for the Full Time Peer Group and include public REITs focused on the debt side of the business and consists of six public equity REITs and six public debt REITs that are comparable to us in terms of focus, size and/or geographic location. The market capitalization of the peer group companies is generally larger than our capitalization.

- The following is the full-time peer group companies used by the consultant:

Agree Realty Corporation	National Retail Properties, Inc.
AmReit	Ramco-Gershenson Properties Trust
CapLease, Inc.	Realty Income Corporation
Getty Realty Corp.	Urstadt Biddle Properties, Inc.
Lexington Realty Trust	W.P. Carey & Co. LLC.
Lodgian, Inc.	

- The following is the shared peer group companies used by the consultant:

CapLease, Inc.	Arbor Realty Trust, Inc.
Cousins Properties Incorporated	CapitalTrust, Inc.
Getty Realty Corp.	iStar Financial Inc.
Lexington Realty Trust	New York Mortgage Trust, Inc.
Urstadt Biddle Properties, Inc.	NorthStar Realty Financing Corp.
W.P. Carey and Co. LLC	RAIT Financial Trust.

The compensation consultant used the 25th percentile as the market comparison in its conclusions because of our relatively smaller size compared to the peer group companies. The compensation consultant also used a plus/minus 15% threshold to define “in line” (competitive) with the market. Based on its benchmarking analysis, the compensation consultant advised that in 2008: (i) the compensation paid by us to Patrick J. Callan, Jr., our president and chief executive officer, is slightly above the 25th percentile, (ii) the compensation paid by us to Lawrence G. Ricketts, Jr., our executive vice president and chief operating officer, is in line with or slightly below the 25th percentile, (iii) the compensation of part-time senior executives (including Fredric H. Gould, chairman of the board and David W. Kalish, a senior vice president and chief financial officer paid) by us or allocated to Majestic is below the 25th percentile, (iv) the total compensation paid to Fredric H. Gould (including all compensation paid by affiliated companies), and the total compensation paid to part-time senior executives by us and affiliated companies (including David W. Kalish) is above the 25th percentile and (v) the equity awards we provide to all of our officers are a smaller portion of total compensation compared to peers.

Components of Executive Compensation

Full-time Officers

The principal elements of our compensation program for our full-time officers are:

- base salary;
- annual bonus;
- long-term equity incentive in the form of restricted stock; and
- special benefits and perquisites.

Additional benefits and perquisites which are provided to our full-time executive officers consist of:

- additional disability insurance;
- an automobile allowance; and
- automobile maintenance and repairs.

Base salary and annual bonus are cash-based, while long-term incentives consist of restricted stock awards. In determining compensation, the compensation committee does not have a specific allocation goal between cash and equity-based compensation.

Part-time Officers

In 2008, except for the \$250,000 annual compensation we paid to the chairman of our board pursuant to the compensation and services agreement, the only form of direct compensation we provided to our part-time officers was the granting of long-term equity incentives in the form of restricted stock awards. For services rendered to us, our part-time officers are compensated by Majestic, which was paid a fee of \$2,025,000 (including \$6,000 by one of our joint venture partners, but excluding \$175,000 for our share of direct office expenses) in 2008 pursuant to the compensation and services agreement. The compensation committee was advised of the amount allocated by each part-time officer to Majestic for service rendered on our behalf and the total compensation received by each part-time officer in 2008 from Majestic and other affiliated companies.

Base Salary

Base salary is the basic, least variable form of compensation for the job an officer performs and provides each officer with a guaranteed monthly income.

Full-time Officers: Base salaries of full-time officers are targeted to be competitive with the salaries paid to officers at other REITs with a market capitalization similar to ours. Any increase in base salary is determined on a case by case basis, is not based upon a structured formula and is based upon, among other considerations (i) our performance in the preceding fiscal year, (ii) such officer's current base salary, (iii) amounts paid by peer group companies for officers performing substantially similar functions, (iv) years of service, (v) current job responsibilities, (vi) the individual's performance and (vii) the recommendation of the chairman of the board.

Part-time Officers: The portion of our part-time officers' base salary, which would have been allocated to us in 2008 pursuant to the shared services agreement, has been assumed by Majestic pursuant to the compensation and services agreement and is paid by Majestic. Since the fee paid to Majestic was approved by the compensation committee and the board of directors, the compensation committee does not review the base salaries of our part-time officers.

Bonus

Full-time Officers: We provide the opportunity for our full-time officers to earn an annual cash bonus. We provide this opportunity both to reward our personnel for past performance and to motivate and retain talented people. We recognize that annual bonuses are almost universally provided by other companies with which we might compete for talent. In view of the fact that only two of our named executive officers devote their full-time to our affairs, annual cash bonuses for such named executive officers are determined on a case-by-case basis by our compensation committee. During the process we considered our overall performance for the immediately preceding fiscal year, including rental income, funds from operations, net income and cash distributions paid to stockholders. None of these measures of performance is given more weight than any other and they are used to provide an overall view of our performance for the preceding year. Once it has approved the annual bonus to be paid to each named executive officer, the compensation committee presents its recommendations to the board of directors for their approval. Based on our present structure and the small number of full-time officers, our compensation committee has not adopted formulas or performance goals to determine cash bonuses for our officers.

Part-time Officers: The portion of our part-time officers' annual bonus, if any, which would have been allocated to us in 2008 pursuant to the shared services agreement, has been assumed by Majestic pursuant to the compensation and services agreement. Since the fee paid to Majestic was approved by the compensation committee and the board of directors, the compensation committee does not review the bonus, if any, paid to part-time officers.

Long-term Equity Awards

We provide the opportunity for our full-time and part-time officers to receive long-term equity incentive awards. Our long-term equity incentive compensation program is designed to recognize responsibilities, reward performance, motivate future performance, align the interests of our officers with those of our stockholders and retain our officers. The compensation committee reviews long-term equity incentives for all our employees, including part-time officers and employees of affiliates who perform services for us, at its regularly scheduled annual meeting (usually held in December of each year) and makes recommendations to our board of directors for the grant of equity awards. In determining the long-term equity compensation component, the compensation committee considers all relevant factors, including our performance and individual performance. Existing ownership levels are not a factor in award determinations. All equity awards are granted under our stockholder approved Incentive Plan.

We do not have a formal policy with respect to whether equity compensation should be paid in the form of stock options or restricted stock. Prior to 2003, we awarded stock options rather than restricted stock, but in 2003 a determination was made to grant only restricted stock. The compensation committee believes restricted stock awards are more effective in achieving our compensation objectives, as restricted stock has a greater retention value and, because fewer shares are normally awarded, it is potentially less dilutive. Additionally, before vesting, cash dividends to stockholders are paid on all outstanding awards of restricted stock as an additional element of compensation.

All the restricted stock awards made to date contain a five-year “cliff” vesting requirement. The compensation committee believes that restricted stock awards with five-year “cliff” vesting provide a strong retention incentive and better align the interests of our officers with those of our stockholders. We view our capital stock as a valuable asset that should be awarded judiciously.

We do not have a formal policy on timing equity compensation grants in connection with the release of material non-public information and in view of the five year “cliff” vesting requirement, we do not believe such a formal policy is necessary. In December, our board of directors, upon the compensation committee’s recommendation, generally approves the granting of equity awards effective on or about the last business day in February of the following year. In December 2007, the board of directors, upon the compensation committee’s recommendation, set the grant date for our restricted stock incentive awards effective on February 28, 2008.

The amount of restricted stock recommended by the compensation committee for approval by the board of directors in December 2007 was related to the number of shares of our common stock issued and outstanding at the time the awards were approved by our compensation committee. The aggregate restricted stock authorized in December 2007 and awarded by us in February 2008, 50,550 shares, was approximately 0.5% of our issued and outstanding shares of common stock as of December 31, 2007.

Chairman of the Board’s Compensation

The compensation and services agreement, which was approved by our audit committee and board of directors in 2007, provides that we pay Fredric H. Gould, the chairman of our board, annual compensation for his services to us. Our chairman does not receive any additional direct compensation from us, other than any long-term equity awards granted to him by our board of directors based upon our compensation committee’s recommendation. Our chairman also receives compensation from Majestic. In 2008, we paid our chairman compensation of \$250,000 and granted 3,000 shares of restricted stock to him valued at \$52,500 (\$17.50 per share) on the date of the grant. In 2008, our chairman also received compensation of \$264,100 from Majestic. For additional information regarding compensation of our chairman, see the “Summary Compensation Table,” below.

Executive Benefits and Perquisites

Full-time Officers: We provide our full-time officers with a competitive benefits and perquisites program. We recognize that similar benefits and perquisites are commonly provided at other companies that we might compete with for talent. We review our benefits and perquisites program periodically to ensure it remains fair to our officers and employees and supportable to our stockholders. For 2008, the benefits and perquisites we provided to our officers were a small percentage of the compensation provided by us to them. The benefits and perquisites we may provide to our full-time executive officers, in addition to the benefits and perquisites we provide to all our full time employees, consist of an automobile allowance, payments for automobile maintenance and repairs, or payment of the premium for additional disability insurance.

Part-time Officers: Our chairman of the board, in consultation with certain part-time senior officers, determines the perquisites of our part-time officers. The portion of our part-time officers’ perquisites, which was previously allocated to us pursuant to the shared services agreement, is paid, effective as of January 1, 2007, by Majestic in accordance with the compensation and services agreement. Since the fee we paid to Majestic was approved by the compensation committee and the board of directors, the compensation committee does not review the perquisites of our part-time officers.

Severance and Change of Control Agreements

Neither our officers nor our employees have employment or severance agreements with us. They are “at will” employees who serve at the pleasure of our board of directors.

Except for provisions for accelerated vesting of awards of our restricted stock in a “change of control” transaction, we do not provide for any change of control protection to our officers, directors or employees. Under the terms of each restricted stock awards agreement, accelerated vesting occurs with respect to each person who has been awarded restricted stock if (i) any person, corporation or other entity purchases our stock for cash, securities or other consideration pursuant to a tender offer or an exchange offer, without the prior consent of our board, or (ii) any person, corporation or other entity shall become the “beneficial owner” (as such term is defined in Rule 13-d-3 under the Securities and Exchange Act of 1934, as amended), directly or indirectly, of our securities representing 20% or more of the combined voting power of our then outstanding securities ordinarily having the right to vote in the election of directors, other than in a transaction approved by our board of directors.

Deductibility of Executive Compensation

Section 162(m) of the Internal Revenue Code of 1986, as amended, imposes a limitation on the deductibility of certain non-cash compensation in excess of \$1 million earned by each of the chief executive officer and the four other most highly compensated officers of publicly held companies. In 2008, all compensation paid to our full-time officers was deductible by us. The compensation committee intends to preserve the deductibility of compensation payments and benefits to the extent reasonably practicable. The compensation committee has not adopted a formal policy that requires all compensation paid to the officers to be fully deductible.

Analysis

Base Salary and Bonus

In accordance with the compensation setting process described above, the following base salaries and bonuses were approved as follows for our full-time named executive officers:

Name	2007 Base Salary (\$)(1)	2008 Base Salary (\$)(1)	Percentage % Salary Increase	2007 Bonus (\$)(2)	2008 Bonus (\$)(2)	Percentage % Bonus Increase
Patrick J. Callan, Jr.	375,000	400,000	6.67	200,000	210,000	5
Lawrence G. Ricketts, Jr.	205,000	230,000	12.20	25,000	35,000	40

(1) The compensation committee and board of directors determined 2007 base salary in December 2006 and 2008 base salary in December 2007. The bonus amounts correspond to performance in 2006 and 2007, respectively.

(2) The bonuses for 2007 and 2008 were approved by the compensation committee and the board of directors as of December 2006 and 2007, respectively, and the bonus amounts correspond to performance in 2006 and 2007, respectively.

The increase in base salary for Patrick J. Callan, Jr. and Lawrence G. Ricketts, Jr., and the increase in their respective bonuses were due in part to increases in our rental income (14.3%), and funds from operations (36%) in 2007 compared to 2006. These increases were also due to an evaluation of the individual performance of each of them in 2007.

In 2008, the total compensation of Patrick J. Callan, Jr., our president and chief executive officer, is .96% greater (slightly less than 2x) than the total compensation of Lawrence G. Ricketts, Jr., our executive vice president and chief operating officer. We have not adopted a policy with regard to the relationship of compensation among our executive officers or other employees. The compensation committee has considered the differential in compensation and, based upon their respective responsibilities and experience, concluded that the differential was appropriate.

Long-term Equity Awards

We believe that our long-term equity compensation program, using restricted stock awards with five-year cliff vesting, provides motivation for our officers and is a beneficial retention tool. We are mindful of the potential dilution and compensation cost associated with awarding shares of restricted stock and, therefore our policy is to minimize

dilution. In 2008, we awarded an aggregate of 50,550 shares representing .5% of our issued and outstanding shares. In the past five years, we have awarded an aggregate of 228,275 shares of common stock, representing an average of .46% per annum of our outstanding shares of common stock. We believe the cumulative effect of the awards is not overly dilutive and has created significant incentive for our officers and employees.

After reviewing the aggregate compensation received by our full-time named executive officers, our performance in 2007, and the performance and responsibilities of each named executive officer, and taking into account our policy of minimizing stockholder dilution, in 2008 we awarded 6,000 shares of restricted stock to Patrick J. Callan, Jr., 5,000 shares of restricted stock to Lawrence G. Ricketts, Jr., and 3,000 shares of restricted stock to each of Fredric H. Gould, David W. Kalish and Matthew J. Gould.

We intend to continue to award restricted stock as we believe (i) restricted stock awards align management's interests and goals with stockholders' interests and goals and (ii) officers and employees are more desirous of participating in a restricted stock award program and, therefore, it is an excellent motivator and employee retention tool.

Equity Compensation Policies

We do not have any policy regarding ownership requirements for officers or directors. In view of the fact that all of our officers and directors own our shares of common stock (and many of our officers hold a significant number of shares of our common stock), we do not believe there is a need to adopt of a policy regarding ownership of shares of our common stock by our officers and directors.

Perquisites

The perquisites we provide to our full-time officers account for a small percentage of the compensation paid by us to these officers. We believe that such perquisites are competitive and appropriate.

Severance and Change of Control Agreements

We do not enter into employment agreements, severance agreements or change of control agreements with any of our officers or employees as we believe such agreements are not beneficial to us, and that we can provide sufficient motivation to officers by using other types of compensation.

Potential Payments upon Termination of Employment or Change of Control

Except for provisions for accelerated vesting of awards of our restricted stock in a "change of control" transaction, we do not provide for any severance, termination or change of control payment or protection to our officers, directors or employees. Accordingly, upon a change of control, the restricted stock issued to our officers, directors, employees and consultants would automatically vest. This is the only automatic compensation benefit our officers would receive in a change of control transaction. In the event that a change of control occurred as of December 31, 2008, the restricted stock held by our named executives officers would have automatically vested and the value of each such officer's restricted stock, based upon the closing price of our stock on December 31, 2008, would have been as follows:

Name	Number of Shares of Unvested Restricted Stock Held as of December 31, 2008	Value of Outstanding Shares of Unvested Restricted Stock Upon a Change of Control at December 31, 2008(\$)(1)
Patrick J. Callan, Jr.	18,000	158,400
Fredric H. Gould	15,125	133,100
David W. Kalish	15,125	133,100

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Lawrence G. Ricketts, Jr.	15,700	138,160
Matthew J. Gould	15,125	133,100

(1) The closing price on the New York Stock Exchange for a share of our common stock on December 31, 2008 was \$8.80.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary(\$)	Bonus(\$)	Stock Awards(\$) (1)	All Other Compensation (\$)(2)(3)	Total (\$)
Patrick J. Callan, Jr., President and Chief Executive Officer(4)	2008	400,000	210,000	72,041	83,383(5)	765,424
	2007	375,000	200,000	51,616	85,384(5)	712,000
	2006	350,000	175,000	27,756	61,213 (5)	613,969
Fredric H. Gould, Chairman of the Board(6)	2008	250,000	—	64,334	285,347(7)	599,681
	2007	250,000	—	56,531	475,059(7)	781,590
	2006	50,000	—	42,215	651,711(7)	743,926
David W. Kalish, Senior Vice President and Chief Financial Officer(8)	2008	—	—	64,334	160,247(9)	224,581
	2007	—	—	56,531	173,710(9)	230,241
	2006	111,742	—	42,215	281,216(9)	435,173
Lawrence G. Ricketts, Jr., Executive Vice President and Chief Operating Officer(4)	2008	230,000	35,000 25,000	62,896	62,305(10)	390,201
	2007	205,000	90,000	46,281	67,411(10)	343,692
	2006	180,000	(10)	27,193	49,587 (10)	346,780
Matthew J. Gould, Senior Vice President(11)	2008	—	—	64,334	264,497(12)	328,831
	2007	—	—	56,531	319,737(12)	376,268
	2006	—	—	42,215	414,835(12)	457,050

- (1) Represents the dollar amounts expensed for financial reporting purposes for the years ended December 31, 2008, 2007 and 2006 in accordance with Statement of Financial Accounting Standards No. 123R (“SFAS 123R”). See Note 8 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2008 for a discussion of restricted stock awards.
- (2) We maintain a tax qualified defined contribution plan for our full-time officers and employees. We make an annual contribution to the plan for our full-time officers and employees equal to 15% of such person’s annual earnings, not to exceed \$34,500 in 2008, \$33,750 in 2007 and \$33,000 in 2006. The entities which are subject to the shared services agreement maintain substantially similar defined contribution plans and make annual contributions to their respective plans for officers and employees equal to 15% of such person’s annual earnings, not to exceed \$34,500 in 2008, \$33,750 in 2007 and \$33,000 in 2006. With respect to Patrick J. Callan, Jr. and Lawrence G. Ricketts, Jr., the amount set forth in the “All Other Compensation” column includes annual contributions made on their behalf in 2008, 2007 and 2006 to the defined contribution plan. With respect to David W. Kalish, the “All Other Compensation” column for 2006 includes the amount allocated to us for the contribution, in the maximum amount, made on his behalf by one of the parties to the shared services agreement to its defined contribution plan. With respect to Fredric H. Gould and Matthew J. Gould for 2008, 2007 and 2006 and to David W. Kalish for 2008 and 2007, no amount was contributed for their benefit under our defined contribution plan and no amount was allocated to us for contributions made to the defined contribution plan of any affiliated entity. Any amounts which would have been allocated to us in 2008 or 2007 was allocated to Majestic. See Item 13, “Certain Relationships and Related Transactions, and Director Independence” below.
- (3) Majestic Property Management Corp. provided services to us in 2008, 2007 and 2006. See Item 13, “Certain Relationships and Related Transactions, and Director Independence” below. Majestic also provides services to other affiliated entities and to non-affiliated entities. We accounted for approximately 40%, 40% and 34%, respectively, of Majestic’s revenues in 2008, 2007 and 2006. Neither we nor Majestic can estimate with any

certainty the percentage of 2008, 2007 and 2006 net income of Majestic which resulted from its activities on our behalf. Accordingly, we have included in the “All Other Compensation” column for Fredric H. Gould, David W. Kalish and Matthew J. Gould 100% of the compensation each received from Majestic in 2008, 2007 and 2006, even though the amount attributable to their activities on our behalf would be less than is set forth in the “All Other Compensation” column.

(4) All compensation received by Patrick J. Callan, Jr. and Lawrence J. Ricketts, Jr. is paid solely and directly by us.

- (5) Includes \$34,500, \$33,750 and \$33,000, our contribution on behalf of Patrick J. Callan, Jr. in 2008, 2007 and 2006, respectively, to our defined contribution plan, and dividends of \$23,940, \$26,903 and \$10,463 paid to Mr. Callan in 2008, 2007 and 2006, respectively, on restricted stock awarded to him. Also includes perquisites totaling \$24,943, \$24,731 and \$17,750, of which \$19,018, \$18,806 and \$15,775 represents an automobile allowance and automobile maintenance and repairs in 2008, 2007 and 2006, respectively, and \$5,925, \$5,925 and \$1,975 represents the annual premium paid by us for additional disability insurance in each of 2008, 2007 and 2006.
- (6) We paid annual compensation of \$250,000, \$250,000 and \$50,000 directly to Fredric H. Gould in 2008, 2007 and 2006, respectively, as a fee for services as chairman of our board of directors. We did not pay, nor were we allocated, any portion of his base salary, bonus, defined contribution plan contributions or perquisites in 2008, 2007 or 2006.
- (7) Includes dividends of \$21,247, \$30,226 and \$15,289 paid to Fredric H. Gould in 2008, 2007 and 2006, respectively, on restricted stock awarded to him, and compensation of \$264,100, \$444,833 and \$636,422 paid to him in 2008, 2007 and 2006, respectively, by Majestic, which provided services to us in 2008, 2007 and 2006. See Item 13, "Certain Relationships and Related Transactions, and Director Independence" below.
- (8) We did not pay, nor were we allocated, any portion of David W. Kalish's base salary, bonus, defined contribution plan payments or perquisites in 2008 or 2007. In 2006, pursuant to the shared services agreement, a portion of the base salary, bonus, defined contribution plan contribution and perquisites for David W. Kalish was allocated to us under the shared services agreement. Pursuant to the compensation and services agreement, which became effective as of January 1, 2007, Majestic assumed our obligation to pay our portion of the compensation (other than restricted stock awards) of David W. Kalish under the shared services agreement.
- (9) Includes dividends of \$21,247, \$30,226 and \$15,289 paid to David W. Kalish in 2008, 2007 and 2006, respectively, on restricted stock awarded to him, and compensation of \$139,000, \$143,484 and \$253,080 paid to him in 2008, 2007 and 2006, respectively, by Majestic. Also includes in 2006 perquisites of \$12,847, representing an allocation pursuant to the shared services agreement of a contribution to the defined contribution plan of one of the parties to the shared services agreement, an allocation incurred for additional disability and long-term care insurance and an automobile allowance and automobile maintenance and repairs.
- (10) The 2006 bonus includes a \$50,000 bonus paid to Lawrence G. Ricketts, Jr. by two joint ventures in which we are a 50% member. Our share of the \$50,000 bonus was \$25,000. The amount set forth in the "All Other Compensation" column for Lawrence G. Ricketts, Jr. includes our contribution on Lawrence G. Ricketts, Jr.'s behalf of \$34,500, \$33,750 and \$33,000, in 2008, 2007 and 2006, respectively, to our defined contribution plan, dividends of \$20,986, \$24,265 and \$10,125 paid to Lawrence G. Ricketts, Jr. in 2008, 2007 and 2006, respectively, on restricted stock awarded to him, and perquisites of \$6,819, \$9,396 and \$6,462 in 2008, 2007 and 2006, respectively, representing an automobile allowance.
- (11) We did not pay, nor were we allocated, any portion of Matthew J. Gould's base salary, bonus, defined contribution plan payments or perquisites in 2008, 2007 or 2006.
- (12) Includes dividends of \$21,247, \$30,226 and \$15,289 paid to Matthew J. Gould in 2008, 2007 and 2006, respectively, on restricted stock awarded to him and compensation of \$243,250, \$289,511 and \$399,546 paid to him in 2008, 2007 and 2006, respectively, by Majestic. See Item 13, "Certain Relationships and Related Transactions, and Director Independence" below.

GRANT OF PLAN-BASED AWARDS DURING 2008

Name	Grant Date	Committee Action Date	Estimated Future Payouts Under Equity Incentive Plan Awards			Grant Date Fair Value of Stock and Option Awards(2)(\$)
			Threshold (#)	Target(#)(1)	Maximum (#)	
Patrick J. Callan, Jr.	2/29/08	12/10/07	—	6,000	—	105,000
Fredric H. Gould	2/29/08	12/10/07	—	3,000	—	52,500
David W. Kalish	2/29/08	12/10/07	—	3,000	—	52,500
Lawrence G. Ricketts, Jr.	2/29/08	12/10/07	—	5,000	—	87,500
Matthew J. Gould	2/29/08	12/10/07	—	3,000	—	52,500

(1) This column represents the grant in 2008 of restricted stock to each of our named executive officers. These shares of restricted stock were granted pursuant to agreements which provide for “cliff” vesting five years from the grant date.

(2) Shown is the aggregate grant date fair value computed in accordance with SFAS 123R for restricted stock awards in 2008. On the date the fair value was computed, the closing price on the New York Stock Exchange for a share of our common stock was \$17.50. By contrast, the amount shown for restricted stock awards in the Summary Compensation Table is the amount expensed by us for financial statement purposes for awards granted in 2008 and prior years to the named executive officers.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END

Name	Stock Awards			
	Number of Shares or Units of Stock That Have Not Vested (#)(1)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(2)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
Patrick J. Callan, Jr.	18,000	158,400	—	—

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Fredric H. Gould	15,125	133,100	—	—
David W. Kalish	15,125	133,100	—	—
Lawrence G. Ricketts, Jr.	15,700	138,160	—	—
Matthew J. Gould	15,125	133,100	—	—

(1) Since 2003, we have only issued shares of restricted stock under our 2003 Incentive Plan. All shares of restricted stock issued by us vest five years from the date of grant. Such awards pay dividends on a current basis.

(2) The closing price on the New York Stock Exchange on December 31, 2008 for a share of our common stock was \$8.80.

None of the named executive officers hold any stock options and none were granted to any of the named executive officers during the year.

Option Exercises and Stock Vested

None of the named executive officers had any stock options outstanding in 2008.

The following table sets forth shares of restricted common stock which vested in 2008:

Name	Stock Awards	
	Number of Shares	
	Acquired on Vesting (#)	Value Realized on Vesting (\$)
Patrick J. Callan, Jr.	750	12,585
Fredric H. Gould	2,200	36,916
David W. Kalish	2,200	36,916
Lawrence G. Ricketts, Jr.	800	13,424
Matthew J. Gould	2,200	36,916

Pension Benefits

Since the only pension benefit plan we maintain is a tax qualified defined contribution plan, a Pension Benefits Table is not provided. Contributions to the defined contribution plan for Patrick J. Callan, Jr. and Lawrence G. Ricketts, Jr. is included in the Summary Compensation Table. In 2008 and 2007, we neither paid nor were allocated any contribution to a defined contribution plan for the benefit of Fredric H. Gould, David W. Kalish or Matthew J. Gould.

We have adopted a tax qualified defined contribution pension plan covering all our full-time employees. The plan is administered by Fredric H. Gould, Simeon Brinberg and David W. Kalish (Simeon Brinberg and David W. Kalish are non-director officers). Annual contributions are based on 15% of an employee's annual earnings (including any cash bonus), not to exceed, pursuant to IRS limitations, \$34,500 per employee in 2008. Partial vesting commences two years after employment, increasing annually until full vesting is achieved at the completion of six years of employment. The method of payment of benefits to participants upon retirement is determined solely by the participant, who may elect a lump sum payment or the purchase of an annuity, the amount of which is based on the amount of contributions and the results of the plan's investments. For the year ended December 31, 2008, \$34,500 was contributed for the benefit of Patrick J. Callan, Jr., with three years of credited service and \$34,500 was contributed for the benefit of Lawrence G. Ricketts, Jr. with ten years of credited service. The aggregate amount accumulated to date for Patrick J. Callan, Jr. and Lawrence G. Ricketts, Jr. is approximately \$89,000 and \$186,000, respectively.

Non-Qualified Deferred Compensation

We do not provide any non-qualified deferred compensation to our executive officers. For a description of any potential payments upon termination or change-in-control, see "Compensation Discussion and Analysis Analysis Potential Payments upon Termination of Employment or Change of Control," above.

Director Compensation—2008

Name(1)	Fees Earned	Stock Awards	All Other Compensation	Total (\$)
	or Paid in Cash (\$)(2)			
Joseph A. Amato	26,000	23,284(5)	7,690	56,974

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Charles Biederman	39,000	32,316(6)	10,290	81,606
James J. Burns	45,500	32,316(6)	10,290	88,106
Joseph A. DeLuca	34,000	30,347(7)	9,750	74,097
Jeffrey A. Gould	—	64,334(8)	21,247	85,581
J. Robert Lovejoy	27,500	21,315(9)	7,150	55,965
Eugene I. Zuriff	36,500	13,903(10)	4,550	54,953

- (1) The compensation received by Fredric H. Gould, chairman of the board, Patrick J. Callan, Jr., president, and Matthew J. Gould, senior vice president, directors of our company, is set forth in the Summary Compensation Table and are not included in the above table.
- (2) Includes all fees earned or paid in cash for services as a director, including annual retainer fees, committee and committee chairman fees and meeting fees.
- (3) Sets forth the amount expensed for financial statement reporting purposes for 2008 in accordance with SFAS 123R.

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The table below shows the aggregate number of unvested restricted shares held by the directors listed in the above table as of December 31, 2008, all of which vest five years from the grant date.

NAME	RESTRICTED SHARES
Joseph A. Amato	5,500
Charles Biederman	7,500
James J. Burns	7,500
Joseph A. DeLuca	7,500
Jeffrey A. Gould	15,125
J. Robert Lovejoy	5,500
Eugene I. Zuriff	3,500

- (4) Sets forth the cash dividends paid to directors in 2008 on unvested restricted shares awarded under the One Liberty Properties, Inc. 2003 Incentive Plan. Does not include compensation of \$243,250 received in 2008 by Jeffrey A. Gould from Majestic Property Management Corp., an entity wholly owned by Fredric H. Gould, which performs services on our behalf. See Item 13, "Certain Relationships and Related Transactions, and Director Independence," below.
- (5) On April 15, 2004, we awarded 1,000 shares of restricted stock, with a grant date fair value of \$19,750. On April 15, 2005, we awarded 1,000 shares of restricted stock, with a grant date fair value of \$19,050. On February 24, 2006, we awarded 1,000 shares of restricted stock, with a grant date fair value of \$20,660. On February 28, 2007, we awarded 1,250 shares of restricted stock, with a grant date fair value of \$30,625. On February 28, 2008, we awarded 1,250 shares of restricted stock, with a grant date fair value of \$21,875. Each share of restricted stock vests five years after the date of grant.
- (6) On April 15, 2004, we awarded 1,000 shares of restricted stock, with a grant date fair value of \$19,750. On April 15, 2005, we awarded 1,000 shares of restricted stock, with a grant date fair value of \$19,050. On February 24, 2006, we awarded 2,000 shares of restricted stock, with a grant date fair value of \$41,320. On February 28, 2007, we awarded 2,250 shares of restricted stock, with a grant date fair value of \$55,125. On February 28, 2008, we awarded 1,250 shares of restricted stock, with a grant date fair value of \$21,875. Each share of restricted stock vests five years after the date of grant.
- (7) On June 14, 2004, we awarded 1,000 shares of restricted stock, with a grant date fair value of \$18,010. On April 15, 2005, we awarded 1,000 shares of restricted stock, with a grant date fair value of \$19,050. On February 24, 2006, we awarded 2,000 shares of restricted stock, with a grant date fair value of \$41,320. On February 28, 2007, we awarded 2,250 shares of restricted stock, with a grant date fair value of \$55,125. On February 28, 2008, we awarded 1,250 shares of restricted stock, with a grant date fair value of \$21,875. Each share of restricted stock vests five years after the date of grant.
- (8) All of the directors in this table are non-management directors, except for Jeffrey A. Gould. Jeffrey A. Gould was and continues to be an officer of the Company. The award of shares to him was in his capacity as an officer and not in his capacity as a director. On April 15, 2004, we awarded 2,825 shares of restricted stock, with a grant date fair value of \$55,794. On April 15, 2005, we awarded 3,300 shares of restricted stock, with a grant date fair value of \$62,865. On February 24, 2006, we awarded 3,000 shares of restricted stock, with a grant date fair value of \$61,980. On February 28, 2007, we awarded 3,000 shares of restricted stock, with a grant date fair value of \$73,500. On February 28, 2008, we awarded 3,000 shares of restricted stock, with a grant date fair value of \$52,500. Each share of restricted stock vests five years after the date of grant.

(9) On June 14, 2004, we awarded 1,000 shares of restricted stock, with a grant date fair value of \$18,010. On April 15, 2005, we awarded 1,000 shares of restricted stock, with a grant date fair value of \$19,050. On February 24, 2006, we awarded 1,000 shares of restricted stock, with a grant date fair value of \$20,660. On February 28, 2007, we awarded 1,250 shares of restricted stock, with a grant date fair value of \$30,625. On February 28, 2008, we awarded 1,250 shares of restricted stock, with a grant date fair value of \$21,875. Each share of restricted stock vests five years after the date of grant.

(10) On February 24, 2006, we awarded 1,000 shares of restricted stock, with a grant date fair value of \$20,660. On February 28, 2007, we awarded 1,250 shares of restricted stock, with a grant date fair value of \$30,625. On February 28, 2008, we awarded 1,250 shares of restricted stock, with a grant date fair value of \$21,875. Each share of restricted stock vests five years after the date of grant.

The compensation for our non-management directors is essentially the same for each non-management director. Non-management members of our board of directors are paid an annual retainer of \$20,000. In addition to regular board fees, each member of the audit committee is paid an annual retainer of \$5,000, the chairman of the audit committee and the chairman of the compensation committee is each paid an additional annual retainer of \$2,000, the audit committee financial expert is paid an additional annual retainer of \$7,500, each member of the compensation committee is paid an annual retainer of \$3,000 and each member of the nominating and corporate governance committee is paid an annual retainer of \$3,000. Each non-management director is also paid \$1,000 for each board and committee meeting attended in person and \$500 for each meeting attended by telephone conference, except for audit committee members who are paid \$1,000 for each audit committee meeting attended, whether in person or by telephone conference. In each year the compensation committee has awarded restricted shares to each director. In 2008 1,250 restricted shares were awarded to each.

Compensation of our non-management directors is reviewed by our compensation committee and recommended by the committee to the board of directors, which makes the final determination. On two occasions the compensation committee retained a compensation consultant to provide information with respect to board of directors' compensation pay practices, comparing the compensation of our directors to comparable companies. In November 2008, the committee retained FPL Associates LP to provide compensation information with respect to our board of directors. In December 2008, the compensation consultant reported the following key findings to our compensation committee:

- our board compensation program generally ranks with market practices compared to the peer group companies. The compensation consultant did not recommend materially changing compensation levels of the director compensation components, particularly given our smaller size compared to our peers; and
- from a structural perspective our program is unique in that we pay committee members retainers, which is not a prevalent practice among peer companies, and we do not emphasize committee chair retainers (except audit committee), which is a prevalent practice among peer companies.

In comparing the compensation of our directors to practices at comparable firms, the compensation consultant used the full-time peer group it used in the executive compensation benchmarking discussed under the caption "Executive Compensation – Compensation Consultant."

Jeffrey A. Gould, a management director and an executive officer, was awarded 3,000 shares of restricted common stock under our Incentive Plan in 2008. With respect to the compensation of Patrick J. Callan, Jr., our president and chief executive officer and a management director, Fredric H. Gould, chairman of our board and a management director, and Matthew J. Gould, a senior vice president and management director reference is made to "Executive Compensation – Summary Compensation Table."

Compensation Committee Interlocks and Insider Participation

During 2008, Eugene I. Zuriff, J. Robert Lovejoy and Charles Biederman served on our compensation committee. None of these committee members were officers or employees of our company during 2008, or at any other time in the past. While serving on the committee, these members were independent directors pursuant to applicable NYSE rules, and none had any relationship requiring disclosure by the Company under any paragraph of Item 404 (Transaction with Related Persons, Promoters and Certain Control Persons).

Report of the Compensation Committee

The compensation committee of the board of directors has reviewed the Compensation Discussion and Analysis, set forth herein, and discussed it with management, and based on such review and discussions, recommends to the board of directors that the Compensation Discussion and Analysis be included in this Annual Report.

Compensation Committee:

Eugene I. Zuriff (chair)
J. Robert Lovejoy
Charles Biederman

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table sets forth information as of March 24, 2009 concerning shares of our common stock owned by (i) all persons known to own beneficially 5% or more of our outstanding stock, (ii) all directors, (iii) each executive officer named in the Summary Compensation Table, and (iv) all directors and executive officers as a group.

Name and Address	Amount of Beneficial Ownership(1)	Percent of Class
Joseph A. Amato 615 Route 32 Highland Mills, NY 10930-0503	7,161	*
Charles Biederman 5 Sunset Drive Englewood, CO 80110	17,399	*
James J. Burns 390 Dogwood Lane Manhasset, NY 10030	10,476	*
Patrick J. Callan, Jr.(2)	19,750	*
Joseph A. DeLuca 154 East Shore Road Huntington Bay, NY 11743	9,300	*

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Fredric H. Gould(2)(3)(4)	1,510,912	14.8%
Jeffrey A. Gould(2)(5)	170,853	1.7%
Matthew J. Gould(2)(3)(6)	1,264,822	12.4%
Gould Investors L.P.(2)(3)	1,031,806	10.1%
David W. Kalish(2)(7)	203,623	2.0%
J. Robert Lovejoy(8) 640 Fifth Avenue New York, NY 10019	6,523	*
Lawrence G. Ricketts, Jr.(2)	25,500	*
Eugene I. Zuriff 145 Central Park West New York, NY 10023	3,500	*
Barclays Global Investors, N.A.(9) 400 Howard Street San Francisco, CA 94105	869,795	8.5%
Directors and officers as a group (18 individuals)(10)	2,321,674	22.8%

* Less than 1%

(1) Securities are listed as beneficially owned by a person who directly or indirectly holds or shares the power to vote or to dispose of the securities, whether or not the person has an economic interest in the securities. In addition, a person is deemed a beneficial owner if he has the right to acquire beneficial ownership of shares within 60 days, whether upon the exercise of a stock option or otherwise. The percentage of beneficial ownership is based on 10,175,345 shares of common stock outstanding on March 24, 2009.

(2) Address is 60 Cutter Mill Road, Great Neck, NY 11021.

(3) Fredric H. Gould is sole stockholder, sole director and chairman of the board of the corporate managing general partner of Gould Investors L.P. and sole member of a limited liability company which is the other general partner of Gould Investors L.P. Matthew J. Gould is president of the corporate managing general partner of Gould Investors L.P. Fredric H. Gould and Matthew J. Gould have shared voting and dispositive power with respect to the shares owned by Gould Investors L.P.

(4) Includes 333,393 shares of common stock owned directly, 1,031,806 shares of common stock owned by Gould Investors L.P. and 145,713 shares of common stock owned by entities and trusts over which Fredric H. Gould has sole or shared voting and dispositive power. Does not include 49,566 shares of common stock owned by Mrs. Fredric H. Gould, as to which shares Fredric H. Gould disclaims any beneficial interest and Mrs. Gould has sole voting and investment power.

(5) Includes 160,153 shares of common stock owned directly and 10,700 shares of common stock owned as custodian for minor children (as to which shares Jeffrey A. Gould disclaims any beneficial interest).

- (6) Includes 198,282 shares of common stock owned directly, 34,734 shares of common stock owned as custodian for minor children (as to which shares Matthew J. Gould disclaims any beneficial interest) and 1,031,806 shares of common stock owned by Gould Investors L.P. Does not include 3,552 shares of common stock owned by Mrs. Matthew J. Gould, as to which shares Matthew J. Gould disclaims any beneficial interest and Mrs. Gould has sole voting and investment power.
- (7) Includes 50,568 shares of common stock owned directly, 2,750 shares of common stock owned by David W. Kalish's IRA and profit sharing trust, of which David W. Kalish is the sole beneficiary, and 150,305 shares of common stock owned by pension trusts over which David W. Kalish has shared voting and dispositive power. Does not include 416 shares of common stock owned by Mrs. Kalish, as to which shares David W. Kalish disclaims any beneficial interest and Mrs. Kalish has sole voting and investment power.

(8) Includes 6,223 shares of common stock owned directly and 300 shares of common stock owned as custodian for minor children and another child (as to which shares J. Robert Lovejoy disclaims any beneficial interest).

(9) Barclays Global Investors, N.A., Barclays Global Fund Advisors, Barclays Global Investors, Ltd., Barclays Global Investors Japan Limited, Barclays Global Investors Canada Limited, Barclays Global Investors Australia Limited and Barclays Global Investors (Deutschland) AG jointly filed with the Securities and Exchange Commission a Schedule 13G, dated February 6, 2009, reflecting the beneficial ownership of 869,795 shares of common stock with respect to which they have sole power to vote 869,785 shares and sole power to dispose of 869,795 shares. The above information has been obtained from such Schedule 13G.

(10) This total is qualified by notes (3) through (8).

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Introduction

Fredric H. Gould, chairman of our board of directors, is chairman of the board of trustees of BRT Realty Trust, a REIT engaged in mortgage lending. He is also the chairman of the board of directors and sole stockholder of the managing general partner of Gould Investors L.P. and sole member of a limited liability company which is also a general partner of Gould Investors L.P. Gould Investors L.P. owns approximately 10% of our outstanding shares of common stock. Matthew J. Gould, a director and senior vice president of our company, is a senior vice president of BRT Realty Trust and president of the managing general partner of Gould Investors L.P. Jeffrey A. Gould, a director and senior vice president of our company, is president and chief executive officer of BRT Realty Trust and a senior vice president of the managing general partner of Gould Investors L.P. Matthew J. Gould and Jeffrey A. Gould are brothers and the sons of Fredric H. Gould. In addition, David W. Kalish, Mark H. Lundy, Simeon Brinberg and Israel Rosenzweig, each of whom is an officer of our company, are officers of BRT Realty Trust and of the managing general partner of Gould Investors L.P. Mark H. Lundy is Simeon Brinberg's son-in-law.

Related Party Transactions

In 2006, in connection with a review of our allocation policy and procedures under a shared services agreement and our related party transactions with affiliated entities, our audit committee recommended to the compensation committee and our board of directors a change in the manner in which compensation is paid to our part-time officers and employees. The audit committee proposed and, after discussions with our part-time officers, our audit committee, compensation committee and board of directors authorized and approved a compensation and services agreement between us and Majestic, which became effective as of January 1, 2007. Pursuant to the compensation and services agreement, we agreed to pay an annual fee to Majestic and annual compensation to the chairman of our board, and Majestic agreed to assume all of our obligations under a shared services agreement, and to provide to us the services of all affiliated executive, administrative, legal, accounting and clerical personnel that we had previously utilized on a part-time basis, as well as property management services, property acquisition, sales and lease consulting and brokerage services, consulting services in respect to mortgage financings and construction supervisory services. In accordance with the compensation and services agreement, we paid a fee of \$2,025,000 to Majestic in 2008 for our obligations under the shared services agreement and the provision of the referenced services, of which \$12,000 was paid by one of our joint ventures (\$6,000 of this payment being attributable to us as a joint venture partner). In addition, in accordance with the compensation and services agreement, in 2008 we paid our chairman compensation of \$250,000 and paid Majestic an additional \$175,000 for our share of direct office expenses, including rent, telephone, computer services, internet usage. Majestic is wholly owned by the chairman of our board, and certain of our part-time officers, including our part-time named executive officers, are officers of, and receive compensation from, Majestic. The annual payments made by us to Majestic pursuant to the compensation and services agreement are reviewed and renegotiated by our audit committee with our part-time officers annually and at other times as may be

determined by our audit committee. Any payments to Majestic are approved by our compensation committee and board of directors.

Of the amount paid by us and our joint venture in 2008 under the compensation and services agreement, \$175,000 represented a negotiated payment of our share of direct office expenses, including rent, telephone, postage, computer services, internet usage. Our full-time and part-time officers and employees occupy space in an office building owned by a subsidiary of Gould Investors L.P. The rent expense for this space is included in the \$175,000 expenditure. We also lease under a direct lease with the subsidiary of Gould Investors L.P. approximately 1,200 square feet of additional space in the same office building at an annual rent of \$43,000, which is competitive rent for comparable office space in the area in which the building is located.

The amount paid by us and our joint venture to Majestic in 2008 pursuant to the compensation and services agreement represented approximately 40% of the revenues of Majestic in 2008. Majestic provides property management services, property acquisition, sales and lease consulting and brokerage services, consulting services in respect to mortgage financings, and construction supervisory services for affiliated and non-affiliated entities. In 2008, the following officers of ours (some of whom are also officers of Majestic) received the following compensation from Majestic: Fredric H. Gould, \$264,100; Matthew J. Gould, \$243,250; David W. Kalish, \$139,000; Jeffrey A. Gould, \$243,250; Simeon Brinberg, \$69,500; Mark H. Lundy, \$194,600 and Israel Rosenzweig, \$180,700. A portion of the compensation received by these individuals from Majestic results from services performed and fees earned by Majestic from entities (both affiliated and non-affiliated) other than us. Messrs. Fredric H. Gould, Matthew J. Gould, David W. Kalish, Jeffrey A. Gould, Simeon Brinberg, Mark H. Lundy and Israel Rosenzweig also received compensation in 2008 from other entities wholly owned by Mr. Fredric H. Gould, all of which are parties to the shared services agreement and none of which provided services to us in 2008.

Effective January 1, 2007, we, Gould Investors L.P., BRT Realty Trust and Mr. Fredric H. Gould (personally) purchased from Citation Share Sales, Inc., a fractional 6.25% interest in an airplane. We purchased our fractional interest in order to facilitate property site inspections by our officers. We purchased 20% of the 6.25% of interest for \$86,000 (depreciable over five years), representing our pro rata share of the total purchase price and agreed to pay our pro rata share of the operating costs, which totaled \$45,000 in 2008. The management agreement for the airplane with Citation Share Sales, Inc. is for a period of five years and provides for the monthly operating costs to be adjusted annually, based upon a fixed schedule set forth in the agreement. Georgetown Partners, Inc., managing general partner of Gould Investors L.P., acting as nominee for the purchasers, executed the purchase agreement and "management agreement." We are allotted our pro rata share of 250 hours of usage under the purchase agreement for the five years of the agreement. The airplane (or any substitute airplane used pursuant to the terms of the agreement) is used by us for business purposes only. All payments made by us in this transaction are made directly to the seller of the aircraft and the manager, both unrelated parties. At the conclusion of each year, the parties which purchased the fractional interest and pay a pro rata share of operating expenses "true up" operating expenses in the event any participant uses hours in excess of those allotted to it. In fiscal 2008, we incurred net maintenance charges of \$32,000 (after reimbursement to us of \$13,000 after completion of the "true up" process) and expensed depreciation of \$17,000 with respect to the fractional interest. The purchasers of the 6.25% fractional interest, as a group, have the right to reconvey the interest to a seller at any time, twelve months subsequent to the date that title to the aircraft is acquired, at a price equal to the fair market value of the interest, determined by negotiation, and, if the parties cannot agree on a price, then independent third party appraisals are to be performed.

Policies and Procedures

Any transaction with affiliated entities raises the potential that we may not receive terms as favorable as those that we would receive if the transactions were entered into with unaffiliated entities or that our officers might otherwise seek benefits for affiliated entities at our expense. Our amended and restated code of business conduct and ethics, in the “Conflicts of Interest” section, provides that we may enter into a contract or transaction with an affiliated entity provided that any such transaction is approved by our audit committee which is satisfied that the fees, charges and other payments made to the affiliated entities are at no greater cost or expense to us than would be incurred if we were to obtain substantially the same services from unrelated and unaffiliated persons. The term “affiliated entities” is defined in the code as all parties to the shared services agreement and other entities in which officers and directors have an interest.

If a related party transaction is entered into, our audit committee is advised of such transaction and reviews the facts of the transaction and either approves or disapproves the transaction. If a transaction relates to a member of our audit committee, such member will not participate in the audit committee’s deliberations. If our audit committee approves or ratifies, as the case may be, a related party transaction, it will present the facts of the transaction to our board of directors and recommend that our board of directors approve or ratify such related party transaction. Our board of directors then reviews the transaction and a majority of our board of directors, including a majority of our independent directors, must approve/ratify or disapprove such related party transaction. If a transaction relates to a member of our board of directors, such member will not participate in the board’s deliberations.

Director Independence

The board has affirmatively determined that Joseph A. Amato, Charles Biederman, James J. Burns, Joseph A. DeLuca, J. Robert Lovejoy and Eugene I. Zuriff, a majority of our board of directors, are “independent” for the purposes of Section 303A of the Listed Company Manual of the New York Stock Exchange; that the members of our audit committee are independent for the purposes of Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended, and Section 303.01 of the Listed Company Manual; and that the members of our compensation and our nominating and corporate governance committees are independent under Section 303A of the Listed Company Manual.

The board based these determinations primarily on a review of the responses of the directors to questions regarding employment and compensation history, affiliations, family and other relationships and discussions with the directors. To be considered independent a director must not have a material relationship with us that could interfere with a director’s independent judgment and must be “independent” within the meaning of the New York Stock Exchange’s requirements. In determining the independence of each of the foregoing, the board considered (i) a passive investment by Gould Investors L.P., an affiliate of the company, in a real estate project sponsored and managed by an entity affiliated with Mr. Biederman, which investment was liquidated in February 2006; (ii) Mr. DeLuca’s rental of an office in a suite of offices from an affiliate of the company for \$800 per month, on a month to month basis, which rental was terminated in April 2006, and (iii) fees totaling \$1,382,400 paid in 2007 to a merchant banking firm in which Mr. Lovejoy is a managing director by BRT Realty Trust, an entity which may be deemed an affiliate of ours, for investment banking services which such firm performed for BRT Realty Trust.

Item 14. Principal Accounting Fees and Services.

The following table presents the fees for professional audit services billed by Ernst & Young LLP for the audit of our annual consolidated financial statements for the years ended December 31, 2008 and 2007, and fees billed for other services rendered to us by Ernst & Young LLP for each of such years:

	Fiscal 2008	Fiscal 2007
Audit fees(1)	\$ 373,100	\$ 330,000
Audit-related fees(2)	-----	58,200
Tax fees(3)	14,400	8,600
Total fees	\$ 387,500	\$ 396,800

(1) Audit fees include fees for the audit of our annual consolidated financial statements and for review of financial statements included in our quarterly reports on Form 10-Q. Included in the audit fees for Fiscal 2008 and 2007 are \$94,500 and \$105,000, respectively, for services rendered in connection with our compliance with Section 404 of the Sarbanes-Oxley Act of 2002.

(2) Audit-related fees include fees for audits performed for significant property acquisitions and dispositions required by the rules and regulations of the Securities and Exchange Commission and fees related to services rendered in connection with registration statements filed with the Securities and Exchange Commission.

(3) Tax fees consist of fees for tax advice, tax compliance and tax planning.

The audit committee has concluded that the provision of non-audit services listed above is compatible with maintaining the independence of Ernst & Young LLP.

Pre-Approval Policy for Audit and Non-Audit Services

The audit committee must pre-approve all audit and non-audit services involving our independent registered public accounting firm.

In addition to the audit work necessary for us to file required reports under the Securities Exchange Act of 1934, as amended (i.e., quarterly reports on Form 10-Q and annual reports on Form 10-K), our independent registered public accounting firm may perform non-audit services, other than those prohibited by the Sarbanes-Oxley Act of 2002, provided they are approved by the audit committee. The audit committee approved all audit and non-audit services performed by our independent registered public accounting firm in 2008 and 2007.

Approval Process

Annually, the audit committee reviews and approves the audit scope concerning the audit of our consolidated financial statements for that year, including the proposed audit fee associated with the audit and services in connection with our compliance with Section 404 of the Sarbanes-Oxley Act of 2002. The audit committee may, at the time it approves the audit scope or subsequently thereafter, approve the provision of tax related non-audit services and the maximum expenditure which may be incurred for such tax services for such year. Any fees for the audit in excess of those approved and any fees for tax related services in excess of the maximum established by the audit committee must receive the approval of the audit committee.

Proposals for any other non-audit services to be performed by the independent registered public accounting firm must be approved by the audit committee.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) Documents filed as part of this Report:

(1) The following financial statements of the Company are included in this Report on Form 10-K:

- Report of Independent Registered Public Accounting Firm F-1 and F-2
- Statements:
 - Consolidated Balance Sheets F-3
 - Consolidated Statements of Income F-4
 - Consolidated Statements of Stockholders' Equity F-5
 - Consolidated Statements of Cash Flows F-6 through F-7
 - Notes to Consolidated Financial Statements F-8 through F-29

(2) Financial Statement Schedules:

- Schedule III-Real Estate and Accumulated Depreciation F-30 through F-32

(3) Exhibits:

Exhibits unaffected by this Amendment No. 1 have been omitted.

23.1	Consent of Ernst & Young LLP*
31.1	Certification of President and Chief Executive Officer*
31.2	Certification of Senior Vice President and Chief Financial Officer*
32.1	Certification of President and Chief Executive Officer*
32.2	Certification of Senior Vice President and Chief Financial Officer*

* Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Exchange, the Registrant has duly caused this report to be signed on its behalf of the undersigned, thereunto duly authorized.

March 31, 2009

ONE LIBERTY PROPERTIES, INC.

By: /s/ Simeon Brinberg
Simeon Brinberg
Senior Vice President

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of
One Liberty Properties, Inc. and Subsidiaries

We have audited One Liberty Properties, Inc. and Subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of One Liberty Properties, Inc. and Subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2008 of the Company and our report dated March 10, 2009 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
New York, New York
March 10, 2009

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
One Liberty Properties, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of One Liberty Properties, Inc. and Subsidiaries (the "Company") as of December 31, 2008 and 2007, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2008. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of One Liberty Properties, Inc. and Subsidiaries at December 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), One Liberty Properties, Inc. and Subsidiaries' internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 10, 2009 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

New York, New York
March 10, 2009

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ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(Amounts in Thousands, Except Per Share Data)

ASSETS

	December 31,	
	2008	2007
Real estate investments, at cost		
Land	\$ 95,545	\$ 72,386
Buildings and improvements	336,609	307,884
	432,154	380,270
Less accumulated depreciation	44,698	36,228
	387,456	344,042
Investment in unconsolidated joint ventures	5,857	6,570
Cash and cash equivalents	10,947	25,737
Restricted cash	-	7,742
Unbilled rent receivable	10,916	9,893
Unamortized intangible lease assets	8,481	4,935
Escrow, deposits and other receivables	1,569	2,465
Investment in BRT Realty Trust at market (related party)	111	459
Unamortized deferred financing costs	2,856	3,119
Other assets (including available-for-sale securities at market of \$297 and \$1,024)	912	1,672
	\$ 429,105	\$ 406,634

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities:		
Mortgages and loan payable	\$ 225,514	\$ 222,035
Line of credit	27,000	-
Dividends payable	2,239	3,638
Accrued expenses and other liabilities	5,143	4,252
Unamortized intangible lease liabilities	5,234	5,470
Total liabilities	265,130	235,395
Commitments and contingencies	-	-
Stockholders' equity:		
Preferred stock, \$1 par value; 12,500 shares authorized; none issued	-	-
Common stock, \$1 par value; 25,000 shares authorized; 9,962 and 9,906 shares issued and outstanding	9,962	9,906
Paid-in capital	138,688	137,076
Accumulated other comprehensive (loss) income – net unrealized (loss) gain on available-for-sale securities	(239)	344
Accumulated undistributed net income	15,564	23,913
Total stockholders' equity	163,975	171,239
Total liabilities and stockholders' equity	\$ 429,105	\$ 406,634

See accompanying notes.

ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES

Consolidated Statements of Income

(Amounts in Thousands, Except Per Share Data)

	Year Ended December 31,		
	2008	2007	2006
Revenues:			
Rental income	\$ 40,341	\$ 38,149	\$ 33,370
Operating expenses:			
Depreciation and amortization	8,971	8,248	6,995
General and administrative (including \$2,188, \$2,290 and \$1,317, respectively, to related parties)	6,508	6,430	5,250
Impairment charge	5,983	-	-
Federal excise tax	-	91	490
Real estate expenses	685	293	270
Leasehold rent	308	308	308
Total operating expenses	22,455	15,370	13,313
Operating income	17,886	22,779	20,057
Other income and expenses:			
Equity in earnings (loss) of unconsolidated joint ventures	622	648	(3,276)
Gain on dispositions of real estate - unconsolidated joint ventures	297	583	26,908
Interest and other income	533	1,776	899
Interest:			
Expense	(15,645)	(14,931)	(12,524)
Amortization of deferred financing costs	(631)	(638)	(595)
Gain on sale of excess unimproved land and other gains	1,830	-	413
Income from continuing operations	4,892	10,217	31,882
Discontinued operations:			
Income from operations	-	373	883
Net gain on sale	-	-	3,660
Income from discontinued operations	-	373	4,543
Net income	\$ 4,892	\$ 10,590	\$ 36,425
Weighted average number of common shares outstanding:			
Basic	10,183	10,069	9,931
Diluted	10,183	10,069	9,934
Net income per common share – basic and diluted:			
Income from continuing operations	\$.48	\$ 1.01	\$ 3.21
Income from discontinued operations	-	.04	.46
Net income per common share	\$.48	\$ 1.05	\$ 3.67
Cash distributions per share of common stock	\$ 1.30	\$ 2.11	\$ 1.35

See accompanying notes.

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ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity
For the Three Years Ended December 31, 2008
(Amounts in Thousands, Except Per Share Data)

	Common Stock	Paid-in Capital	Accumulated Other Comprehen- sive Income (Loss)	Unearned Compen- sation	Accumulated Undistributed Net Income	Total
Balances, December 31, 2005	\$ 9,770	\$ 134,645	\$ 818	\$ (1,250)	\$ 11,536	\$ 155,519
Reclassification upon the adoption of FASB No. 123 (R)	-	(1,250)	-	1,250	-	-
Distributions – common stock (\$1.35 per share)	-	-	-	-	(13,420)	(13,420)
Exercise of options	9	101	-	-	-	110
Shares issued through dividend reinvestment plan	44	815	-	-	-	859
Compensation expense – restricted stock	-	515	-	-	-	515
Net income	-	-	-	-	36,425	36,425
Other comprehensive income – net unrealized gain on available-for-sale securities	-	-	117	-	-	117
Comprehensive income						36,542
Balances, December 31, 2006	9,823	134,826	935	-	34,541	180,125
Distributions – common stock (\$2.11 per share)	-	-	-	-	(21,218)	(21,218)
Repurchase of common stock	(159)	(3,053)	-	-	-	(3,212)
Shares issued through dividend reinvestment plan	237	4,482	-	-	-	4,719
Restricted stock vesting	5	(5)	-	-	-	-
Compensation expense – restricted stock	-	826	-	-	-	826
Net income	-	-	-	-	10,590	10,590

Other comprehensive income-							
net unrealized loss on available-for-sale securities	-	-	(591)	-	-	-	(591)
Comprehensive income							9,999
Balances, December 31, 2007	9,906	137,076	344	-	23,913		171,239
Distributions – common stock (\$1.30 per share)	-	-	-	-	(13,241)		(13,241)
Repurchase of common stock	(125)	(1,702)	-	-	-		(1,827)
Shares issued through dividend reinvestment plan	158	2,449	-	-	-		2,607
Restricted stock vesting	23	(23)	-	-	-		-
Compensation expense – restricted stock	-	888	-	-	-		888
Net income	-	-	-	-	4,892		4,892
Other comprehensive income-							
net unrealized loss on available-for-sale securities	-	-	(583)	-	-	-	(583)
Comprehensive income	-	-	-	-	-		4,309
Balances, December 31, 2008	\$ 9,962	\$ 138,688	\$ (239)	\$ -	\$ 15,564		\$ 163,975

See accompanying notes.

ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(Amounts in Thousands)

	Year Ended December 31,		
	2008	2007	2006
Cash flows from operating activities:			
Net income	\$ 4,892	\$ 10,590	\$ 36,425
Adjustments to reconcile net income to net cash provided by operating activities:			
Gain on sale of excess unimproved land, real estate and other	(1,830)	(122)	(4,181)
Increase in rental income from straight-lining of rent	(1,023)	(1,674)	(1,763)
Increase in rental income from amortization of intangibles relating to leases	(371)	(250)	(187)
Impairment charge	5,983	-	-
Amortization of restricted stock expense	888	826	515
Change in fair value of non-qualifying interest rate swap	650	-	-
Gain on dispositions of real estate related to unconsolidated joint ventures	(297)	(583)	(26,908)
Equity in (earnings) loss of unconsolidated joint ventures	(622)	(648)	3,276
Distributions of earnings from unconsolidated joint ventures	535	1,089	24,165
Depreciation and amortization	8,971	8,248	7,091
Amortization of financing costs	631	638	600
Changes in assets and liabilities:			
Decrease (increase) in escrow, deposits and other receivables	937	(92)	(945)
Increase (decrease) in accrued expenses and other liabilities	93	(138)	839
Net cash provided by operating activities	19,437	17,884	38,927
Cash flows from investing activities:			
Purchase of real estate and improvements	(60,009)	(423)	(79,636)
Net proceeds from sale of excess unimproved land, real estate and other	2,976	4	16,228
Investment in unconsolidated joint ventures	(379)	(8)	(1,553)
Distributions of return of capital from unconsolidated joint ventures	1,435	551	21,264
Net proceeds from sale of securities	525	843	348
Purchase of available-for-sale securities	-	(551)	(1,364)
Net cash (used in) provided by investing activities	(55,452)	416	(44,713)
Cash flows from financing activities:			
Borrowing on bank line of credit, net	27,000	-	-
Proceeds from mortgage financings	14,185	2,700	37,564
Payment of financing costs	(366)	(695)	(916)
Repayment of mortgages and loan payable	(13,476)	(8,588)	(4,070)
Change in restricted cash	7,742	(333)	(7,409)
Cash distributions - common stock	(14,640)	(21,167)	(13,088)
Exercise of stock options	-	-	110
Repurchase of common stock	(1,827)	(3,212)	-
Issuance of shares through dividend reinvestment plan	2,607	4,719	859
Net cash provided by (used in) financing activities	21,225	(26,576)	13,050
Net (decrease) increase in cash and cash equivalents	(14,790)	(8,276)	7,264

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Cash and cash equivalents at beginning of year	25,737	34,013	26,749
Cash and cash equivalents at end of year	\$ 10,947	\$ 25,737	\$ 34,013

Continued on next page.

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ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES
 Consolidated Statements of Cash Flows (Continued)
 (Amounts in Thousands)

	Year Ended December 31,		
	2008	2007	2006
Supplemental disclosures of cash flow information:			
Cash paid during the year for interest expense	\$ 14,908	\$ 14,812	\$ 12,576
Cash paid during the year for income taxes	81	35	16
Supplemental schedule of non-cash investing and financing activities:			
Assumption of mortgages payable in connection with purchase of real estate	\$ 2,771	\$ -	\$ 26,957
Purchase accounting allocations – intangible lease assets	4,362	-	2,210
Purchase accounting allocations – intangible lease liabilities	(451)	-	(5,556)
Purchase accounting allocations – mortgage payable discount	(40)	-	-
Reclassification of 2005 deposit in connection with purchase of real estate	-	-	2,525

See accompanying notes.

ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2008

NOTE 1 - ORGANIZATION AND BACKGROUND

One Liberty Properties, Inc. ("OLP") was incorporated in 1982 in the state of Maryland. OLP is a self-administered and self-managed real estate investment trust ("REIT"). OLP acquires, owns and manages a geographically diversified portfolio of retail (including furniture and office supply stores), industrial, office, flex, health and fitness and other properties, a substantial portion of which are under long-term net leases. As of December 31, 2008, OLP owned 79 properties, three of which are vacant, and one of which is a 50% tenancy in common interest. OLP's joint ventures owned a total of five properties, one of which is vacant. The 84 properties are located in 29 states.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts and operations of OLP and its wholly-owned subsidiaries. OLP and its subsidiaries are hereinafter referred to as the Company. Material intercompany items and transactions have been eliminated.

Investment in Unconsolidated Joint Ventures

The Company accounts for its investments in unconsolidated joint ventures under the equity method of accounting as the Company (1) is primarily the managing member but does not exercise substantial operating control over these entities pursuant to EITF 04-05, and (2) such entities are not variable-interest entities pursuant to FASB Interpretation No. 46R, "Consolidation of Variable Interest Entities". These investments are recorded initially at cost, as investments in unconsolidated joint ventures, and subsequently adjusted for equity in earnings and cash contributions and distributions. None of the joint venture debt is recourse to the Company.

The Company has elected to follow the cumulative earnings approach when assessing for the 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). Rather, the investor need only consider 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. The Company monitors on a cumulative basis the distributions received versus the cumulative equity earned in order to properly present the distribution in the cash flow statement.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Management believes that the estimates and assumptions that are most important to the portrayal of the Company's financial condition and results of operations, in that they require management's most difficult, subjective or complex judgments, form the basis of the accounting policies deemed to be most significant to the Company. These significant accounting policies relate to revenues and the value of the Company's real estate portfolio. Management believes its estimates and assumptions related to these significant accounting policies are appropriate under the circumstances; however, should future events or occurrences result in unanticipated consequences, there could be a material impact on the Company's future financial condition or results of operations.

Revenue Recognition

Rental income includes the base rent that each tenant is required to pay in accordance with the terms of their respective leases reported on a straight-line basis over the term of the lease. In order for management to determine, in its judgment, that the unbilled rent receivable applicable to each specific property is collectible, management reviews unbilled rent receivables on a quarterly basis and takes into consideration the tenant's payment history and the financial condition of the tenant. Some of the leases provide for additional contingent rental revenue in the form of percentage rents and increases based on the consumer price index. The percentage rents are based upon the level of sales achieved by the lessee and are recorded once the required sales levels are reached.

Gains or losses on disposition of properties are recorded when the criteria for recognizing such gains or losses under generally accepted accounting principles have been met.

Purchase Accounting for Acquisition of Real Estate

In accordance with Statement of Financial Accounting Standards No. 141, or SFAS 141, "Business Combinations," the Company allocates the purchase price of real estate to land and building and intangibles, such as the value of above, below and at-market leases and origination costs associated with in-place leases. The Company depreciates the amount allocated to building and intangible assets or liabilities over their estimated useful lives, which generally range from two to forty years. The values of the above and below market leases are amortized and recorded as either an increase (in the case of below market leases) or a decrease (in the case of above market leases) to rental income over the remaining minimum term of the associated lease. The origination costs are amortized as an expense over the remaining minimum term of the lease. The Company assesses fair value of the lease intangibles based on estimated cash flow projections that utilize appropriate discount rates and available market information.

As a result of its evaluation under SFAS 141 of the acquisitions made, the Company recorded additional deferred intangible lease assets of \$4,362,000, representing the value of the acquired above market leases and assumed lease origination costs during the year ended December 31, 2008. The Company also recorded additional deferred intangible lease liabilities of \$451,000, representing the value of the acquired below market leases during the year ended December 31, 2008. The Company did not acquire any properties during the year ended December 31, 2007. The Company recognized a net increase in rental revenue of \$371,000 and \$250,000 for the amortization of the above/below market leases for the years ended 2008 and 2007, respectively. For the years ended 2008 and 2007, the Company recognized amortization expense of \$499,000 and \$290,000, respectively, relating to the amortization of the assumed lease origination costs. The year ended 2008 included \$180,000 of additional net rental revenue and \$161,000 of additional amortization expense resulting from the accelerated expiration of certain leases. At December 31, 2008 and 2007, accumulated amortization of intangible lease assets was \$1,813,000 and \$1,213,000, respectively. At December 31, 2008 and 2007, accumulated amortization of intangible lease liabilities was \$1,155,000 and \$801,000, respectively.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The unamortized balance of intangible lease assets as a result of acquired above market leases at December 31, 2008 will be deducted from rental income through 2025 as follows:

2009	\$ 919,000
2010	835,000
2011	835,000
2012	835,000
2013	833,000
Thereafter	4,224,000
	\$ 8,481,000

The unamortized balance of intangible lease liabilities as a result of acquired below market leases at December 31, 2008 will be added to rental income through 2022 as follows:

2009	\$ 407,000
2010	407,000
2011	407,000
2012	407,000
2013	407,000
Thereafter	3,199,000
	\$ 5,234,000

Accounting for Long-Lived Assets and Impairment of Real Estate Owned

The Company reviews its real estate portfolio on a quarterly basis to ascertain if there are any indicators of impairment to the value of any of its real estate assets, including deferred costs and intangibles, in order to determine if there is any need for an impairment charge. In reviewing the portfolio, the Company examines the type of asset, the economic situation in the area in which the asset is located, the economic situation in the industry in which the tenant is involved and the timeliness of the payments made by the tenant under its lease, as well as any current correspondence that may have been had with the tenant, including property inspection reports. For each real estate asset owned for which indicators of impairment exist, if the undiscounted cash flow analysis yields an amount which is less than the asset's carrying amount, an impairment loss is recorded to the extent that the estimated fair value exceeds the asset's carrying amount. The estimated fair value is determined using a discounted cash flow model of the expected future cash flows through the useful life of the property. Real estate assets that are expected to be disposed of are valued at the lower of carrying amount or fair value less costs to sell on an individual asset basis.

In accordance with FIN 47, "Accounting for Conditional Asset Retirement Obligations", the Company records a conditional asset retirement obligation ("CARO") if the liability can be reasonably estimated. A CARO is an obligation that is settled at the time the asset is retired or disposed of and for which the timing and/or method of settlement are conditional on future events. The Company currently is not aware of any conditional asset retirement obligations that would require remediation.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with maturities of three months or less when purchased.

Restricted Cash

Restricted cash at December 31, 2007 consists of a cash deposit as required by a certain loan payable agreement for collateral. (See Note 5)

Escrow, Deposits and Other Receivables

Includes \$866,000 and \$839,000 at December 31, 2008 and 2007, respectively, of restricted cash relating to real estate taxes, insurance and other escrows.

Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of our tenants to make required rent payments. If the financial condition of a specific tenant were to deteriorate, resulting in an impairment of its ability to make payments, additional allowances may be required. At December 31, 2008 and 2007, the balance in allowance for doubtful accounts was \$160,000 and zero, respectively.

Depreciation and Amortization

Depreciation of buildings and improvements is computed on the straight-line method over an estimated useful life of 40 years for commercial properties and 27 1/2 years for the Company's residential property. Depreciation ceases when a property is deemed "held for sale". If a property which was deemed "held for sale" is reclassified to a "held and used" property, "catch-up" depreciation is recorded. Leasehold interest is amortized over the initial lease term of the leasehold position. Depreciation expense, including amortization of the leasehold position and of lease origination costs, amounted to \$8,971,000, \$8,248,000 and \$6,995,000 for the three years ended December 31, 2008, 2007 and 2006, respectively.

Leasehold Rent

Ground lease payments on a leasehold position are computed on the straight line method.

Deferred Financing Costs

Mortgage and credit line costs are deferred and amortized on a straight-line basis over the terms of the respective debt obligations, which approximates the effective interest method. At December 31, 2008 and 2007, accumulated amortization of such costs was \$3,069,000 and \$2,464,000, respectively.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Federal Income Taxes

The Company has qualified as a real estate investment trust under the applicable provisions of the Internal Revenue Code. Under these provisions, the Company will not be subject to federal income taxes on amounts distributed to stockholders providing it distributes substantially all of its taxable income and meets certain other conditions.

Distributions made during 2008 and 2007 included 3% and 82%, respectively, to be treated by the stockholders as capital gain distributions, with the balance to be treated as ordinary income.

Investment in Equity Securities

The Company determines the appropriate classification of equity securities at the time of purchase and reassesses the appropriateness of the classification at each reporting date. At December 31, 2008, all marketable securities have been classified as available-for-sale and, as a result, are stated at fair value. Unrealized gains and losses on available-for-sale securities are recorded as accumulated other comprehensive income (loss) in the stockholders' equity section.

The Company's investment in 30,048 common shares of BRT Realty Trust ("BRT"), a related party of the Company, (accounting for less than 1% of the total voting power of BRT), purchased at a cost of \$97,000, has a fair market value at December 31, 2008 of \$111,000. At December 31, 2008, the total cumulative unrealized loss of \$239,000 on all investments in equity securities is reported as accumulated other comprehensive income (loss) in the stockholders' equity section.

Realized gains and losses are determined using the average cost method and is included in "Interest and other income" on the income statement. During 2008, 2007 and 2006, sales proceeds and gross realized gains and losses on securities classified as available-for-sale were:

	2008	2007	2006
Sales proceeds	\$ 6,000	\$ 161,000	\$ 348,000
Gross realized losses	\$ 4,000	\$ -	\$ 3,000
Gross realized gains	\$ 4,000	\$ 118,000	\$ 111,000

Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents: The carrying amounts reported in the balance sheet for these instruments approximate their fair values.

Restricted cash: The carrying amount reported in the balance sheet for this instrument approximates its fair value.

Investment in equity securities: Since these investments are considered "available-for-sale", they are reported in the balance sheet based upon quoted market prices.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgages and loan payable: At December 31, 2008, the estimated fair value of the Company's mortgages payable is less than their carrying value by approximately \$2,500,000, assuming a market interest rate of 6.25%. There was no outstanding loan payable at December 31, 2008.

Line of credit: There is no material difference between the carrying amount and fair value because the interest rate is at the lower of LIBOR plus 2.15% or at the prime rate.

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.

Concentration of Credit Risk

The Company maintains accounts at various financial institutions. While the Company attempts to limit any financial exposure, its deposit balances exceed federally insured limits. The Company has not experienced any losses on such accounts.

While the Company's properties are located in twenty-nine states, 15.8%, 16.0% and 17.9% of the Company's rental revenues were attributable to properties located in Texas and 14.6%, 15.0% and 17.2% of the Company's rental revenues were attributable to properties located in New York for the years ended December 31, 2008, 2007 and 2006, respectively. No other state contributed over 10% to the Company's rental revenues.

In April 2006, the Company acquired eleven retail furniture stores, located in six states, net leased to Haverty Furniture Companies, Inc. pursuant to a master lease. The basic term of the net lease expires August 2022, with several renewal options. These properties which represented 13.6% of the depreciated book value of real estate investments, generated rental revenues of \$4,844,000, \$4,845,000 and \$3,559,000, or 12.0%, 12.7% and 10.7% of the Company's total revenues for the years ended December 31, 2008, 2007 and 2006, respectively.

In September 2008, the Company acquired eight retail office supply stores, located in seven states, net leased to Office Depot, Inc. pursuant to eight separate leases which contain cross default provisions. The basic term of the net leases expire September 2018, with several renewal options. These eight properties plus two properties we already owned and leased to the same tenant, represented 12.6% of the depreciated book value of real estate investments and generated rental revenues of \$1,551,000, or 3.8% of the Company's total revenues for the year ended December 31, 2008. Contractual rental income for these ten properties is \$4,435,000 for the year ended December 31, 2009.

Earnings Per Common Share

Basic earnings per share was determined by dividing net income for each year by the weighted average number of shares of common stock outstanding, which includes unvested restricted stock during each year.

Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts exercisable for, or convertible into, common stock were exercised or converted or resulted in the issuance of common stock that shared in the earnings of the Company. Diluted earnings per share was determined by dividing net income for each year by the total of the weighted average number of shares of common stock outstanding plus the dilutive effect of the Company's outstanding options (2,315 shares for the year ended 2006) using the treasury stock method. There were no outstanding options in 2008 and 2007.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Segment Reporting

Virtually all of the Company's real estate assets are comprised of real estate owned that is net leased to tenants on a long-term basis. Therefore, the Company operates predominantly in one industry segment.

Derivatives and Hedging Activities

The Company accounts for derivative financial instruments in accordance with SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities", as amended by SFAS No. 138, which requires an entity to recognize all derivatives as either assets or liabilities in the consolidated balance sheets and to measure those instruments at fair value. The Company relies on quotations from a third party to determine these fair values.

In the normal course of business the Company may use a variety of derivative financial instruments to manage, or hedge, interest rate risk. These derivative financial instruments must be effective in reducing its interest rate risk in order to qualify for hedge accounting. Any derivative instrument used for risk management that does not meet the hedging criteria is marked-to-market with the changes in value included in net income.

The fair value of our interest rate swap which is a non-qualifying hedge was a liability of \$650,000 as of December 31, 2008 and is recorded in other liabilities in the consolidated balance sheet. The Company did not hold any derivative financial instruments as of December 31, 2007 and 2006. The change in fair value of the non-qualifying hedge was \$650,000 and is recorded as interest expense on the consolidated income statement.

Consolidation of Variable Interest Entities

In January 2003, the Financial Accounting Standards Board (FASB) issued Interpretation No. 46, "Consolidation of Variable Interest Entities", which explains how to identify variable interest entities ("VIE") and how to assess whether to consolidate such entities. In December 2003, a revision was issued (46R) to clarify some of the original provisions. Management has reviewed its unconsolidated joint venture arrangements and determined that none represent variable interest entities pursuant to the interpretation.

Share Based Compensation

The Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 123R, "Share-Based Payments", effective January 1, 2006. SFAS No. 123R established financial accounting and reporting standards for stock-based employee compensation plans, including all arrangements by which employees and others receive shares of stock or other equity instruments of the Company, or the Company incurs liabilities to employees in amounts based on the price of the employer's stock. The statement also defined a fair value based method of accounting for an employee stock option or similar equity instrument whereby the fair-value is recorded based on the market value of the common stock on the grant date and is amortized to general and administrative expense over the respective vesting periods.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements

In December 2007, the FASB issued Statement No. 141 (R), "Business Combinations - a replacement of FASB Statement No. 141" ("SFAS No. 141 (R)"), which applies to all transactions or events in which an entity obtains control of one or more businesses. SFAS No. 141 (R) (i) establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed, (ii) requires expensing of most transaction costs, and (iii) requires the acquirer to disclose to investors and other users of the information needed to evaluate and understand the nature and financial effect of the business combination. SFAS No. 141 (R) is effective in fiscal years beginning after December 15, 2008 and early adoption is not permitted. The principal impact of the adoption of SFAS No. 141 (R) on the Company's consolidated financial statements will be the requirement that the Company expense most of its transaction costs relating to its acquisition activities.

In December 2007, the FASB issued Statement No. 160, "Non-controlling Interests in Consolidated Financial Statements, an amendment of ARB No 51" ("SFAS No. 160"). SFAS No. 160 requires non-controlling interests in consolidated subsidiaries to be displayed in the statement of financial position as a separate component of equity. Earnings and losses attributable to non-controlling interests are no longer reported as part of consolidated earnings, rather they are disclosed on the face of the income statement. This statement is effective in fiscal years beginning after December 15, 2008. Adoption is prospective and early adoption is not permitted. Based upon the current 100% ownership of the Company's consolidated subsidiaries, SFAS No. 160 will have no impact on the Company's consolidated financial statements.

On March 20, 2008, the FASB issued Statement No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133" ("SFAS No. 161") which provides for enhanced disclosures about how and why an entity uses derivatives and how and where those derivatives and related hedged items are reported in the entity's financial statements. SFAS No. 161 also requires certain tabular formats for disclosing such information. SFAS No. 161 applies to all entities and all derivative instruments and related hedged items accounted for under SFAS No. 133. Among other things, SFAS No. 161 requires disclosures of an entity's objectives and strategies for using derivatives by primary underlying risk and certain disclosures about the potential future collateral or cash requirements (that is, the effect on the entity's liquidity) as a result of contingent credit-related features. SFAS No. 161 is effective for fiscal years and interim periods beginning after November 15, 2008 with early application encouraged. The Company will adopt beginning January 1, 2009. The primary effect that SFAS No. 161 will have on the Company's consolidated financial statements will be additional disclosure requirements surrounding derivative instruments.

Reclassification

Certain amounts reported in previous financial statements have been reclassified in the accompanying financial statements to conform to the current year's presentation, primarily to reclassify a property that was presented as held for sale at December 31, 2007 and as a real estate investment at December 31, 2008 and to reclassify such property's operations from discontinued operations to continuing operations. This property had been marketed for sale from August 2007 until May 2008 when the Company determined that the market was not favorable for a sale of such property.

NOTE 3 - REAL ESTATE INVESTMENTS AND MINIMUM FUTURE RENTALS

During the year ended December 31, 2008, the Company purchased twelve single tenant properties in eight states for a total consideration of \$62,085,000. These purchases include a portfolio of eight properties which are leased to the same tenant and was acquired in a sale-leaseback transaction for a total purchase price, including closing costs, of approximately \$48,200,000, with approximately \$14,200,000 paid in cash and \$34,000,000 borrowed under the Company's line of credit. There were no property acquisitions during the year ended December 31, 2007.

With the exception of three vacant properties, the rental properties owned at December 31, 2008 are leased under noncancellable operating leases to corporate tenants with current expirations ranging from 2009 to 2038, with certain tenant renewal rights. Substantially all of the lease agreements are net lease arrangements which require the tenant to pay not only rent but all the expenses of the leased property including maintenance, taxes, utilities and insurance. Certain lease agreements provide for periodic rental increases and others provide for increases based on the consumer price index.

The minimum future rentals to be received over the next five years and thereafter on the operating leases in effect at December 31, 2008 are as follows:

Year Ending December 31,	(In Thousands)
2009	\$ 41,953
2010	41,715
2011	41,032
2012	40,300
2013	38,886
Thereafter	221,880
Total	\$ 425,766

Included in the minimum future rentals are rentals from a property not owned in fee (ground lease) by an unrelated third party. The Company pays annual fixed leasehold rent of \$237,500 through July 2009 with 25% increases every five years through March 3, 2020 and has a right to extend the lease for up to five 5-year and one 7 month renewal options.

Excluded from the minimum future rentals is the rent originally due from three of the Company's properties formerly leased to Circuit City Stores, Inc. ("Circuit City") which filed for protection under federal bankruptcy laws in November 2008. Although the Company has received its rent for January and February 2009, it will not be receiving any additional rent since Circuit City rejected the leases for these properties in March 2009.

At December 31, 2008, the Company has recorded an unbilled rent receivable aggregating \$10,916,000, representing rent reported on a straight-line basis in excess of rental payments required under the term of the respective leases. This amount is to be billed and received pursuant to the lease terms during the next seventeen years.

During the year ended December 31, 2008, the Company wrote-off or recorded accelerated amortization of \$332,000 of unbilled "straight-line" rent receivable for six retail properties, including five properties formerly leased to Circuit City. During the year ended December 31 2007, the Company wrote-off \$322,000 of unbilled "straight-line" rent receivable.

NOTE 3 - REAL ESTATE INVESTMENTS AND MINIMUM FUTURE RENTALS (Continued)

Impairment Charge

During the year ended December 31, 2008, the Company recorded an impairment charge of \$5,983,000 relating to four properties. An impairment charge of \$5,231,000 was recorded relating to three of the five Circuit City properties the Company owns, two of which were vacant at December 31, 2008. The Company performed an analysis and has determined that the remaining two Circuit City properties did not require an impairment charge. Additionally, the Company recorded an impairment charge of \$752,000 on a property leased to a retail furniture tenant. These impairment charges were recorded as a direct write-down of the respective investments on the balance sheet with depreciation calculated using the new basis.

After giving effect to the impairment charge, the net book value of the five Circuit City properties was \$8,252,000. At December 31, 2008, the non-recourse mortgage which is secured and cross collateralized by the five Circuit City properties had an outstanding balance of \$8,706,000. The Company has not made any payments on this mortgage since December 1, 2008 and has entered into negotiations with representatives of the mortgagee relating to possible modifications of the mortgage. The Company continues to accrue interest expense on this mortgage which matures in December 2014.

Sales of Excess Unimproved Land and Other

In May 2008, the Company sold a five acre parcel of excess, unimproved land to an unrelated third party for a sales price of \$3,150,000 and realized a gain of \$1,830,000. This land, adjacent to a flex property owned by the Company, had been acquired by the Company as part of the purchase of the flex property in 2000.

In July 2006, the Company sold excess acreage to an unrelated third party for a sales price of \$975,000 and realized a gain of \$185,000. In February 2006, the Company sold an option it owned to buy an interest in certain property adjacent to one of the Company's properties and realized a gain of \$228,000.

NOTE 4 – INVESTMENT IN UNCONSOLIDATED JOINT VENTURES

In March 2008, one of the Company's unconsolidated joint ventures sold its only property, which was vacant, for a sales price of \$1,302,000, net of closing costs. The sale resulted in a gain to the Company of \$297,000 (after giving effect to the Company's \$480,000 share of a direct write down taken by the joint venture in a prior year).

In March 2007, another of the Company's unconsolidated joint ventures sold its only remaining property, a vacant parcel of land, for a sales price of \$1,250,000 to a former tenant of the joint venture. The sale resulted in a gain to the Company of \$583,000 (after giving effect to the Company's \$1,581,000 share of direct write downs taken by the joint venture in prior years). In September and October 2006, this joint venture and another joint venture sold their portfolio of nine movie theater properties to a single unrelated purchaser for an aggregate sales price of \$152,658,000 and realized a gain, for book purposes, after expenses, fees and brokerage commissions, of \$55,665,000, of which the Company's 50% share was \$27,832,000. The joint ventures paid a prepayment premium of \$10,538,000, of which the Company's 50% share was \$5,269,000, on the outstanding mortgage loans secured by the properties which were sold, which was considered as interest expense on the books of the joint ventures and was not netted against the gain recognized on the sale.

NOTE 4 – INVESTMENT IN UNCONSOLIDATED JOINT VENTURES (Continued)

The remaining five unconsolidated joint ventures each own and operate one property. At December 31, 2008 and 2007, the Company's equity investment in unconsolidated joint ventures totaled \$5,857,000 and \$6,570,000, respectively. These balances are net of distributions, including distributions of \$1,970,000 and \$1,640,000 received in 2008 and 2007, respectively. In addition to the gain on sale of properties of \$297,000 and \$583,000 for the years ended December 31, 2008 and 2007, respectively, the unconsolidated joint ventures contributed \$622,000 and \$648,000 in equity earnings, respectively. See Note 7 for related party fees paid by the unconsolidated joint ventures.

NOTE 5 – DEBT OBLIGATIONS

Mortgages Payable

At December 31, 2008, there are 40 outstanding mortgages payable, all of which are secured by first liens on individual real estate investments with an aggregate carrying value before accumulated depreciation of \$362,190,000. The mortgage payments bear interest at fixed rates ranging from 5.44% to 8.8%, and mature between 2009 and 2037. The weighted average interest rate was 6.33% and 6.30% for the years ended December 31, 2008 and 2007, respectively.

Scheduled principal repayments during the next five years and thereafter are as follows:

Year Ending December 31,	(In Thousands)
2009	\$ 18,869
2010	22,532
2011	8,816
2012	37,806
2013	19,036
Thereafter	118,455
Total	\$ 225,514

See Note 3 for information regarding a \$8,706,000 mortgage loan included in the above as due in 2009 for which the Company has not made any payments on since December 1, 2008. The maturity date of the mortgage is in 2014.

Loan Payable

On October 31, 2008, the Company repaid in full its only loan payable, which had a balance of \$6,375,000, with cash held in escrow and shown on the balance sheet as restricted cash. The excess escrow funds of \$1,402,000 was returned to the Company and is no longer restricted. The loan was originally a mortgage collateralized by a movie theater property the Company owned in California. During 2006, the property was sold and cash was substituted for collateral of 110% of the principal balance at the date of sale.

NOTE 5 – DEBT OBLIGATIONS (Continued)

Line of Credit

The Company has a \$62,500,000 revolving credit facility (“Facility”) with VNB New York Corp., Bank Leumi USA, Israel Discount Bank of New York and Manufacturers and Traders Trust Company. The Facility matures March 31, 2010 and provides that the Company pays interest at the lower of LIBOR plus 2.15% or the respective bank’s prime rate on funds borrowed and has an unused facility fee of ¼%. At December 31, 2008, there was \$27,000,000 outstanding under the Facility.

The Facility is guaranteed by all of the Company’s subsidiaries which own unencumbered properties and is secured by the outstanding stock of subsidiary entities. The Facility is available to pay off existing mortgages, to fund the acquisition of additional properties, or to invest in joint ventures. The Company is in compliance with all covenants. Net proceeds received from the sale or refinancing of properties are required to be used to repay amounts outstanding under the Facility if proceeds from the Facility were used to purchase or refinance the property.

NOTE 6 - ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

On January 1, 2008, the Company adopted Statement of Financial Accounting Standards No. 157, “Fair Value Measurements” (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS No. 157 applies to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements; accordingly, the standard does not require any new fair value measurements of reported balances.

SFAS No. 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined 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, SFAS No. 157 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity’s own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). In February 2008, the FASB delayed the effective date of SFAS 157 for non- financial assets and non-financial liabilities to fiscal years beginning after November 15, 2008.

The Company’s financial assets and liabilities, other than fixed-rate mortgages and loan payable, are generally short-term in nature, or bear interest at variable current market rates, and consist of cash and cash equivalents, restricted cash, rents and other receivables, other assets, and accounts payable and accrued expenses. The carrying amounts of these assets and liabilities are not measured at fair value on a recurring basis, but are considered to be recorded at amounts that approximate fair value due to their short-term nature. The fair value of the Company’s available-for-sale securities and derivative financial instrument was determined using the following inputs as of December 31, 2008:

NOTE 6 - ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (Continued)

	Carrying Value	Fair Value	Fair Value Measurements Using Fair Value Hierarchy		
			Level 1	Level 2	Level 3
Financial assets:					
Available-for-sale securities	\$ 412,000	\$ 412,000	\$ 412,000	\$ -	\$ -
Financial liabilities:					
Derivative financial instrument	650,000	650,000	-	650,000	-

Available-for-sale securities

All of the Company's marketable securities and its investment in common shares of BRT Realty Trust are classified as available-for-sale securities. The total cost of such securities is \$651,000 and the aggregate amount of unrealized losses is \$239,000. Fair values are approximated on current market quotes from financial sources that track such securities.

Derivative financial instrument

During the year ended December 31, 2008, the Company entered into an interest rate swap to manage its interest rate risk in connection with one mortgage in the principal amount of \$10,675,000. The valuation of the instrument is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of the derivative. This analysis reflects the contractual terms of the derivative, including the period to maturity, and uses observable market-based inputs, including interest rate curves, foreign exchange rates, and implied volatilities.

Although the Company has determined that the majority of the inputs used to value its derivative fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivative utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparty. However, as of December 31, 2008, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative position and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivative. As a result, the Company has determined that its derivative valuation is classified in Level 2 of the fair value hierarchy.

In February 2007, the FASB issued Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS No. 159") which provides companies with an option to report selected financial assets and liabilities at fair value. The objective of SFAS No. 159 is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. The FASB believes that SFAS No. 159 helps to mitigate this type of accounting-induced volatility by enabling companies to report related assets and liabilities at fair value, which would likely reduce the need for companies to comply with detailed rules for hedge accounting. SFAS No. 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. The Company adopted SFAS No. 159 and has elected not to report selected financial assets and liabilities at fair value.

NOTE 7 – RELATED PARTY TRANSACTIONS

At December 31, 2008 and 2007, Gould Investors L.P. (“Gould”), a related party, owned 991,707 and 913,241 shares of the common stock of the Company or approximately 9.7% and 9%, respectively, of the equity interest. During 2008 and 2007, Gould purchased 78,466 and 82,330 shares, respectively, of the Company through the Company’s dividend reinvestment plan.

Effective as of January 1, 2007, the Company entered into a compensation and services agreement with Majestic Property Management Corp. (“Majestic”), a company wholly-owned by our Chairman and in which certain of the Company’s executive officers are officers and from which they receive compensation. Under the terms of the agreement, Majestic took over the Company’s obligations to make payments to Gould (and other affiliated entities) under a shared services agreement and agreed to provide to the Company the services of all affiliated executive, administrative, legal, accounting and clerical personnel that the Company has heretofore utilized on an as needed, part time basis and for which the Company had paid, as a reimbursement, an allocated portion of the payroll expenses of such personnel in accordance with the shared services agreement. Accordingly, the Company, no longer incurs any allocated payroll expenses. Under the terms of the agreement, Majestic (or its affiliates) continues to provide to the Company certain property management services (including construction supervisory services), property acquisition, sales and leasing services and mortgage brokerage services that it has provided to the Company in the past, some of which were capitalized, deferred or reduced net sales proceeds in prior years. The Company does not incur any fees or expenses for such services except for the annual fees described below. As consideration for providing to the Company the services described above, the Company paid Majestic an annual fee of \$2,025,000 and \$2,125,000 in 2008 and 2007, respectively, in equal monthly installments. Majestic credits against the fee payments due to it under the agreement any management or other fees received by it from any joint venture in which the Company is a joint venture partner (exclusive of fees paid by the tenant in common on a property located in Los Angeles, California). The agreement also provides for an additional payment to Majestic of \$175,000 in 2008 and 2007 for the Company’s share of all direct office expenses, such as rent, telephone, postage, computer services, internet usage, etc., previously allocated to the Company under the shared services agreement. The annual payments the Company makes to Majestic will be negotiated each year by the Company and Majestic, and will be approved by the Company’s Audit Committee and the Company’s independent directors. The Company also agreed to pay compensation to the Company’s Chairman of \$250,000 per annum effective January 2007. Previously, the Company’s Chairman was paid \$50,000 per annum.

For the year ended December 31, 2006, the Company reimbursed Gould for allocated expenses and paid fees to Majestic. The Company’s policy had been to receive terms in transactions with affiliates that are at least as favorable to the Company as similar transactions the Company would enter into with unaffiliated persons. Such fees and costs paid directly by the Company are as follows:

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NOTE 7 – RELATED PARTY TRANSACTIONS (Continued)

	Years Ended December 31,		
	2008	2007	2006
Compensation and services agreement (A)	\$ 2,188,000	\$ 2,288,000	\$ -
Allocated expenses (A) (B)	-	-	1,317,000
Mortgage brokerage fees (C)	-	-	100,000
Sales commissions (D)	-	-	152,000
Management fees (E)	-	-	15,000
Supervisory fees (F)	-	-	41,000
Total fees	\$ 2,188,000	\$ 2,288,000	\$ 1,625,000

The Company's unconsolidated joint ventures paid the following fees to Majestic. Such amounts represent 100% of the fees paid by the joint ventures, of which the Company's share is 50%:

	Years Ended December 31,		
	2008	2007	2006
Sales commissions (G)	\$ -	\$ -	\$ 1,277,000
Management fees (H)	12,000	12,000	97,000
Supervisory fees (I)	-	-	8,000
Total fees	\$ 12,000	\$ 12,000	\$ 1,382,000

(A) Does not include payments under a direct lease, with a subsidiary of Gould, for approximately 1,200 square feet, expiring in 2011, at an annual rent of \$43,000, increasing 3% per year.

(B) The Company reimbursed Gould for allocated general and administrative expenses and payroll based on estimated time incurred by various employees pursuant to a Shared Services Agreement.

(C) Fees paid to Majestic relating to mortgages placed on nine of the Company's properties for mortgages in the aggregate amount of \$12,900,000. Substantially all fees were based on 1% of the principal balances of the mortgages. These fees were deferred and are being amortized over the life of the respective mortgages.

(D) Fee paid to Majestic relating to the sale of one property for a sales price of \$15,227,000. This fee was based on 1% of the sales price and reduced the net sales proceeds.

(E) Fees paid to Majestic relating to management of one of the Company's properties. Such fees were based on 2% of rent collections and were charged to operations.

(F) Fees paid to Majestic for supervision of improvements to properties. Such fees were based on 8% of the cost of the improvements and were capitalized.

(G) Fee paid to Majestic relating to the sale by two of the Company's joint ventures of eight movie theater properties at approximately 1% of the aggregate sales price. These fees reduced the net sales proceeds from the dispositions of real estate of unconsolidated joint ventures. See Note 4 for further information regarding the Company's unconsolidated joint ventures.

NOTE 7 – RELATED PARTY TRANSACTIONS (Continued)

(H) Fees paid to Majestic for the management of various joint venture properties at 1% of rent collections for the years ended December 31, 2008, 2007 and 2006, respectively and were charged to operations.

(I) Fee paid to Majestic for supervision of improvements to a property at 8% of the cost of the improvements and was capitalized.

NOTE 8 - RESTRICTED STOCK AND STOCK OPTIONS

The Company's 2003 Stock Incentive Plan (the "Incentive Plan"), approved by the Company's stockholders in June 2003, permits the Company to grant stock options and restricted stock to its employees, officers, directors and consultants. The maximum number of shares of the Company's common stock that may be issued pursuant to the Incentive Plan is 275,000. The restricted stock grants are valued at the fair value as of the date of the grant and all restricted share awards made to date provide for vesting upon the fifth anniversary of the date of grant and under certain circumstances may vest earlier. For accounting purposes, the restricted stock is not included in the outstanding shares shown on the balance sheet until they vest, however dividends are paid on the unvested shares. The value of such grants is initially deferred, and amortization of amounts deferred is being charged to operations over the respective vesting periods.

	Years Ended December 31,		
	2008	2007	2006
Restricted share grants	50,550	51,225	50,050
Average per share grant price	\$ 17.50	\$ 24.50	\$ 20.66
Recorded as deferred compensation	\$ 885,000	\$ 1,255,000	\$ 1,034,000
Total charge to operations, all outstanding restricted grants	\$ 888,000	\$ 826,000	\$ 515,000
Non-vested shares:			
Non-vested beginning of period	186,300	140,175	92,725
Grants	50,550	51,225	50,050
Vested during period	(22,650)	(5,050)	-
Forfeitures	(575)	(50)	(2,600)
Non-vested end of period	213,625	186,300	140,175

Through December 31, 2008, a total of 243,075 shares were issued and 31,925 shares remain available for grant pursuant to the Incentive Plan, and approximately \$2,177,000 remains as deferred compensation and will be charged to expense over the remaining weighted average vesting period of approximately 2.4 years. As of December 31, 2008, there are no options outstanding under the Incentive Plan.

During the year ended December 31, 2006, the options to purchase 9,000 shares of common stock outstanding at December 31, 2005 were exercised. There were no additional grants, forfeitures or expiration of options occurring during 2006. These options had been granted under the Company's 1996 Stock Option Plan, which terminated in 2006.

NOTE 9 - DISTRIBUTION REINVESTMENT PLAN

On December 9, 2008, the Company suspended its Dividend Reinvestment Plan (the "Plan"). The Plan had provided owners of record the opportunity to reinvest cash dividends paid on the Company's common stock in additional shares of its common stock, at a discount of 0% to 5% from the market price. The discount was determined at the Company's sole discretion and had been offered at a 5% discount from market. Under the Plan, the Company issued 158,242 and 236,645 common shares during the years ended December 31, 2008 and 2007, respectively.

NOTE 10 – STOCK REPURCHASE PROGRAM

In November 2008, the Company announced that its Board of Directors had authorized a common stock repurchase program of up to 500,000 shares of the Company's common stock in open market transactions. (All purchases will be executed in accordance with applicable federal securities laws.) The timing and exact number of shares purchased will be determined at the Company's discretion and will depend upon market conditions. The stock repurchase program will continue for twelve months and may be suspended or terminated by the Company at any time. During November 2008, the Company repurchased 32,000 shares of common stock for a consideration of \$263,000. The Company has not purchased any additional shares of common stock since November 2008. In August 2007, the Company announced that its Board of Directors had authorized a twelve month common stock repurchase program, which allowed for the repurchase of up to 500,000 shares of the Company's common stock in open market transactions. From January 2008 through July 2008 and from August 2007 through December 2007, the Company repurchased 93,000 and 159,000 shares of common stock for consideration of \$1,564,000 and \$3,212,000, respectively.

NOTE 11 – DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

In accordance with SFAS No. 144, "Accounting for Impairment or Disposal of Long Lived Assets," the Company reports as discontinued operations assets held for sale (as defined by SFAS No. 144) as of the end of the current period and assets sold subsequent to the adoption of SFAS No. 144. All results of these discontinued operations are included in a separate component of income on the Consolidated Statements of Income under the caption Discontinued Operations. This has resulted in certain reclassification of 2008, 2007 and 2006 financial statement amounts. During 2008, an asset previously presented as held for sale at December 31, 2007 was reclassified and presented as a real estate investment at December 31, 2008.

The components of income from discontinued operations for each of the three years in the period ended December 31, 2008, are shown below. These include the results of operations through the date of the sale for one property sold during 2006 and includes settlements relating to properties sold in a prior year (amounts in thousands):

NOTE 11 – DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE (Continued)

	Years Ended December 31,		
	2008	2007	2006
Revenues, primarily rental income and settlements	\$ -	\$ 405	\$ 1,362
Depreciation and amortization	-	-	97
Real estate expenses	-	32	47
Interest expense	-	-	335
Total expenses	-	32	479
Income from discontinued operations before gain on sale	-	373	883
Net gain on sale of discontinued operations	-	-	3,660(A)
Income from discontinued operations	\$ -	\$ 373	\$ 4,543

(A) The \$3,660 gain has been deferred for federal tax purposes in accordance with Section 1031 of the Internal Revenue Code of 1986, as amended.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

The Company maintains a non-contributory defined contribution pension plan covering eligible employees. Contributions by the Company are made through a money purchase plan, based upon a percent of qualified employees' total salary as defined. Pension expense approximated \$107,000, \$100,000 and \$90,000 for the years ended December 31, 2008, 2007 and 2006, respectively.

In the ordinary course of business the Company is party to various legal actions which management believes are routine in nature and incidental to the operation of the Company's business. Management believes that the outcome of the proceedings will not have a material adverse effect upon the Company's consolidated statements taken as a whole.

NOTE 13 – TAXES

The Company elected to be taxed as a real estate investment trust (REIT) under the Internal Revenue Code, commencing with its taxable year ended December 31, 1983. To qualify as a REIT, the Company must meet a number of organizational and operational requirements, including a requirement that it currently distribute at least 90% of its adjusted taxable income to its stockholders. It is management's current intention to adhere to these requirements and maintain the Company's REIT status. As a REIT, the Company generally will not be subject to corporate level federal, state and local income tax on taxable income it distributes currently to its stockholders. If the Company fails to qualify as a REIT in any taxable year, it will be subject to federal, state and local income taxes at regular corporate rates (including any applicable alternative minimum tax) and may not be able to qualify as a REIT for four subsequent taxable years. Even though the Company qualifies for taxation as a REIT, the Company is subject to certain state and local taxes on its income and property, and to federal income and excise taxes on its undistributed taxable income.

NOTE 13 – TAXES (Continued)

On January 1, 2007, the Company adopted the provisions of Interpretation No. 48, “Accounting for Uncertainty in Income Taxes” (“FIN 48”). This interpretation, among other things, creates a two step approach for evaluating uncertain tax positions. Recognition (step one) occurs when an enterprise concludes that a tax position, based solely on its technical merits, is more-likely-than-not to be sustained upon examination. Measurement (step two) determines the amount of benefit that more-likely-than-not will be realized upon settlement. Derecognition of a tax position that was previously recognized would occur when a company subsequently determines that a tax position no longer meets the more-likely-than-not threshold of being sustained. FIN 48 specifically prohibits the use of a valuation allowance as a substitute for derecognition of tax positions, and it has expanded disclosure requirements. The adoption of FIN 48 had no material effect on the Company’s consolidated financial statements.

The Company recorded \$91,000 and \$490,000 of federal excise tax which is based on taxable income generated but not yet distributed for the years ended December 31, 2007 and 2006, respectively. There was no federal excise tax for the year ended December 31, 2008. Included in general and administrative expenses for the years ended December 31, 2008, 2007 and 2006 are state tax expense of \$162,000, \$226,000 and \$143,000, respectively.

Reconciliation between Financial Statement Net Income and Federal Taxable Income:

The following unaudited table reconciles financial statement net income to federal taxable income for the years ended December 31, 2008, 2007 and 2006 (amounts in thousands):

	2008 Estimate	2007 Actual	2006 Actual
Net income	\$ 4,892	\$ 10,590	\$ 36,425
Straight line rent adjustments	(1,023)	(1,600)	(269)
Excess of capital losses over capital gains	-	868	-
Financial statement gain on sale in excess of tax gain (A)	(1,685)	(1,581)	(3,976)
Rent received in advance, net	(82)	95	(33)
Financial statement impairment charge	5,983	-	780
Federal excise tax, non-deductible	-	91	490
Financial statement adjustment for above/below market leases	(371)	(285)	(223)
Non-deductible portion of restricted stock expense	507	710	515
Financial statement adjustment of fair value of derivative	650	-	-
Financial statement depreciation in excess of tax depreciation	1,267	702	773
Other adjustments	(81)	2	(83)
Federal taxable income	\$ 10,057	\$ 9,592	\$ 34,399

(A) For the year ended December 31, 2006, amount includes \$3,660 GAAP gain on sale of real estate which was deferred for federal tax purposes in accordance with Section 1031 of the Internal Revenue Code of 1986, as amended.

NOTE 13 – TAXES (Continued)

Reconciliation between Cash Dividends Paid and Dividends Paid Deduction:

The following unaudited table reconciles cash dividends paid with the dividends paid deduction for the years ended December 31, 2008, 2007 and 2006 (amounts in thousands):

	2008 Estimate	2007 Actual	2006 Actual
Cash dividends paid	\$ 13,241	\$ 21,218	\$ 13,420
Dividend reinvestment plan (B)	96	268	59
	13,337	21,486	13,479
Less: Spillover dividends designated to previous year (C)	(5,861)	(17,705)	-
Plus: Spillover dividends designated from prior year	-	-	3,265
Plus: Dividends designated from following year (C)	2,631	5,861	17,705
Dividends paid deduction (D)	\$ 10,107	\$ 9,642	\$ 34,449

(B) Amount reflects the 5% discount on the Company's common shares purchased through the dividend reinvestment plan.

(C) Includes a special dividend paid on October 2, 2007 of \$.67 per share or \$6,731, which represents the remaining undistributed portion of the taxable income recognized by the Company in 2006 primarily from gains on sale by two of its 50% owned joint ventures of their portfolio of movie theater properties.

(D) Dividends paid deduction is slightly higher than federal taxable income in 2008, 2007 and 2006 so as to account for adjustments made to federal taxable income as a result of the impact of the alternative minimum tax.

NOTE 14 – SUBSEQUENT EVENT

In February 2009, the Company entered into a \$400,000 lease termination agreement with a retail tenant of a Texas property who had been paying its rent on a current basis, but had vacated the property in 2006. On March 5, 2009, the Company sold this property to an unrelated party for consideration of \$1,900,000. As a result of the lease termination agreement and sale of the property, the Company will recognize during the quarter ended March 31, 2009, net income for accounting purposes of approximately \$200,000, after taking into account an impairment charge of \$752,000 taken by the Company during the quarter ended June 30, 2008. As of December 31, 2008, this property had a net book value of \$2,072,000 and was classified as a real estate investment.

NOTE 15 - QUARTERLY FINANCIAL DATA (Unaudited):

(In Thousands, Except Per Share Data)

2008	Quarter Ended				Total For Year
	March 31	June 30	Sept. 30	Dec. 31	
Rental revenues as previously reported	\$ 9,398	\$ 9,686	\$ 9,950	\$ 10,954	\$ 39,988
Revenues from discontinued operations (A)	353	-	-	-	353
Revenues	\$ 9,751	\$ 9,686	\$ 9,950	\$ 10,954	\$ 40,341
Income (loss) from continuing operations (B)	\$ 2,779	\$ 3,246	\$ 2,468	\$ (3,601)	\$ 4,892
Income from discontinued operations (B)	-	-	-	-	-
Net income	\$ 2,779	\$ 3,246	\$ 2,468	\$ (3,601)	\$ 4,892
Weighted average number of common shares outstanding - basic and diluted	10,152	10,219	10,169	10,192	10,183
Net income per common share - basic and diluted:					
Income (loss) from continuing operations (B)	\$.27	\$.32	\$.24	\$ (.35)	\$.48(C)
Income from discontinued operations (B)	-	-	-	-	-
Net income (loss)	\$.27	\$.32	\$.24	\$ (.35)	\$.48(C)

(A) Adds back revenues from a property which was presented as held for sale at March 31, 2008. At June 30, 2008, the operations of this property was reclassified to continuing operations.

(B) Amounts have been adjusted to give effect to the reclassification of income from a property previously presented as held for sale. The 10Q for the period ended March 31, 2008 had reported income from continuing operations of \$2,431,000 and income from discontinued operations of \$348,000 for a total net income of \$2,779,000.

(C) Calculated on weighted average shares outstanding for the year.

2007	Quarter Ended				Total For Year
	March 31	June 30	Sept. 30	Dec. 31	
Rental revenues as previously reported	\$ 9,263	\$ 9,311	\$ 9,238	\$ 8,993	\$ 36,805
Reclassification of revenues (D)	330	331	330	353	1,344
Revenues (E)	\$ 9,593	\$ 9,642	\$ 9,568	\$ 9,346	\$ 38,149
Income from continuing operations	\$ 3,040	\$ 2,536	\$ 2,464	\$ 2,177	\$ 10,217
Income (loss) from discontinued operations	106	(4)	115	156	373
Net income	\$ 3,146	\$ 2,532	\$ 2,579	\$ 2,333	\$ 10,590

Weighted average number of common shares outstanding - basic and diluted		10,001		10,055		10,078		10,140		10,069
Net income per common share – basic and diluted:										
Income from continuing operations	\$.30	\$.25	\$.25	\$.21	\$	1.01(F)
Income from discontinued operations		.01		-		.01		.02		.04(F)
Net income	\$.31	\$.25	\$.26	\$.23	\$	1.05(F)

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NOTE 15 - QUARTERLY FINANCIAL DATA (Continued)

(D) Adds back revenues from a property which was presented as held for sale at December 31, 2007. At June 30, 2008, the operations of this property was reclassified to continuing operations.

(E) Amounts have been adjusted to give effect to the Company's discontinued operations in accordance with Statement No. 144.

(F) Calculated on weighted average shares outstanding for the year.

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ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES

Schedule III - Consolidated Real Estate and Accumulated Depreciation
December 31, 2008
(Amounts in Thousands)

	Initial Cost To Company	Encumbrances and	Cost Capitalized Subsequent to Acquisition	Building Improvements	Land	Improvements	Gross Amount at Which Carried at December 31, 2008 Buildings and Total	Accumulated Depreciation	Date of Construction	Date Acquired	Life on Which Depreciation in Latest Income Statement is Computed (Years)
Free Standing											
Retail											
Locations:											
10 Properties –											
Note 1	\$ 2,860	\$ 19,929	\$ 29,720	\$ -	\$ 19,929	\$ 29,720	\$ 49,649	\$ 749	Various	Various	40
11 Properties –											
Note 2	25,399	10,286	45,414	-	10,286	45,414	55,700	3,075	Various	04/07/06	40
Miscellaneous	78,474	33,179	114,029	1,010	33,179	115,039	148,218	19,206	Various	Various	40
Flex											
Buildings:											
Miscellaneous	11,816	2,993	15,125	683	2,993	15,808	18,801	3,089	Various	Various	40
Office											
Buildings:											
Parsippany,											
NJ	15,989	6,055	23,300	-	6,055	23,300	29,355	1,917	1997	09/16/05	40
Miscellaneous	16,235	3,537	13,688	2,524	3,537	16,212	19,749	2,901	Various	Various	40
Apartment											
Building:											
Miscellaneous	4,223	1,110	4,439	-	1,110	4,439	5,549	2,347	1910	06/14/94	27.5
Industrial:											
Baltimore,											
MD - Note 3	23,000	6,474	25,282	-	6,474	25,282	31,756	1,291	1960	12/20/06	40
Miscellaneous	31,937	9,749	40,828	779	9,749	41,607	51,356	5,749	Various	Various	40
Theater:											

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Miscellaneous	6,060	-	8,328	-	-	8,328	8,328	2,360	2000	08/10/04	15.6
Health Clubs:											
Miscellaneous	9,521	2,233	8,729	2,731	2,233	11,460	13,693	2,014	Various	Various	40
Totals	\$ 225,514	\$ 95,545	\$ 328,882	\$ 7,727	\$ 95,545	\$ 336,609	\$ 432,154	\$ 44,698			

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Note 1 – These ten properties are retail office supply stores net leased to the same tenant, pursuant to separate leases. Eight of these leases contain cross default provisions. They are located in eight states (Florida, Illinois, Louisiana, North Carolina, Texas, California, Georgia and Oregon) and no individual property is greater than 5% of the Company's total assets.

Note 2 – These 11 properties are retail furniture stores covered by one master lease and one loan that is secured by crossed mortgages. They are located in six states (Georgia, Kansas, Kentucky, South Carolina, Texas and Virginia) and no individual property is greater than 5% of the Company's total assets.

Note 3 – Upon purchase of the property in December 2006, a \$416,000 rental reserve was posted for the Company's benefit, since the property was not producing sufficient rent at the time of acquisition. The Company recorded the receipt of this rental reserve as a reduction to land and building.

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ONE LIBERTY PROPERTIES, INC. AND SUBSIDIARIES

Notes to Schedule III
Consolidated Real Estate and Accumulated Depreciation(a) Reconciliation of "Real Estate and Accumulated Depreciation"
(Amounts In Thousands)

	Year Ended December 31,		
	2008	2007	2006
Investment in real estate:			
Balance, beginning of year	\$ 380,270	\$ 380,111	\$ 280,047
Addition: Land, buildings and improvements	59,015	576	112,462
Deductions:			
Cost of properties sold	(1,148)	(1)	(12,398)
Impairment charge (c)	(5,983)	-	-
Rental reserve received (see Note 3 above)	-	(416)	-
Balance, end of year	\$ 432,154	\$ 380,270	\$ 380,111
Accumulated depreciation:			
Balance, beginning of year	\$ 36,228	\$ 28,270	\$ 21,925
Addition: Depreciation	8,470	7,958	6,857
Deduction: Accumulated depreciation related to property sold	-	-	(512)
Balance, end of year	\$ 44,698	\$ 36,228	\$ 28,270

(b) The aggregate cost of the properties is approximately \$9,324 lower for federal income tax purposes at December 31, 2008.

(c) During the year ended December 31, 2008, the Company recorded an impairment charge totaling \$5,983.