

ONE LIBERTY PROPERTIES INC  
Form DEF 14A  
April 23, 2019  
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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**  
Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

**One Liberty Properties, Inc.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

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**ONE LIBERTY PROPERTIES, INC.**

**60 Cutter Mill Road**

**Great Neck, New York 11021**

**(516) 466-3100**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**June 13, 2019**

The annual meeting of stockholders of One Liberty Properties, Inc. will be held at our offices, located at 60 Cutter Mill Road, Suite 303, Great Neck, NY, on Thursday, June 13, 2019 at 9:30 a.m., local time, to consider and vote on the following matters:

1. The election of three directors, each to serve until the 2022 Annual Meeting of Stockholders and until his successor is duly elected and qualifies;
2. A proposal to approve the One Liberty Properties, Inc. 2019 Incentive Plan;
3. A proposal to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2019; and
4. Any other business properly brought before the meeting.

The Board of Directors recommends that you vote **FOR** the election of each of the nominees listed in the accompanying proxy statement and **FOR** proposals 2 and 3.

Holders of record of our common stock at the close of business on April 18, 2019 are entitled to notice of and to vote at the annual meeting and any adjournment thereof.

It is important that your shares be represented and voted at the meeting. To assure that your vote will be counted, please complete, date and sign the enclosed proxy card and return it in the enclosed prepaid envelope, whether or not you plan to attend the meeting. Most stockholders can also vote by telephone or via the internet. Telephone and internet voting information is provided on the accompanying proxy card. Your proxy may be revoked in the manner described in the accompanying proxy statement at any time before it has been voted at the meeting.

By Order of the Board of Directors

Mark H. Lundy, Secretary

Dated: April 23, 2019

We urge each stockholder to promptly sign and return the enclosed proxy card or use telephone or internet voting. See our questions and answers about the meeting for information about voting by telephone or internet, how to revoke a proxy, and how to vote shares in person.

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### **ONE LIBERTY PROPERTIES, INC.**

#### **PROXY STATEMENT**

##### **GENERAL**

Our board of directors, or the board, is furnishing you with this proxy statement to solicit proxies on its behalf to be voted at the 2019 annual meeting of stockholders of One Liberty Properties, Inc. The meeting will be held at our offices, 60 Cutter Mill Road, Suite 303, Great Neck, NY 11021 on Thursday, June 13, 2019 at 9:30 a.m., local time. The proxies will be voted at the meeting and may also be voted at any adjournments or postponements of the meeting.

All properly executed proxy cards, and all properly completed proxies submitted by telephone or by the internet, that are delivered pursuant to this solicitation, will be voted at the meeting in accordance with your directions, unless the proxy is revoked before the meeting.

##### **QUESTIONS AND ANSWERS ABOUT THE MEETING AND VOTING**

*What is the purpose of the annual meeting?*

At our annual meeting, stockholders will consider and vote on the following matters:

- election of three directors to hold office until the 2022 annual meeting and until their respective successors are duly elected and qualify;
- approval of the One Liberty Properties, Inc. 2019 Incentive Plan, which we refer to as the Plan or the 2019 Incentive Plan;
- ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2019; and
- such other matters as may properly come before the meeting.

*How does the Board of Directors recommend that I vote at the annual meeting?*

Our Board of Directors recommends that you vote:

- **FOR** the election of each of Jeffrey A. Gould, Matthew J. Gould and J. Robert Lovejoy, each to hold office until the 2022 annual meeting and his successor is duly elected and qualifies
- **FOR** the proposal to approve the 2019 Incentive Plan; and
- **FOR** the proposal to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2019.

The persons named as proxies will vote in their discretion on any other matter properly brought before the annual meeting.

*Who is entitled to vote?*

We are mailing this proxy statement on or about April 29, 2019 to our stockholders of record as of the close of business on April 18, 2019, which we refer to as the record date. The record date was established by our board of directors. Stockholders as of the close of business on the record date are entitled to receive notice of and to vote their shares at the meeting. Each outstanding share of common stock is entitled to one vote. As of the record date, 19,685,103 shares of our common stock were outstanding and entitled to vote at the meeting.

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### *How do I vote?*

If your shares are registered directly in your name with our transfer agent, American Stock Transfer & Trust Co., LLC, you are considered the stockholder of record with respect to those shares and the proxy card was sent directly to you by us. In that case, you may instruct the proxy holders named in the proxy card how to vote your shares of common stock in one of the following ways:

- *Vote online.* You may vote online at [www.voteproxy.com](http://www.voteproxy.com). To vote online, you must have your control number provided in the proxy card.
- *Vote by telephone.* You may vote by telephone by calling 1-800-PROXIES (1-800-776-9437). To vote by telephone, you must have the control number provided in your proxy card.
- *Vote by regular mail.* If you would like to vote by mail, please mark, sign and date your proxy card and return it promptly in the postage-paid envelope provided.
- *Vote by attending the meeting in person.*

Proxies submitted over the internet, by telephone or by mail must be received by 11:59 p.m. New York City time, on June 12, 2019. If you vote by telephone or via the internet, it is not necessary to return your proxy card.

If your shares are held in an account at a brokerage firm, bank, broker-dealer, or other similar organization, then you are the beneficial owner of shares held in street name, and a voting instruction form was forwarded to you by that organization. As a beneficial owner, you have the right to instruct that organization on how to vote the shares held in your account. You should instruct your broker or nominee how to vote your shares by following the voting instructions provided by your broker or nominee. If you wish to vote in person at the annual meeting, you must contact the broker or nominee to obtain a legal proxy from the broker or nominee.

### *How will my shares be voted?*

If you are a stockholder of record as of the close of business on the record date and you do not mark any selections but return the signed proxy card, your shares will be voted by the proxies named on the proxy card in favor of the three nominees for election as directors, in favor of the proposal to approve the 2019 Incentive Plan and in favor of the proposal to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2019. If you are a stockholder of record as of the close of business on the record date and you return the signed proxy card, the proxy holders may vote in their discretion with respect to any other matters that properly come before the meeting. If any nominee named in this Proxy Statement is unwilling or unable to serve as a director, our Board may nominate another individual for election as a director at the Annual Meeting, and the persons named as proxy holders will vote for the election of any substitute nominee.

If you are a stockholder of record as of the close of business on the record date and you wish to name as a proxy someone other than the proxies named on the proxy card, you may do so by crossing out the name of the designated proxies and inserting the name of another person. In that case, it will be necessary to sign the proxy card and deliver it to the person so named and for the person so named to be present at and vote at the meeting with the properly executed and marked proxy card. Proxy cards so marked should **not** be mailed to us or to American Stock Transfer and Trust Company, LLC.

If your shares are held in street name and a voting instruction form was forwarded to you by your brokerage firm, bank, broker-dealer, or other similar organization, then, under NYSE rules and Maryland law:

- *With respect to Proposal No. 1 (Election of Directors)*, your broker, bank or other nominee is not entitled to vote your shares if no instructions are received from you. Broker non-votes, if any, will have the result of a vote *against* the election of each of the nominees.

- *With respect to Proposal No. 2 (Approval of 2019 Incentive Plan)*, your broker, bank or other nominee is not entitled to vote your shares if no instructions are received from you. Broker non-votes, if any, will have no effect on the proposal to approve the 2019 Incentive Plan.



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- *With respect to Proposal No. 3 (Ratification of Independent Registered Public Accounting Firm),*  
your broker is entitled to vote your shares if no instructions are received from you.

*Who will count the vote?*

A representative of our transfer agent, American Stock Transfer and Trust Company, LLC, will tabulate the votes and act as inspector of elections.

*Can I revoke my proxy before it is exercised?*

If you hold stock directly in your name, you can revoke your proxy at any time before it is voted at the annual meeting by filing a written revocation with our Secretary, or delivering to American Stock Transfer and Trust Company, LLC a properly executed proxy bearing a later date. You may also revoke your proxy with a timely and valid later telephone or Internet vote or by attending the meeting and voting in person. If not so revoked, the shares represented by such proxy will be voted.

If your shares are held in the name of a broker, bank or other nominee, you must contact such nominee and comply with the nominee's procedures if you want to revoke or change the instructions that you previously provided to the nominee. Attendance at the meeting will not by itself automatically revoke a previously granted proxy.

*What constitutes a quorum?*

A quorum is the presence in person or by proxy of stockholders holding a majority of shares entitled to vote at the meeting. To constitute a quorum, at least 9,842,552 shares must be present in person or by proxy at the meeting. Generally, action cannot be taken at the meeting unless a quorum is present.

Abstentions and brokers non-votes will be considered present for the purpose of determining the presence of a quorum.

*Is my vote important?*

Yes. Under applicable rules, brokers, banks and other nominees are prohibited from voting shares held in street name on matters pertaining to the election of directors or the approval of the 2019 Incentive Plan unless the client specifically instructs his or her nominee to vote their shares. Shares held in street name and for which voting instructions are not provided and accordingly, as to which bank, brokers and other nominees do not have discretionary authority to vote on their clients' behalf, are referred to broker non-votes. Because broker non-votes will have the effect of a vote against the election of the nominees identified herein as standing for election and against the approval of the 2019 Incentive Plan, it is very important that you vote your shares.

*How many votes does it take to approve the items to be voted upon?*

The affirmative vote of a majority of the outstanding shares is required for the election of each nominee for director. Accordingly, abstentions and broker non-votes will have the effect of the vote against the election of such nominee.

The affirmative vote of a majority of the votes cast on the proposal to approve the Plan is required for its approval. Abstentions will have the effect of a vote against the Plan, but broker non-votes will not have any impact on such proposal.

The affirmative vote of a majority of all of the votes cast on the proposal is required for approval of the proposal to ratify the selection of Ernst & Young LLP. Abstentions will not be counted as votes cast and will not have any impact

on such proposal. Brokers, banks and other nominees are not prohibited from voting shares held in street name in their discretion on this proposal, and we do not expect to receive any broker non-votes on this proposal.

*Who is soliciting my vote and who pays the cost?*

Our board of directors is soliciting proxies for the meeting and we will pay the entire cost of the solicitation, including preparing and mailing this proxy statement. In addition to the solicitation of proxies by mail and through our and our affiliates employees, we will request banks, brokers, custodians, nominees and

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other record holders to forward copies of the proxy statement and other soliciting materials to persons for whom they hold shares and to request authority for the exercise of proxies. We will reimburse such record holders for their reasonable out-of-pocket expenses in forwarding proxies and proxy materials to stockholders. We have retained DF King for a fee of \$6,000 plus expenses and other customary charges, to aid in the solicitation of proxies from our stockholders. To the extent necessary to ensure sufficient representation at the meeting, we or our proxy solicitor may solicit the return of proxies by personal interview, mail, telephone, facsimile, internet or other means of electronic transmission. The extent to which this will be necessary depends upon how promptly proxies are returned. We urge you to send in your proxy without delay.

### *What is householding?*

Stockholders who share the same address and last name may receive only one copy of the proxy materials unless we, in the case of stockholders of record, or such stockholder's broker, bank or nominee, in the case of stockholders whose shares are held in street name, receive contrary instructions. This practice, known as householding, is designed to reduce printing and mailing costs. Stockholders desiring to discontinue householding and receive a separate copy of the proxy materials, may (1) if their shares are held in street name, notify their broker, bank or nominee or (2) if they are stockholders of record, direct a written request to: One Liberty Properties, Inc., 60 Cutter Mill Road, Suite 303, Great Neck, NY 11021, Attn: Secretary.

### *When are stockholder proposals due for the 2020 Annual Meeting?*

If a stockholder wants a proposal to be included in our proxy statement for the 2020 annual meeting of stockholders, the proposal, in writing and addressed to our Secretary, must be received by us no later than December 30, 2019. Upon timely receipt of any such proposal, we will determine whether or not to include such proposal in the proxy statement in accordance with applicable regulations governing the solicitation of proxies.

For any proposal that is not submitted for inclusion in next year's proxy statement, but is instead intended to be presented directly at the 2020 annual meeting, rules and regulations promulgated by the Securities and Exchange Commission permit us to exercise discretionary voting authority to the extent conferred by proxy if we:

- receive notice of the proposal before March 15, 2020, and advise stockholders in the proxy statement for our 2020 annual meeting of stockholders of the nature of the proposal and how management intends to vote on such matter; or
- do not receive notice of the proposal before March 15, 2020.

Notices of intention to present proposals at our 2020 annual meeting should be submitted in writing and addressed to our Secretary.

### *What other information about us is available?*

Stockholders can call (516) 466-3100 or write to us at 60 Cutter Mill Road, Suite 303, Great Neck, NY 11021, Attention: Secretary, to request a copy of our Annual Report on Form 10-K. This and other important information about us is also available on our web site which is located at [www.onelibertyproperties.com](http://www.onelibertyproperties.com). Our Annual Report to Stockholders for 2018 accompanies this proxy statement.

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### **GOVERNANCE OF THE COMPANY**

#### **General**

Pursuant to the Maryland General Corporation Law and our by-laws, as amended, our business, property and affairs are managed by or under the direction of our board of directors. Members of the board are kept informed of our business through discussions with our chief executive officer, chairman of our board and other officers, by reviewing materials provided to them and by participating in meetings of the board and its committees.

During 2018, the board held four meetings. All of the directors attended at least 75% of the total number of meetings of the board of directors and the board committees of which such director was a member. Our non-management directors meet at regularly scheduled executive sessions without management. We encourage our directors to attend the annual meeting of stockholders. Last year, all of our directors attended our annual meeting of stockholders.

#### **Leadership Structure**

The board of directors designated J. Robert Lovejoy as its Independent Lead Director. Among other things, the Lead Director presides at, and prepares the agenda for, executive sessions of the independent directors, recommends to the chairman of the board matters to be considered and materials to be reviewed by the board, participates in meetings of the committees of the board, serves as an independent point of contact for stockholders desiring to communicate with the board and performs such other duties and responsibilities as are assigned to him by a majority of the non-management directors.

Our company is led by Matthew J. Gould, chairman of our board, Fredric H. Gould, vice chairman of our board and Patrick J. Callan, Jr., president and chief executive officer. Although the board of directors has not established a policy on whether the role of the chairman and chief executive officer should be separated, the board of directors believes our current structure is the most appropriate structure at this time because it makes the best use of the abilities of these individuals.

#### **Risk Oversight**

Management is responsible for the day-to-day management of risks we face. Our board of directors has overall responsibility for overseeing risk management with a focus on the more significant risks facing us. Our audit committee oversees risk policies and processes related to our financial statements, financial reporting processes and liquidity risks, our compensation committee oversees risks relating to remuneration of our full-time officers, and our nominating and corporate governance committee oversees corporate governance risks. A portion of each quarterly meeting of the audit committee is devoted to reviewing with management, among other things, property portfolio issues which could have a material adverse impact on current or future operations or financial condition including, potential or actual impairments, if any, liquidity risks, debt covenants and maturities, lease expirations; and, as required, reviewing risks arising from related party transactions. Each audit committee meeting is generally attended by our chairman of the board, chief executive officer, and chief operating officer who are there, among other things, to respond to issues relating to tenant matters or property operations. In addition, at each meeting of the audit committee, our chief financial officer, our chief accounting officer, the accounting firm performing the internal audit function on our behalf and our independent registered public accounting firm report to the committee with respect to compliance with our internal control policies to ascertain that no failures of a significant or material nature have occurred. This process assists the audit committee in overseeing the risks related to our financial statements and the financial reporting process.

At each meeting of the board of directors, the significant risk issues reviewed by the audit committee at its most recent meeting are discussed by the Board.

Our compensation committee monitors risks associated with our compensation structure. The compensation committee believes that the compensation programs which are in place do not give rise to any risk that is reasonably likely to have a material adverse effect on us.

TABLE OF CONTENTS**Code of Business Conduct and Ethics**

We have adopted a code of business conduct and ethics that is designed to help our directors, officers, employees, agents and consultants resolve ethical issues. This code applies to all directors, officers, employees, agents and consultants, including our chief executive officer, principal financial officer, principal accounting officer or persons performing similar functions. The code covers a variety of topics, including those required by the Securities and Exchange Commission and the New York Stock Exchange. Topics covered include conflicts of interest, confidentiality of information, and compliance with laws and regulations.

During 2018, there were no amendments to the code and no waivers of the provisions of the code with respect to any of our directors, officers, employees, agents or consultants. We will post any amendments to, or waivers of, our code on our website. See *Additional Information and Notice of Internet Availability of Proxy Materials* to obtain access to, or copies of, our code of business conduct and ethics.

**Committees of the Board of Directors**

We have three standing committees: audit, compensation and nominating and corporate governance. Our board has adopted corporate governance guidelines that address the make-up and function of the board and a charter for each of these committees. The charter for each committee requires that such committee be comprised of at least three independent directors and in the case of the audit committee, also requires that at least one member of the committee qualify as a financial expert. All of the members of each committee were independent during their period of service on such committee and in the case of the audit committee, each such member was also financially literate. See *Additional Information* to obtain access to, or copies of, our corporate governance guidelines and committee charters.

The table below provides membership and meeting information for each of the standing board committees for 2018:

<u>Name</u>	<b>Audit</b>	<b>Compensation</b>	<b>Nominating and Corporate Governance</b>
Charles Biederman			
Joseph A. DeLuca			
J. Robert Lovejoy			
Louis P. Karol			Chair
Leor Siri(1)	Chair		
Eugene I. Zuriff		Chair	
Number of Meetings	5	5 (2)	2 (2)

(1) Mr. Siri served as our audit committee financial expert in 2018.

(2) Includes a joint meeting of the compensation committee and nominating and corporate governance committee.

***Audit Committee***

This committee is responsible for assisting the board in overseeing, among other things, (i) the integrity of our financial statements, (ii) our compliance with legal and regulatory requirements, (iii) the independent registered public accounting firm's qualifications and independence, (iv) the performance of the independent registered public accounting firm, (v) the performance of the accounting firm performing our internal control audit function, and (vi) the preparation of the audit committee report required by the Securities and Exchange Commission for inclusion in this proxy statement. The audit committee is also responsible for the selection and engagement of our independent registered public accounting firm, for approving the fees paid to such firm and for approving related party

transactions.

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### *Compensation Committee*

This committee recommends the base salary and annual bonus to our full-time senior executive officers and the fees to be paid to our directors, determines (or delegates, in the manner and to the extent permitted by applicable law, the determination of) all awards under our equity based incentive plans, oversees compliance with our stock ownership guidelines, and as noted earlier, monitors risks associated with our compensation structure.

### *Nominating and Corporate Governance Committee*

This committee is responsible for, among other things, recommending a slate of directors for election to the board of directors at the annual stockholders meeting, recommending committee assignments to the board of directors, identifying and recommending candidates to fill vacancies on the board of directors between annual stockholder meetings, recommending a slate of officers for election by the board of directors at the annual directors meeting, proposing, monitoring and recommending changes to our corporate governance guidelines and overseeing the evaluation of the effectiveness of our board of directors and the committees thereof.

### **Director Qualifications**

The board believes that it should be comprised of directors with complementary backgrounds, and that directors should, at a minimum, have experience which is relevant to our business or otherwise be of assistance to the board in its deliberations. Our nominating and corporate governance committee, which we refer to as the nominating committee, has not adopted a formal diversity policy in connection with the consideration of director nominations or the selection of nominees. It considers the personal and professional attributes and the experience of each director candidate to promote diversity of expertise and experience among our directors. Additionally, directors should possess the highest personal and professional ethics in order to perform their duties properly, and should be willing and able to devote the required amount of time to our business.

When considering candidates for director, the nominating committee will take into account a number of factors, including the following:

- Independence, including independence from management and pursuant to the New York Stock Exchange's director independence standards;
- Whether the candidate has relevant business experience;
- Judgment, skill, integrity and reputation;
- Financial and accounting background, to enable the nominating committee to determine whether the candidate would be suitable for audit committee membership;
- Executive compensation background, to enable the nominating committee to determine whether the candidate would be suitable for compensation committee membership; and
- The size and composition of the existing board.

The nominating committee will consider candidates for director suggested by stockholders applying the criteria for candidates described above and considering the additional information referred to below. Stockholders wishing to suggest a candidate for director should write to our Secretary and include:

- A statement that the writer is a stockholder and is proposing a candidate for consideration by the nominating committee;
- The name of and contact information of the candidate;
- A detailed statement of the candidate's business and educational experience and an explanation of the reasons why the stockholder believes the candidate is qualified for service on our board of directors;
-



Information regarding each of the factors listed above sufficient to enable the nominating committee to evaluate the candidate;

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- A statement detailing any relationship between the candidate and any of our competitors, affiliated companies or officers or directors;
- Detailed information about any relationship or understanding between the proposing stockholder and the candidate; and
- A statement that the candidate is willing to be considered and willing to serve as a director if nominated and elected.

When seeking candidates for director, the nominating committee may solicit suggestions from management, incumbent directors and others. The nominating committee or its chairman will interview a candidate if it believes the candidate might be suitable to be a director. The nominating committee may also ask the candidate to meet with management.

The nominating committee generally intends to recommend that the board nominate incumbent directors whom the committee believes will continue to make important contributions to us, inasmuch as the committee believes that the continuing service of qualified incumbents promotes stability and continuity, giving us the benefit of the familiarity and insight into our affairs that its directors have accumulated during their tenure, while contributing to the Board's ability to work as a collective body.

### **Independence of Directors**

The Board affirmatively determined that for the purposes of the corporate governance requirements of the New York Stock Exchange, each of (i) Charles Biederman, Joseph A. DeLuca, J. Robert Lovejoy, Louis P. Karol, Leor Siri and Eugene I. Zuriff, constituting 60% of our directors and (ii) the members of our audit, compensation and nominating and corporate governance committees, is independent. The Board based these determinations primarily on a review of the responses of our directors to questions regarding employment and compensation history, affiliations and family and other relationships, discussions with directors and relevant facts and circumstances provided to management of any relationships bearing on the independence of a director.

In evaluating the independence of Messrs. Biederman, Lovejoy and Karol, the Board was aware that each of such directors has agreed to invest up to \$250,000, as limited partners in a fund, which we refer to as the New Fund, in each case representing 2% of the low range of New Fund's anticipated capitalization. New Fund intends to invest in real estate properties – we have no interest in acquiring the properties that New Fund intends to acquire. The manager of New Fund is an affiliate of Gould Investors. In concluding that such directors are independent, the Board took into account, among other things, the limited voting rights associated with the limited partnership interests, that such directors do not have any management involvement in Gould Investors or New Fund, and that each such director's investment does not constitute a significant component of such director's net worth. Gould Investors is an affiliate of ours and is primarily engaged in the ownership and operation of real estate properties held for investment. See *Certain Relationships and Related Transactions*.

### **Compensation Committee Interlocks and Insider Participation**

None of the compensation committee members were ever officers or employees of our company or has had any relationship requiring disclosure by us under any paragraph of Item 404 (Transactions with Related Persons, Promoters and Certain Control Persons) of Regulation S-K.

### **Communications with Directors**

Stockholders, employees and other interested persons who want to communicate with the board, any committee of the board, or any individual director can write to:

One Liberty Properties, Inc.  
60 Cutter Mill Road  
Suite 303  
Great Neck, New York 11021  
Attention: Secretary

The Secretary will:

- Forward the communication to the director or directors to whom it is addressed;

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- Attempt to handle the inquiry directly; for example where it is a request for information about the company or it is a stock-related matter; or
- Not forward the communication if it is primarily commercial in nature or if it relates to an improper or irrelevant topic.

At each board meeting, the Secretary will present a summary of all communications received since the last meeting that were not forwarded and make those communications available to the directors on request.

In the event that a stockholder, employee or other interested person would like to communicate with our non-management directors confidentially, they may do so by sending a letter to Independent Lead Director at the address set forth above. Please note that the envelope must contain a clear notation that it is confidential.

**Compensation of Directors**

The following table sets forth the cash compensation payable in 2018 to the non-management directors for service on our board and its committees:

	<b>Board</b>	<b>Audit</b>	<b>Committee Compensation</b>	<b>Nominating</b>
Annual retainer(1)	\$ 32,000	\$ 12,000	\$ 6,000	\$ 5,000
Participation in meeting	1,000	—	—	—
Chairman's annual retainer(2)	275,625	15,000	8,500	7,000
Vice Chairman's annual retainer(2)	110,250	—	—	—
Lead director's annual retainer	25,000	—	—	—

- (1) The amounts paid for serving as the chair of the applicable committee are in addition to the annual retainer for service on such committee.

- (2) Matthew J. Gould and Fredric H. Gould, members of management, were paid the Chairman's and Vice Chairman's annual retainer, respectively. See *Executive Compensation— Compensation Discussion and Analysis — Compensation of the Chairman and Vice Chairman of the Board* and *Certain Relationships and Related Transactions*.

In addition, non-management directors are awarded shares of restricted common stock annually – the number of such shares varies from year to year. In each of 2018 and 2019, each such director was awarded 3,200 shares of restricted stock. The restricted stock vests on a cliff vesting basis five years after the grant, subject to acceleration upon the occurrence of specified events; during the vesting period, the owner is entitled to vote and receive distributions, if any, on such shares.

Our non-management directors received the following compensation for 2018:

<b>Name(1)</b>	<b>Fees Earned or Paid in Cash \$(2)</b>	<b>Stock Awards \$(3)</b>	<b>Total (\$)</b>
Charles Biederman	47,000	80,992	127,992
Joseph A. DeLuca	48,000	80,992	128,992
J. Robert Lovejoy	72,000	80,992	152,992
Louis P. Karol	48,000	80,992	128,992

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Leor Siri	63,000	80,992	143,992
Eugene I. Zuriff	62,500	80,992	143,492

- The compensation received by: (a) Matthew J. Gould, Chairman of the Board, Fredric H. Gould, Vice Chairman of the Board and Patrick J. Callan, Jr., President, Chief Executive Officer and a Director, is set forth in the Summary Compensation Table; and (b) Jeffrey A. Gould, a Senior Vice President and Director, is set forth in *Certain Relationships and Related Transactions*.
- (1)
  - (2) Includes all fees earned for services as a director, including annual retainer fees, committee and

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committee chairman fees, independent lead director fee and meeting fees of \$1,000 per board meeting. Each non-management director is entitled to reimbursement of travel and other expenses incurred in connection with attendance at board and committee meetings, which amounts are not included in this table.

- (3) Represents the aggregate grant date fair value of these restricted stock awards computed in accordance with Accounting Standards Codification Topic 718—Stock Compensation, which we refer to as ASC Topic 718. The closing price per share on January 18, 2018, the grant date, was \$25.31 – on such date, each of these directors was awarded 3,200 shares of restricted stock. These shares vest in January 2023. On January 10, 2019, each non-management director was granted 3,200 shares of restricted stock with a grant date fair value of \$25.70 per share. Such shares vest in January 2024.

The table below shows the number of outstanding shares of our unvested restricted stock and the value thereof held by each non-management director at December 31, 2018:

<b>Name(1)</b>	<b>Unvested Restricted Stock (#)</b>	<b>Market Value of Unvested Restricted Stock (\$)(2)</b>
Charles Biederman	14,200	343,924
Joseph A. DeLuca	14,200	343,924
J. Robert Lovejoy	14,200	343,924
Louis P. Karol	14,200	343,924
Leor Siri	11,700	283,374
Eugene I. Zuriff	14,200	343,924

- (1) Information regarding the outstanding restricted stock units ( RSUs ) and shares of restricted stock held by Fredric H. Gould, Patrick J. Callan, Jr. and Matthew J. Gould, our named executive officers who also serve as directors, is set forth under *Executive Compensation – Outstanding Equity Awards at Fiscal Year End*.

- (2) The closing price on the New York Stock Exchange on December 31, 2018 for a share of our common stock was \$24.22.

TABLE OF CONTENTS**STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS, DIRECTORS AND OFFICERS**

The following table sets forth, as of March 21, 2019, information 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 and nominees for election as directors, (iii) each executive officer named in the Summary Compensation Table, and (iv) all directors and executive officers as a group:

<u>Name</u>	<b>Amount of Beneficial Ownership(1)</b>	<b>Percent of Class</b>
Charles Biederman(2)	26,650	*
Patrick J. Callan, Jr.	221,460	1.1 %
Joseph A. DeLuca(3)	40,736	*
Fredric H. Gould(4)(5)	2,449,544	12.5 %
Jeffrey A. Gould(4)(6)	2,101,089	10.7 %
Matthew J. Gould(4)(7)	2,088,742	10.7 %
David W. Kalish(8)	328,154	1.7 %
Louis P. Karol	25,025	*
J. Robert Lovejoy(9)	71,380	*
Lawrence G. Ricketts, Jr.	127,424	*
Leor Siri(10)	14,900	*
Eugene I. Zuriff(11)	35,057	*
Directors and executive officers as a group (20 individuals)(4)	4,294,045	21.9 %
Gould Investors L.P.(4)(12)	1,785,976	9.1 %
BlackRock, Inc.(13)	1,324,174	6.8 %
The Vanguard Group(14)	1,583,218	8.1 %
Vanguard Specialized Funds – Vanguard REIT Index Fund(15)	692,664	3.5 %

\* Less than 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 of March 21, 2019. The percentage of beneficial ownership is based on 19,589,220 shares of common stock outstanding on March 21, 2019.
- (1) securities. In addition, a person is deemed a beneficial owner if he has the right to acquire beneficial ownership of shares within 60 days of March 21, 2019. The percentage of beneficial ownership is based on 19,589,220 shares of common stock outstanding on March 21, 2019.
  - (2) Excludes 54,433 shares owned by his spouse, as to which he disclaims any beneficial ownership interest.
  - (3) Includes shares of common stock owned by a corporation of which he is the sole shareholder. Excludes 500 shares of common stock owned by his wife as to which he disclaims beneficial ownership.
  - (4) Fredric H. Gould, Matthew J. Gould and Jeffrey A. Gould are the directors of the corporate managing partner of Gould Investors L.P., which we refer to as Gould Investors, and accordingly may be deemed to share voting and dispositive power with respect to the shares owned by Gould Investors.
  - (5) Includes 481,636 shares of common stock owned directly, 1,785,976 shares of common stock owned by Gould Investors and 181,932 shares of common stock owned by entities, pension trusts and a foundation over which he has sole or shared voting and dispositive power. Excludes 56,440 shares of common stock owned by his wife, as to which shares he disclaims beneficial ownership.





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- (6) Includes 294,852 shares of common stock owned directly, 1,785,976 shares of common stock owned by Gould Investors and 13,977 shares of common stock owned by a foundation over which he has shared voting and dispositive power. Also includes 6,284 shares of common stock owned as custodian for one of his children as to which shares he disclaims beneficial ownership.
- (7) Includes 250,599 shares of common stock owned directly, 1,785,976 shares of common stock owned by Gould Investors and 13,977 shares of common stock owned by a foundation over which he has shared voting and dispositive power. Also includes 38,190 shares of common stock owned as custodian for his children as to which shares he disclaims beneficial ownership.
- (8) Includes 154,904 shares of common stock owned directly and by his IRA and profit sharing trust, of which he is the sole beneficiary, and 173,250 shares of common stock owned by pension trusts over which he has shared voting and dispositive power. Excludes 500 shares of common stock owned by his wife, as to which shares he disclaims beneficial ownership.
- (9) Includes shares of common stock owned by his IRA. Excludes 11,458 shares of common stock owned by his wife as to which shares he disclaims beneficial ownership.
- (10) Excludes 285 shares held by his spouse, as custodian for their children, as to which shares he disclaims beneficial ownership.
- (11) Excludes 5,000 shares of common stock owned by his wife, as to which shares he disclaims beneficial ownership.
- (12) Address is 60 Cutter Mill Road, Suite 303, Great Neck, NY 11021. This stockholder is primarily engaged in the ownership and operation of real estate properties held for investment.
- (13) As of December 31, 2018, based (other than with respect to percentage ownership) on information set forth in Amendment No. 8 to Schedule 13G filed with the SEC on February 6, 2019 by this reporting person whose business address is 55 East 52<sup>nd</sup> Street, New York, NY 10055. This reporting person reported that it has sole voting power with respect to 1,288,603 shares, sole dispositive power with respect to 1,324,174 shares and that it does not share voting or dispositive power with respect to the shares it beneficially owns.
- (14) As of December 31, 2018, based (other than with respect to percentage ownership) on information set forth in Amendment No. 6 to Schedule 13G filed with the SEC on February 11, 2019 by this reporting person, whose business address is 100 Vanguard Blvd., Malvern, PA, 19355. This reporting person reported that it has sole voting power with respect to 13,464 shares, shared voting power with respect to 1,000 shares, sole dispositive power with respect to 1,569,554 shares and shared dispositive power with respect to 13,664 shares.
- (15) As of December 31, 2018, based (other than with respect to percentage ownership) on information set forth in Amendment No. 5 to Schedule 13G filed with the SEC on January 31, 2019 by this reporting person, whose business address is 100 Vanguard Blvd., Malvern, PA, 19355. This reporting person reported that it has sole voting power with respect to such shares.

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**ELECTION OF DIRECTORS**

**(Proposal 1)**

Pursuant to our by-laws, as amended, the number of our directors is determined by our board of directors. Our Board currently consists of 10 directors. The board is divided into three classes and the classes are elected on a staggered basis. Each class is elected to serve a three year term and is to be as equal in size as is possible. The terms of Jeffrey A. Gould, Matthew J. Gould and J. Robert Lovejoy expire at the 2019 annual meeting. Each of them has been recommended to the board of directors by the nominating committee for election at the annual meeting. Seven other individuals serve as directors but are not standing for election because their terms extend past the date of the annual meeting. Proxies will not be voted for a greater number of persons than the number of nominees named in the proxy statement.

It is contemplated that all the nominees will stand for election. Should any nominee become unavailable for election, all proxies (except proxies marked to the contrary) will be voted for the election of a substitute nominee recommended by the board of directors.

If any director is unable to serve his full term, the board, by majority vote of the directors then in office, may designate a substitute.

**Nominees for Election to serve until the 2022 Annual Meeting**

The following table sets forth information regarding the nominees for director to hold office until the 2022 annual meeting of stockholders:

<u><b>Name and Age</b></u>	<b>Principal Occupation For The Past Five Years and other Directorships or Significant Affiliations</b>
<p>Jeffrey A. Gould 53 Years</p>	<p>Director since 1999, Vice President from 1989 to 1999 and Senior Vice President since 1999; Since 1996, President, from 1996 through 2001, Chief Operating Officer, and since 2002, Chief Executive Officer of BRT Apartments Corp. (the successor to BRT Realty Trust), a New York Stock Exchange listed real estate investment trust; Director of BRT Apartments since 1997; Since 1996, Senior Vice President and since 2013, director of Georgetown Partners, Inc., the managing general partner of Gould Investors. Jeffrey A. Gould is the son of Fredric H. Gould and brother of Matthew J. Gould. Mr. Gould has spent his entire career in the real estate business. His principal activity for more than the past 17 years has been first as chief operating officer and then as chief executive officer of BRT Apartments. His experience in operating a public REIT and expertise in evaluating real estate acquisitions and dispositions, makes him a valued member of our board.</p>
<p>Matthew J. Gould 59 Years</p>	<p>Chairman since June 2013, Vice Chairman from 2011 through June 2013; Director since 1999; President and Chief Executive Officer from 1989 to 1999 and a Senior Vice President from 1999 through 2011; From 1996 through 2013, President, and from 2013, Chairman of the Board and Chief Executive Officer of Georgetown Partners, the</p>

managing general partner of Gould Investors; Senior Vice President of BRT Apartments since 1993 and director since 2001; Vice President of Majestic for more than the past five years. Matthew J. Gould is the son of Fredric H. Gould and brother of Jeffrey A. Gould. In addition to his general knowledge of real estate matters, he devotes a significant amount of his business time to the acquisition and sale of real property, and he brings his knowledge and expertise in these areas to his board activities. He also has experience in

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<u>Name and Age</u>	<b>Principal Occupation For The Past Five Years and other Directorships or Significant Affiliations</b>
J. Robert Lovejoy 74 Years	<p>mortgage financing and real estate management, activities in which he is frequently involved. His more than 30 years experience as a real estate executive is a valuable asset to our board of directors.</p> <p>Director since 2004 and Independent Lead Director since 2011; Founder and principal of J.R. Lovejoy &amp; Co. LLC, providing consulting and advisory services to corporate, investment and financial clients; Partner and Chief Administrative Officer of Deimos Asset Management LLC, a privately owned multi-strategy fund management company, from 2015 to 2016. Director from 2000 to 2013, Chairman from 2011 to 2013, and Interim Chief Executive Officer from 2011 to 2012 of Orient-Express Hotels Ltd., (now called Belmond Ltd.), a luxury lodging and adventure travel company; Partner, Chief Administrative Officer and General Counsel of Coatue Management LLC, a privately owned investment management company, from 2009 through 2010; Managing Director of Groton Partners, LLC, merchant bankers, from 2006 to 2009; Senior Managing Director of Ripplewood Holdings, LLC, a private equity investment firm, from 2000 to 2005; Managing Director of Lazard Freres &amp; Co. LLC and General Partner of Lazard's predecessor partnership from 1984 to 2000; Partner, and previously Associate, of Davis Polk &amp; Wardwell, law firm, from 1971 to 1984. Mr. Lovejoy, an attorney, has extensive experience in asset management and investment and merchant banking, and throughout his career has been involved in raising capital in private and public transactions, mergers and acquisitions, business law and accounting issues. His extensive experience in these areas makes him a valued member of our board of directors.</p>

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF JEFFREY A. GOULD, MATTHEW J. GOULD AND J. ROBERT LOVEJOY AS DIRECTORS.**

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**Directors to Continue in Office Until the 2020 Annual Meeting**

<b><u>Name and Age</u></b>	<b>Principal Occupation For The Past Five Years and other Directorships or Significant Affiliations</b>
Charles L. Biederman 85 Years	Director since 1989; Chairman from 2008 to 2010 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 1994 to 2007; Executive Vice President of Sunstone Hotel Investors, Inc., a real estate investment trust engaged in the ownership of hotel properties, from 1994 to 1998 and Vice Chairman of Sunstone Hotel Investors from 1998 to 1999. Mr. Biederman, a retired professional architect, was involved for many years in the development and construction of residential communities. He subsequently became involved, as an executive officer and a director, in the activities of a publicly traded real estate investment trust engaged in the ownership of hotel properties and developed, as an investor, principal and partner, residential properties and hotels. In his business activities he has been involved in all aspects of real estate ownership and operation and in real estate development, which includes financing and related financial matters. His many years of diverse business experience make him a valued member of our Board.
Patrick J. Callan, Jr. 56 Years	Director since 2002, President since 2006 and Chief Executive Officer since 2008; Senior Vice President of First Washington Realty, Inc. from 2004 to 2005; Vice President of Real Estate for Kimco Realty Corporation, a real estate investment trust, from 1998 to 2004. Mr. Callan joined us in 2002, as a director, with significant experience in commercial leasing with a publicly traded real estate investment trust and thereafter served as a senior executive officer of another real estate investment trust. His knowledge of our business and industry made him an excellent choice to become our president in 2006 and our chief executive officer in 2008.
Louis P. Karol 61 Years	Director since 2010; Partner at Moritt Hock & Hamroff LLP since 2019; for more than five years prior thereto, a partner at Karol & Sosnik, P.C. (f/k/a Karol Hausman & Sosnik, P.C.), attorneys at law, a firm he founded in 1993, which focused on estate and trust matters and tax planning. He has also represented entities and individuals in the acquisition and sale of real estate. Mr. Karol served as a Director of Grandparents.com., Inc. from 2014 through 2016 and as a member of its audit committee in 2016, and has served as a member of the advisory board of East/West Industries, Inc., a private aerospace company, since 2017. He has served on the National Commission of the Anti-Defamation League since 2015. Mr. Karol holds a master's degree in taxation from New York University School of Law and is admitted to practice in the United States Tax Court. His legal and tax expertise are

of benefit to our board in its deliberations.

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**Principal Occupation For The Past Five Years and other Directorships or Significant Affiliations**

**Name and Age**

**Directors to Continue in Office Until the 2021 Annual Meeting**

Joseph A. DeLuca  
73 Years

Director since 2004; Principal and sole shareholder of Joseph A. DeLuca, Inc., engaged in commercial and multifamily real estate debt and equity investment advisory and restructuring, since 1998; Director of Capmark Bank, a commercial and multifamily Industrial Bank real estate lender from 2011 through its successful resolution, repayment of all deposits, collection / liquidation of assets, return of shareholder (parent) capital and completion of de-banking at year end 2013; Member of Board of Managers of Wrightwood Capital LLC, a private commercial real estate lender and investment manager beginning in 2010 and continuing through June 2015, encompassing modifications to Wrightwood's financing structure, operating platform and the restructuring/monetization of its real estate assets and portfolios; Consultant to Gramercy Capital Corp. from 2008 to 2011 for restructuring /special servicing /monetization of various real estate investments; Principal of MHD Capital Partners, LLC from 2006 to 2009, an equity oriented real estate investing entity; Director of Real Estate Investments for Equitable Life Assurance Society of America under a consulting contract from 1999 to 2002; Executive Vice President /Managing Director/Group Head of the Real Estate Finance & Real Estate Investment Banking Groups for Chemical Bank from 1990 and continuing in this capacity through the 1992 merger with Manufacturers Hanover Corporation and through the 1996 merger with the Chase Manhattan Bank to 1998. He has served as a Governor of the Real Estate Board of New York and as Chairman of the Advisory Board of the NYU Real Estate Institute. He also has served as a Senior Vice Chairman of the Real Estate Roundtable in Washington, DC and is currently a member of its Real Estate Capital Policy Committee. After leaving the bank in 1998, Mr. DeLuca has been a consultant on real estate matters to various public and private entities. His years of experience in banking and the real estate industry, particularly in real estate finance matters, provides our board with a director who has exceptional knowledge and understanding of real estate finance, credit issues from both the lender's and borrower's perspectives, and investment property acquisitions and dispositions.

Fredric H. Gould  
83 Years

Vice Chairman since June 2013, Chairman from 1989 through June 2013, Chief Executive Officer from 1999 to 2001 and from 2005 to 2007; From 1997 through 2013, Chairman of Georgetown Partners, Inc., managing general partner of Gould Investors, which is primarily engaged in the ownership and operation of real estate properties held for investment; Since 1984, a director of, and from 1984 through 2013, Chairman of the Board of BRT Apartments; Vice President and sole

stockholder of Majestic for more than the past five years. Director of EastGroup Properties, Inc., a real estate investment trust engaged in the acquisition, ownership and development of



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<u>Name and Age</u>	<b>Principal Occupation For The Past Five Years and other Directorships or Significant Affiliations</b>
	<p>industrial properties, since 1998. Fredric H. Gould is the father of Jeffrey A. Gould and Matthew J. Gould. Mr. Fredric H. Gould has been involved in the real estate business for over 50 years, as an investor and owner, and as the chief executive officer of publicly traded real estate entities and real estate investment trusts. He has also served as a director of four real estate investment trusts, including serving as Chairman of the Board of our company, and as a Director and a member of the loan committee of two savings and loan associations. His knowledge and experience in business, finance, tax, accounting and legal matters and his knowledge of our business and history makes him an important member of our board of directors.</p>
<p>Leor Siri 46 Years</p>	<p>Director since 2014; Since 2014, Chief Financial Officer and a member of the Management Committee of Silverstein Properties, Inc.; Chief Financial Officer of Ian Schrager Company from 2013 to 2014; Chief Financial Officer and member of the Executive Investment Committee of Seavest Inc., from 2011 to 2013; Chief Accounting Officer, Treasurer and Director of Elad Group, Ltd. From 2006 to 2011; from 1996 to 2006, served in various capacities (including senior manager) at Ernst &amp; Young LLP. Mr. Siri is a certified public accountant. His experience as chief financial officer of businesses engaged in the real estate industry adds an informed voice to our board and audit committee.</p>
<p>Eugene I. Zuriff 79 Years</p>	<p>Director since 2005; Consultant to the restaurant industry since 2010; Vice Chairman of PBS Real Estate LLC, real estate brokers, from 2008 through 2010; President of The Smith &amp; Wollensky Restaurant Group, Inc., a developer, owner and operator of a diversified portfolio of white tablecloth restaurants in the United States, from 2004 to 2007; Consultant to The Smith &amp; Wollensky Restaurant Group, Inc., from 1997 to 2004 and a Director of The Smith &amp; Wollensky Restaurant Group, Inc., from 1997 to 2007; Director of Israel Discount Bank of New York since 2014 and a member of its corporate compliance committee from 2014 through 2017; Director of Doral Federal Savings Bank from 2001 to 2007 and Chairman of its audit committee from 2001 to 2003. Mr. Zuriff's experience as President and a Director of a publicly traded entity, as a director and committee member of various banks, provide him with knowledge and experience that is important to our board in its deliberations.</p>

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### **ONE LIBERTY PROPERTIES, INC. 2019 INCENTIVE PLAN (PROPOSAL 2)**

#### **Highlights of the Plan**

Set forth below are some of the highlights of the Plan:

- Options, restricted stock, restricted stock units, dividend equivalent rights and performance based awards may be granted;
- A non-management director may not be granted awards with respect to more than 10,000 shares in any year;
- Non-qualified options may not be granted at an exercise price per share that is less than 100% of the fair market value per share on the date of the grant;
- Participants may not be granted more than 100,000 shares in any year pursuant to each type of award other than with respect to stock options as to which no more than 50,000 shares may be granted in each year; Without stockholder approval, we will not (i) reprice, replace or regrant, an outstanding option either in connection with the cancellation of such option or by amending an award agreement to lower the exercise price of such option, (ii) cancel outstanding options in exchange for cash or other awards; and (iii) except as otherwise provided for in the Plan, repurchase outstanding unvested restricted stock or unvested RSUs in exchange for cash or accelerate the vesting of outstanding unvested shares of restricted stock or RSUs.

#### **General**

The Board has approved, subject to stockholder approval, the adoption of the One Liberty Properties, Inc. 2019 Incentive Plan.

The Board believes that granting equity based compensation is an important component of our compensation structure. The purpose of the Plan is to motivate, retain and attract employees, officers and directors of experience and ability and to further the financial success of our company by aligning the interests of participants in the Plan, through the ownership of shares of common stock, with the interests of our stockholders.

As of the close of business on the record date, an aggregate of 841,650 shares of restricted stock and shares subject to RSUs (*i.e.*, 689,150 shares of restricted stock and 152,500 shares subject to RSUs) issued pursuant to all of our equity incentive plans are outstanding. The outstanding restricted stock vests annually in approximately equal amounts from 2020 through 2024 and, subject to satisfaction of performance and market based conditions, 50% of the shares subject to RSUs vest in each of 2020 and 2021. See *Executive Compensation – Outstanding Equity Awards at Fiscal Year End*. There are 162,900 shares available to be awarded pursuant to our 2016 Incentive Plan, which we refer to as the 2016 Plan, and we propose the adoption of the Plan pursuant to which up to 750,000 shares may be awarded. If stockholders adopt the Plan, no further awards will be made under the 2016 Plan. Generally, the awards granted each year have represented less than 1% of our outstanding shares at the time of grant.

The following summary of major features of the Plan is qualified in its entirety by reference to the actual text of the Plan, set forth as Annex A.

#### **Shares Subject to the Plan**

The total number of shares available for grant under the Plan will not exceed 750,000 shares. The Plan authorizes the discretionary grant of (i) incentive stock options intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended, which we refer to as the Code, (ii) non-qualified stock options, (iii) restricted stock, (iv) restricted stock units, (v) dividend equivalent rights and (vi) performance-based awards. The shares available for issuance under the Plan will be authorized but unissued common shares. Shares related to awards that are forfeited,

cancelled, terminated or expire unexercised will be available for grant under the Plan. Neither shares tendered by a participant to pay the

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exercise price of an award, nor any shares withheld by us for taxes, will be available for future grants under the Plan. In the event of a stock dividend or stock split affecting our shares, the number of shares issuable and issued under the Plan and the number of shares covered by and the exercise price and other terms of outstanding awards will be adjusted to reflect such event to prevent dilution or diminution of awards.

### **Administration of the Plan**

The Plan will be administered by our compensation committee which, to the extent deemed necessary by the Board, will consist of two or more persons who satisfy the requirements for a non-employee director under Rule 16(b) under the Exchange Act. The compensation committee has authority to administer and construe the Plan in accordance with its provisions, including the power to (a) determine persons eligible for awards, (b) prescribe the terms and conditions of awards granted under the Plan, (c) adopt rules for the administration, interpretation and application of the Plan which are consistent with the Plan and (d) establish, interpret, amend or revoke any such rules. A non-management director may not be granted awards with respect to more than 10,000 shares in any calendar year.

### **Options**

Stock options entitle the holder to purchase a specified number of shares at a specified exercise price subject to the terms and conditions of the option grant. The purchase price per share for each incentive stock option is determined by the compensation committee, but must be at least 100% of the fair market value per share on the date of grant. The aggregate fair market value of shares with respect to which incentive stock options are exercisable for the first time by an individual during any calendar year cannot exceed \$100,000. To the extent that the fair market value of shares with respect to which incentive stock options become exercisable for the first time during any calendar year exceeds \$100,000, the portion in excess of \$100,000 will be treated as a non-qualified option. Options granted under the Plan may be exercisable for a term up to ten years. If a participant owns more than 10% of the total voting power of all classes of our shares at the time the participant is granted an incentive stock option, the option price per share cannot be less than 110% of the fair market value per share on the date of grant and the term of the option cannot exceed five years.

The closing price of a share of our common stock on the New York Stock Exchange on April 17, 2019 was \$26.71.

### **Restricted Stock and RSUs**

Restricted stock are shares that may not be sold, transferred, gifted, bequeathed, pledged, assigned or otherwise disposed of until the end of a specified restriction period. Restricted stock units or RSUs represent the right, upon satisfaction of specified conditions, to receive shares and are subject to the same restrictions on transferability applicable to restricted stock. RSUs and shares of restricted stock will be issued at the beginning of the restriction period and the compensation committee shall set restrictions and other conditions applicable to the vesting of such award, including restrictions based on the achievement of specific performance goals, time based restrictions or any other basis determined by the compensation committee.

Generally, recipients of restricted stock have the right to vote such shares and to receive and retain cash dividends and other distributions, if any, paid thereon, even if such restricted stock is later forfeited. Recipients of RSUs are not entitled to dividends (except to the extent a dividend equivalent right is granted in tandem with an RSU) or vote with respect to the underlying shares until such units vest. Recipients of these awards will not be entitled to delivery of the stock certificate (or its equivalent) representing the shares until the applicable restrictions have been satisfied. The Plan provides that except as otherwise determined by the compensation committee, RSUs and shares of restricted stock for which the vesting and other applicable conditions have not been met will be forfeited upon the death, disability or retirement of such participant; it is anticipated that to the extent permitted by law, the compensation

committee will, as it has in the past, provide that (i) shares of restricted stock vest upon such occurrence and (ii) with respect to RSUs, subject to the satisfaction of the applicable market and/or performance conditions, a *pro-rata* portion (based on the time elapsed between the grant and the triggering event) of the RSUs will vest. See *Executive Compensation – Components of Executive Compensation – Employment and Severance Agreements; Post-Employment Benefits; Change of Control*.

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Generally, restricted stock or RSUs that do not vest as provided in the applicable award agreement will be forfeited and the recipient of such award will not have any rights after such forfeiture with respect to such award other than to retain dividends paid prior thereto.

### **Dividend Equivalent Rights**

The Plan allows the compensation committee to grant dividend equivalents rights in tandem with the grant of RSUs and performance based awards (other than restricted stock and options). These rights entitle the holder to receive an amount of cash equal to the cash distributions that would have been paid on shares underlying the award to which such right relates, as if such shares were outstanding during the period beginning with the grant date (or if otherwise determined by the compensation committee, the beginning of the performance cycle) of the award to which such dividend equivalent right relates through the vesting date (or if otherwise determined by the compensation committee, the conclusion of the performance cycle) of such award. Dividend equivalents rights will only vest to the extent the related award vests.

### **Performance Based Awards**

Performance based awards will be made by the issuance of restricted stock units or other awards, or a combination thereof, contingent upon the attainment, as established by the compensation committee, of one or more performance goals (described below) over a specified period. The maximum number of shares with respect to which a participant may be granted performance based awards in any calendar year is 100,000 shares.

The terms and conditions of a performance based award will provide for the vesting of the award to be contingent upon the achievement of one or more specified performance goals that the compensation committee establishes. For this purpose, performance goals means for a performance cycle, the specific goals that the compensation committee establishes that may be based on one or more of the following performance criteria:

- pre-tax income,
- after-tax income,
- net income (meaning net income as reflected in our financial reports for the applicable period),
- operating income (including net operating income),
- any one or more of cash flow, cash flow from operations, and free cash flow,
- return on any one or more of equity, capital, invested capital and assets,
- funds available for distribution,
- occupancy rate at any one or more of our properties,
- total stockholder return,
- funds from operations ( FFO ), as computed in accordance with standards established by the National Association of Real Estate Investment Trusts Inc.,
- adjusted FFO (i.e., adjusting FFO to give effect to any one or more of the following: straight-line rent, amortization of lease tangibles, lease termination fee income, amortization of restricted stock or other non-cash compensation expense, amortization and/or write-off of deferred financing costs, deferred mortgage and debt prepayment costs),
- revenues,
- assets,
- earnings before any one or more of the following items: interest, taxes, impairment charges, depreciation or amortization for the applicable period, as reflected in our financial reports for the applicable period,
- reduction in expense levels,

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- strategic business criteria consisting of one or more objectives based on meeting specified revenue, market share, market penetration, geographic business expansion goals, objectively identified project milestones, cost targets and goals relating to acquisition or divestitures,
- achievement of business or operational goals such as market share and/or business development; and
- such other metrics or criteria as the Committee may establish or select.

The performance goals need not be the same with respect to all participants and may be established for the Company in the aggregate or on a per share basis (whether diluted or undiluted), may be based on an absolute or relative basis, may be based on our performance compared to the performance of businesses or indices specified by the compensation committee, may be compared to any prior period, may be based on a company-wide basis or in respect of any one or more business units, may be adjusted for non-controlling interests, and any one or more of the foregoing.

### **Amendment and Termination of the Plan**

No awards may be made under the Plan on or after the tenth anniversary of the Plan's effective date. Our Board may amend, suspend or terminate the Plan at any time for any reason provided that no amendment, suspension or termination may impair rights or obligations under any outstanding award without the participant's consent or violate the Plan's prohibition on repricing (*i.e.*, the replacing or regranteeing of an option in connection with the cancellation of the option or by amending an award agreement to lower the exercise price of an option or the cancellation of any award in exchange for cash). The stockholders must approve any amendment: (i) if such approval is required under applicable law or stock exchange requirements; or (ii) that changes the no-repricing provisions of the Plan.

### **Clawbacks; Compliance with Laws; Compliance with REIT Requirements**

The grant of awards and the issuance of shares under the Plan is subject to all applicable laws, rules and regulations, approvals by governmental and quasi-governmental authorities and the applicable provisions of any claw-back policy implemented by us, whether implemented prior to or after the grant of such award.

If a recipient's relationship with us is terminated for cause (*e.g.*, insubordination, dishonesty, incompetence, moral turpitude, the refusal to perform such person's duties and responsibilities and other misconduct, as determined by the compensation committee), then (i) all options (except to the extent exercised) immediately terminate and (ii) the recipient's rights to all restricted stock, RSUs and performance share awards (except to the extent such awards have vested) are forfeited immediately.

Awards are not exercisable if such award or its exercise could cause the participant to be in violation of any restrictions on ownership and transfer of our securities, or if, in the discretion of the Committee, such award could otherwise impair our status as a real estate investment trust under the Code.

### **Change in Control**

Awards granted under the Plan that are outstanding and not then exercisable or subject to restrictions at the time of a change in control (as described below and in the Plan) become immediately exercisable and all restrictions are removed effective as of such change in control, except as otherwise provided in the award agreement. Our RSUs limit the vesting of such awards upon a change of control. See *Executive Compensation – Compensation Discussion and Analysis – Employment and Severance Agreements; Post-Employment Benefits; Change of Control*. The Plan defines a change in control as follows:

(a) the acquisition (other than from us) in one or more transactions by any person (as defined in Section 13(d) of the Exchange Act) of the beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of 25% or

more of the outstanding shares or the combined voting power of the then outstanding securities entitled to vote in the election of directors (provided that this provision is not applicable to acquisitions made individually, or as a group, by Fredric H. Gould, Matthew J. Gould and Jeffrey A. Gould and their respective spouses, lineal descendants and affiliates);

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(b) individuals who, at the date of the award, constitute our board (the Incumbent Board), cease for any reason to constitute at least a majority of the board; *provided, however*, that an individual becoming a director subsequent to the date of an award whose election or nomination for election was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individuals were a member of the Incumbent Board, but excluding any individual whose initial assumption of office occurs as a result either of an actual or threatened election contest or other actual or threatened solicitation of proxies or consent by and behalf of a person other than the Incumbent Board;

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

(d) the effective time of any merger or other business combination involving us if immediately after such transactions persons who hold a majority of outstanding voting securities entitled to vote generally in the election of the directors of the surviving entity are not persons who, immediately prior to such transaction, held our voting stock.

### **Federal Income Tax Consequences**

The federal tax rules applicable to awards under the Plan under the Code are summarized below. This summary omits the tax laws of any municipality, state, or foreign country in which a participant resides.

Stock option grants under the Plan may be intended to qualify as incentive stock options under Section 422 of the Code or may be non-qualified stock options governed by Section 83 of the Code. Generally, federal income tax is not due from a participant upon the grant of a stock option, and a deduction is not taken by us. Under current tax laws, if a participant exercises a non-qualified stock option, he or she will have taxable income equal to the difference between the market price of the common shares on the exercise date and the stock option grant price. We are entitled to a corresponding deduction on our income tax return. A participant will not have any taxable income upon exercising an incentive stock option after the applicable holding periods have been satisfied (except that the alternative minimum tax may apply), and we will not receive a deduction when an incentive stock option is exercised. The treatment of a disposition of shares acquired through the exercise of a stock option depends on how long the shares were held and whether the shares were acquired by exercising an incentive stock option or a non-qualified stock option. We may be entitled to a deduction in the case of a disposition of shares acquired under an incentive stock option before the applicable holding periods have been satisfied.

Generally, taxes are not due from the participant or owed by us when a grant of restricted stock, RSUs or performance based awards is initially made (unless the recipient of a restricted stock award makes election under Section 83(b) of the Code in which case it is taxed at the time of grant), but the award becomes taxable when it is no longer subject to a substantial risk of forfeiture (*i.e.*, it becomes vested or transferable), in the case of restricted stock, or when shares are issuable in connection with vesting, in the case of an RSU or performance based award. Except with respect to awards for which a Section 83(b) election is made, income tax is paid on the value of the stock units or awards at ordinary rates when the restrictions lapse, and then at capital gain rates when the shares are sold. Generally, we will be entitled to a deduction equal to the amount of ordinary income recognized by the participant at the time the participant recognizes such income for tax purposes.

The grant of dividend equivalents rights generally will have no federal income tax consequences for the participant. Generally, the participant will recognize ordinary income and/or capital gain, depending on the characterization of such distribution as ordinary income and/or capital gain, on the amount distributed to the participant pursuant to such dividend equivalent rights. Generally, we will be entitled to a dividend paid deduction equal to the amount of ordinary income and/or capital gain recognized by the participant at the time the participant recognizes such income for tax purposes.

Section 409A of the Code affects taxation of awards to employees but does not affect our ability to deduct deferred compensation. Section 409A applies to RSUs, performance units, and performance shares. Such grants are taxed at vesting but will be subject to new limits on plan terms governing when vesting may occur. If grants under such plans do not allow employees to elect further deferral on vesting or on distribution, under the regulations, a negative impact should not attach to the grants.

Section 409A of the Code does not apply to incentive stock options, non-qualified stock options (that are not discounted), and restricted stock, provided that there is no deferral of income beyond the vesting date.

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See *Executive Compensation – Deductibility of Executive Compensation* for information regarding Section 162(m) of the Code.

**New Plan Benefits Table**

We have not determined the type, amount or recipients of awards under the 2019 Plan. Accordingly, we provide the following table which reflects the awards granted in 2018 pursuant to the 2016 Plan to the persons and groups indicated as if such grants were made pursuant to the 2019 Plan. These awards were in the form of restricted stock that vest on a cliff-vesting basis five years after grant and RSUs that generally vest, subject to satisfaction of market and/or performance conditions, on a cliff-vesting basis three years after grant. (The table assumes that of the performance and market conditions with respect to the RSUs will vest at the maximum level and accordingly, reflects the maximum number of shares that may be issued. No assurance can be given that such levels will be achieved or that such awards will be earned.) See *Executive Compensation – Grant of Plan Based Awards During 2018* for additional information regarding the equity awards granted in 2018.

<b><u>Name and Position</u></b>	<b>Dollar Value<sup>(1)</sup></b>	<b>Number of Units</b>
Patrick J. Callan, Jr. President and Chief Executive Officer	823,480	34,000(2 )
Lawrence Ricketts Chief Operating Officer and Executive Vice President	656,362	27,100(3 )
David W. Kalish Chief Financial Officer and Senior Vice President	351,190	14,500(4 )
Matthew J. Gould Chairman of the Board	356,034	14,700(5 )
Fredric H. Gould Vice Chairman of the Board	356,034	14,700(5 )
Executive group (14 individuals)	4,346,231	179,448(6 )
Non-executive director group (6 individuals)	465,024	19,200(7 )
Non-executive officer and employee group (36 individuals)	541,365	22,352(8 )

(1) Reflects the number of units multiplied by \$24.22, the closing price of our common stock on December 31, 2018.

(2) Represents 20,250 shares of restricted stock and 13,750 shares subject to RSUs.

(3) Represents 16,100 shares of restricted stock and 11,000 shares subject to RSUs.

(4) Represents 9,950 shares of restricted stock and 4,550 shares subject to RSUs.

(5) Represents 9,950 shares of restricted stock and 4,750 shares subject to RSUs.

(6) Includes the units of the officers identified above. Represents 110,700 shares of restricted stock and 68,748 shares subject to RSUs.

(7) Represents shares of restricted stock.

(8) Represents 14,850 shares of restricted stock and 7,502 shares subject to RSUs.

**THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE IN FAVOR OF THE PROPOSAL TO ADOPT THE ONE LIBERTY PROPERTIES, INC. 2019 INCENTIVE PLAN. PROXIES SOLICITED BY THE BOARD WILL BE VOTED IN FAVOR OF THE PROPOSAL UNLESS STOCKHOLDERS SPECIFY OTHERWISE.**

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### EXECUTIVE COMPENSATION

#### Highlights

The following are highlights of our compensation practices - we encourage you to read the more detailed information set forth herein:

- all of our executive officers are employees at will—none of our officers have employment agreements; there are no severance or similar arrangements for our executive officers, other than accelerated vesting of shares of restricted stock and RSUs upon the occurrence of specified events (*e.g.*, death, disability, retirement or change of control);
- there are no excise tax gross ups or similar arrangements for our executive officers; Only 35.9% of the RSUs awarded to our executive officers in 2017 and 2018 would have vested as of December 31, 2018 (assuming the measurement and vesting date was December 31, 2018 and giving effect to related adjustments), demonstrating the rigorous performance and market conditions established for our equity incentive awards;
- long-term equity (*i.e.*, the grant date fair value of the restricted stock awarded in 2019 for 2018 performance) and equity incentive awards (*i.e.*, the grant date fair value of RSUs awarded in 2018; the long-term equity and equity incentive awards referred to collectively as the 2018 Equity Awards ), accounted for 89.7% and 90.1% of the performance/incentive based component of compensation awarded to Messrs. Callan and Ricketts, respectively, in 2018;
- Equity Awards, as a percentage of base annual compensation (*i.e.*, salary, cash bonus and the grant date fair value of the Equity Awards), increased for (i) Mr. Callan from 44.3% for 2017 to 45.5% for 2018 and (ii) Mr. Ricketts from 52.1% for 2017 to 52.4% for 2018;
- our compensation committee is comprised entirely of independent directors and it oversees risks with respect to our compensation practices;
- the shares of restricted stock awarded to our executive officers generally vest, assuming continued service, approximately five years after the grant date on a cliff vesting basis;
- we are entitled to clawback compensation as more fully described under – *Components of Executive Compensation – Clawbacks* ; and

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2. In the course of carrying out a fixed assets transaction, if the sum of the estimated value of the fixed assets proposed to be transacted and the value derived from the fixed assets which have been transacted within four months prior to such transaction proposal are greater than 33% of the value of the fixed assets as shown in the balance sheets considered at the latest shareholders' general meeting, a shareholders' general meeting shall examine and approve such transaction. A fixed assets transaction which disposes of fixed assets at a value not greater than 33% shall be examined and approved by the board of directors.

For the purposes of these Rules, the term "transaction" of fixed assets includes transfer of certain interests in the assets but excludes using fixed assets for the provision of guarantee. The validity of any fixed assets transaction undertaken by the Company shall not be affected by any breach of the first paragraph of this article.

3. Any significant acquisition or disposal of material assets conducted by the Company within the period of one year with a value exceeding 30% of the latest audited total assets of the Company shall be subject to the approval by shareholders at general meetings, and the board of directors shall be authorized to consider and approve any acquisition or disposal of assets conducted by the Company within the period of one year with a value below 30% of the latest audited total assets of the Company.

- (3) The following matters relating to guarantees provided by the Company to a third party shall be subject to the approval by shareholders at general meetings:

1. any subsequent guarantee to be provided by the Company in favor of a third party when the aggregate amount of guarantees of the Company and its holding subsidiaries given in favor of third parties has already exceeded 50% of the Company's most recently audited net asset value;
2. any subsequent guarantee to be provided by the Company in favor of a third party, when the aggregate amount of guarantees of the Company given in favor of third parties has reached or has already exceeded 30% of the Company's most recently audited total asset value;
3. any guarantee to be provided by the Company in favor of an entity which is subject to a gearing ratio of over 70%;
4. any single guarantee to be provided by the Company exceeding 10% of the Company's most recently audited net asset value;
5. any guarantees to be provided in favor of any shareholder, de facto controllers and their connected parties.

For guarantees provided by the Company to a third party which are not subject to the approval by shareholders at general meetings, the board of directors shall be authorized to consider and

approve these guarantees in accordance with the Rules of Procedure for Board of Directors Meetings.

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- (4) In the event that any of the above investment, transaction or asset transaction constitutes a connected transaction according to the regulatory requirements of the listing venue, such matter shall be handled according to relevant regulatory requirements.

7.3.5 It was provided in the original Article 29 of the Rules of Procedure for the Shareholders' General Meetings: The notice of the shareholders' general meeting shall meet the following requirements:

- (1) be made in writing;
- (2) specify the place, date and time for the meeting;
- (3) set out the matters to be considered in the meeting and disclose, in full, the content of all the motions being proposed. If it is necessary to change any resolutions of the preceding shareholders' general meeting, the content of the motion proposed related thereto shall be complete, and not merely list out the content of the changes; for any matter which is incorporated in any other business but the content of which has not been specified, it shall not be treated as a motion and no voting shall be conducted in respect of such matter at the shareholders' general meeting;
- (4) provide the shareholders such information and explanation as necessary for them to make informed decisions in connection with the matters to be discussed; this principle includes (but is not limited to) where the Company proposes to merge with the other, repurchase its shares, restructuring its share capital or undergo other reorganization, the specific terms and conditions of the proposed transactions must be provided in detail together with copies of the contracts related thereto, if any, and the causes and effect of the same must be properly explained;
- (5) contain a disclosure of the nature and extent of the material interests of any director, supervisor, general manager or other officer in the proposed transaction and the effect which the proposed transaction will have on them in their capacity as shareholders insofar as it is different from the effect on interests of shareholders of the same class;
- (6) contain the full text of any special resolution to be proposed and approved at the meeting;
- (7) contain a clear statement that a shareholder who has the right to attend and vote at the meeting shall have the right to appoint one or more than one proxies to attend and vote at the meeting on its behalf and that such proxies need not be shareholders;
- (8) state the shareholding record date for shareholders who have the right to attend the shareholders' general meeting;
- (9) state the date and place to serve a proxy form to appoint a proxy to vote in the meeting;

(10) state the name and contact numbers of the contact persons in connection with the meeting.



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It is hereby proposed to be amended as follows:

The notice of the shareholders' general meeting shall meet the following requirements:

- (1) be made in writing;
- (2) specify the place, date and time for the meeting;
- (3) set out the matters to be considered in the meeting and disclose, in full, the content of all the motions being proposed. If it is necessary to change any resolutions of the preceding shareholders' general meeting, the content of the motion proposed related thereto shall be complete, and not merely list out the content of the changes; for any matter which is incorporated in any other business but the content of which has not been specified, it shall not be treated as a motion and no voting shall be conducted in respect of such matter at the shareholders' general meeting;
- (4) provide the shareholders such information and explanation as necessary for them to make informed decisions in connection with the matters to be discussed; this principle includes (but is not limited to) where the Company proposes to merge with the other, repurchase its shares, restructuring its share capital or undergo other reorganization, the specific terms and conditions of the proposed transactions must be provided in detail together with copies of the contracts related thereto, if any, and the causes and effect of the same must be properly explained;
- (5) if matters relating to election of directors and supervisors are proposed to be discussed at a general meeting of shareholders, detailed information concerning the candidates shall be fully disclosed in the notice of the general meeting, which shall at least include the following:
  1. personal information relating to the candidates, including educational background, work experience and all other positions undertaken on a part-time basis;
  2. whether the candidates are connected with the Company, its controlling shareholders or de facto controllers;
  3. disclosing the candidates' shareholdings in the Company;
  4. whether the candidates have been subject to any punishment by the China Securities Regulatory Commission or other relevant department or to any sanction by any stock exchange.
- (6) contain a disclosure of the nature and extent of the material interests of any director, supervisor, general manager or other senior officer in the proposed transaction and the effect which the proposed transaction will have on them in their capacity as shareholders insofar as it is different from the effect on interests of shareholders of the same class;

- (7) contain the full text of any special resolution to be proposed and approved at the meeting;

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- (8) contain a clear statement that a shareholder who has the right to attend and vote at the meeting shall have the right to appoint one or more than one proxies to attend and vote at the meeting on its behalf and that such proxies need not be shareholders;
- (9) state the shareholding record date for shareholders who have the right to attend the shareholders general meeting;
- (10) state the date and place to serve a proxy form to appoint a proxy to vote in the meeting;
- (11) state the name and contact numbers of the contact persons in connection with the meeting.

7.3.6 It was provided in paragraph 1 of the original Article 38 of the Rules of Procedure for the Shareholders General Meetings:

Shareholders may attend the shareholders general meeting in person or appoint a proxy to attend and vote on their behalf. Directors, supervisors, secretary of the board of directors and the PRC legal counsel retained by the Company shall attend such meeting. Other officers of the Company and other persons being invited by the board of directors may also attend such meeting.

It is hereby proposed to be amended as follows:

Shareholders may attend the shareholders general meeting in person or appoint a proxy to attend and vote on their behalf. Directors, supervisors, secretary of the board of directors and the PRC legal counsel retained by the Company shall attend such meeting. The general manager and other senior officers of the Company shall attend such meetings as participants. Other persons being invited by the board of directors may also attend such meeting.

7.3.7 The following is proposed to be added to become Article 46 of the Rules of Procedure for the Shareholders General Meetings:

The convenor and the legal advisers retained by the Company shall jointly verify the eligibility of the shareholders to vote based on the Company's shareholder register provided by the securities registration and clearing authority and shall register the name of the shareholders together with the numbers of voting shares in their possession. Registration shall come to a close before the chairman of the meeting announces the number of shareholders and proxies physically present at the meeting as well as the total number of voting shares represented by the shareholders who are entitled to vote.

7.3.8 The following is proposed to be added to become Article 47 of the Rules of Procedure for the Shareholders General Meetings:

Prior to voting, the chairman of the meeting shall announce the number of shareholders and proxies physically present at the meeting as well as the total number of voting shares represented by the shareholders who are entitled to vote. The number of shareholders and proxies physically present at the meeting as well as the total number of voting shares represented by the shareholders who are entitled to vote shall be determined in accordance with the Company's shareholder register.

7.3.9 The original Articles 46 to 47 of the Rules of Procedure for the Shareholders General Meetings are proposed to be renumbered as Articles 48 to 49.

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- 7.3.10 The following is proposed to be added to become Article 50 of the Rules of Procedure for the Shareholders General Meetings:

Conditional upon the legality and validity of the shareholders general meeting as ensured by the Company, various ways and methods including the use of contemporary information techniques such as the setting up of a voting platform by means of internet will be adopted, in order to extend the proportion of public shareholders who can participate in the shareholder s general meeting.

- 7.3.11 The original Articles 48 to 54 of the Rules of Procedure for the Shareholders General Meetings are proposed to be renumbered as Articles 51 to 57.

- 7.3.12 It was provided in the original Articles 55 of the Rules of Procedure for the Shareholders General Meetings:

Shareholders may query the Company during the shareholders general meeting. The chairman of the meeting shall direct the directors or supervisors to respond to or provide explanations in connection with queries raised by shareholders, except questions relating to the commercial secrets of the Company which shall not be disclosed during the shareholders general meeting.

It is hereby proposed to be renumbered as Article 58 and amended as follows:

Shareholders may query the Company during the shareholders general meeting. The chairman of the meeting shall direct the directors, supervisors or senior officers to respond to or provide explanations in connection with queries raised by shareholders, except questions relating to the commercial secrets of the Company which shall not be disclosed during the shareholders general meeting.

At the annual general meeting of shareholders, the board of directors and the supervisory committee shall report on their work for the previous year. Each of the independent directors shall also report on their work.

- 7.3.13 The following is proposed to be added to become Article 59 of the Rules of Procedure for the Shareholders General Meetings:

The board of directors of the Company together with other convenors shall adopt necessary measures to maintain the normal order of the general meeting of shareholders. Measures shall be taken to stop any act which interferes with or causes nuisance at a general meeting and any act which infringes the lawful interests of the shareholders. Timely report of these acts shall be made to the relevant authority for investigation.

- 7.3.14 The original Articles 56 to 58 of the Rules of Procedure for the Shareholders General Meetings are proposed to be renumbered as Articles 60 to 62.

- 7.3.15 The following is proposed to be added to become Article 63 of the Rules of Procedure for the Shareholders General Meetings:

Each vote can only be exercised once either physically at a meeting, via internet or through other permitted means. If the same vote is exercised more than once, only the first vote will be accounted for.

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Shareholders of the Company or their proxies who cast their votes via internet or through other permitted means shall have the right to monitor the voting results by the corresponding voting platform.

- 7.3.16 The original Articles 59 to 60 of the Rules of Procedure for the Shareholders General Meetings are renumbered as Articles 64 to 65.
- 7.3.17 The original Article 61 of the Rules of Procedure for the Shareholders General Meetings is proposed to be renumbered as Article 66, and it was provided in point (2) of that article:
- (2) Special resolutions
1. A special resolution at a shareholders general meeting shall be passed by votes representing more than two-thirds of the voting rights represented by the shareholders (including proxies authorized by the shareholders) attending the meeting.
  2. The following matters shall be resolved by a special resolution at a shareholders general meeting:
    - (i) an increase or reduction of the share capital of the Company and the issue of any class of shares, warrants and other similar securities;
    - (ii) issuance of corporate bonds;
    - (iii) division, merger, dissolution or liquidation of the Company;
    - (iv) amendment to the Articles of Association;
    - (v) any other matter, being considered at a shareholders general meeting by way of an ordinary resolution, which may have a material impact on the Company and which is necessary to be adopted by a special resolution.

It is hereby proposed to be amended as follows:

- (2) Special resolutions
1. A special resolution at a shareholders general meeting shall be passed by votes representing more than two-thirds of the voting rights represented by the shareholders (including proxies authorized by the shareholders) attending the meeting.

2. The following matters shall be resolved by a special resolution at a shareholders' general meeting:
  - (i) an increase or reduction of the share capital of the Company and the issue of any class of shares, warrants and other similar securities;
  - (ii) issuance of corporate bonds;

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- (iii) division, merger, dissolution or liquidation of the Company;
- (iv) amendment to the Articles of Association;
- (v) the Company's significant acquisition or disposal of material assets or provision of guarantees conducted within the period of one year with a value exceeding 30% of the latest audited total assets of the Company;
- (vi) share incentive schemes; and
- (vii) any other matter, being considered at a shareholders' general meeting by way of an ordinary resolution, which may have a material impact on the Company and which is necessary to be adopted by a special resolution.

7.3.18 The original Articles 62 to 66 of the Rules of Procedure for the Shareholders' General Meetings are proposed to be renumbered as Articles 68 to 71.

7.3.19 The original Article 67 of the Rules of Procedure of the Shareholders' General Meetings is proposed to be renumbered as Article 72, and it was provided in paragraph 1 of that article:

Before a poll begins, shareholders attending the meeting shall elect among themselves at least one supervisor and two shareholders representatives to act as the counting officers. Votes shall be counted on the spot and the counting officers shall sign on the statistical information relating thereto.

It is hereby proposed to be amended as follows:

Before a resolution is decided on a motion at a general meeting of shareholders, two representatives of the shareholders shall be nominated to participate in counting the votes as well as supervising the counting process. If a shareholder is interested in the matters under consideration, the relevant shareholder and his proxies shall not participate in counting the votes or supervising the counting process.

At the time of deciding on a motion by voting at a general meeting, legal advisers, representatives of shareholders and representatives of supervisors shall participate in counting the votes as well as supervising the counting process. They shall announce the voting results to the meeting. The voting results in connection with the resolution shall be recorded in the minutes.

7.3.20 It was provided in the original Article 68 of the Rules of Procedure of the Shareholders' General Meetings:

The chairman of the meeting shall be responsible for deciding whether or not a resolution is passed by the shareholders' general meeting according to the results of the poll. The chairman's decision shall be final and shall be announced at the meeting and recorded in the minutes.

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It is hereby proposed to be renumbered as Article 73 and amended as follows:

The chairman of the meeting shall be responsible for deciding whether or not a resolution is passed by the shareholders' general meeting according to the results of the vote counting as confirmed by legal advisers, representatives of shareholders and representatives of supervisors. The chairman's decision shall be final and shall be announced at the meeting and recorded in the minutes.

7.3.21 It was provided in the original Article 69 of the Rules of Procedure for the Shareholders' General Meetings: Minutes shall be recorded of shareholders' general meetings and shall be signed by the directors present and the officer taking the minutes. In the event that no director is present at such meeting, then the shareholder or the proxy authorized by the shareholder who chairs the meeting together with the officer taking the minutes shall sign the minutes. The minutes shall contain the following contents:

- (1) the number of voting shares represented by the shareholders attending the general meeting, and the proportion this represents of the total number of shares of the Company;
- (2) the date and place of the meeting;
- (3) the name of the chairman of the meeting and the agenda of the meeting;
- (4) highlights of the matters considered which are proposed by the persons who speak at the meeting;
- (5) the results of the poll for each matter resolved;
- (6) details of the inquiries, opinions and recommendations of the shareholders and the responses or explanations from the directors and supervisors;
- (7) other matters which according to the opinions of the shareholders' general meeting and the provisions of the Articles shall be recorded in the minutes.

It is hereby proposed to be renumbered as Article 74 and amended as follows:

Minutes of a general meeting of shareholders shall be kept. Minutes of general meetings should set out the following:

- (1) the date and venue for convening the meeting, meeting agenda and the name of the convenor;
- (2) the name of the chairman of the meeting as well as those of the directors, supervisors, general manager and other senior officers who attend the meeting as attendees and participants;
- (3) the number of shareholders and proxies attending the meeting, the total number of voting shares represented by the shareholders who are entitled to vote; the proportion of the number of voting



shares represented by the shareholders who are entitled to vote out of the total number of shares of the Company; the number of voting shares represented by public shareholders holding domestically listed shares (including their proxies) and the number of voting shares represented by shareholders holding non-circulating shares

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(including their proxies) and their respective proportions out of the total number of shares of the Company; the individual voting results for each motion of the public shareholders holding domestically listed shares and shareholders holding non-circulating shares;

- (4) a description of the considerations taken for each motion, the main points put forward by each speaker relating thereto and the voting results thereof;
- (5) details of queries and recommendations of the shareholders and the corresponding response or explanation in relation thereto;
- (6) the names of the legal advisers and persons responsible for counting the votes and for supervising the counting process;
- (7) other contents which should be recorded in the minutes as provided for in the Articles.

The convenor shall ensure that the content of the minutes shall be true, accurate and complete. Minutes shall be signed by attendees of the meeting, including the directors, supervisors, secretary of the board of directors, convenor or its representative and the chairman of the meeting. Minutes shall together with the register relating to shareholders present at the meeting in person and by proxy by way of issuing a proxy form or via internet or other permitted means, be kept by the Company at the Company address for an indefinite period of time.

7.3.22 The following is proposed to be added to become Article 75 of the Rules of Procedure for the Shareholders General Meetings:

A general meeting of shareholders shall not be declared closed for shareholders who attend in person at a time earlier than for those shareholders who attend via internet or other permitted means. The chairman of the meeting shall announce to the meeting the voting details and results of each motion and shall declare whether or not a motion is adopted on the basis of the relevant voting results.

Prior to announcing the voting results, all those who are involved in the meeting whether in person or via internet or other permitted means, including any companies, persons responsible for counting the votes, persons responsible for supervising the counting process, internet service providers and other relevant parties shall have the obligation to keep matters related to voting confidential.

7.3.23 The original Article 70 of the Rules of Procedure for the Shareholders General Meetings is proposed to be renumbered as Article 76, and it was provided in paragraph 1 of that article:

The board of directors of the Company shall retain, according to law, a legal counsel who is qualified to engage in the securities industry to attend the shareholders general meeting and to advise the Company on the following issues which shall be incorporated into the shareholders resolutions for announcement:

- (1) whether or not the procedures for convening and holding a shareholders general meeting comply with the requirements of the laws and regulations and the Articles;
- (2) verification of the legality and validity of the eligibility of persons attending the meeting;

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- (3) verification of the eligibility of the shareholders who propose new motions at the AGM;
- (4) whether or not the voting procedures for the shareholders general meeting are lawful and valid;
- (5) issuance of any legal opinions on other relevant issues at the request of the Company.

It is hereby proposed to be amended as follows:

The board of directors of the Company shall retain, according to law, legal advisers to attend the shareholders general meeting and to advise the Company on the following issues which shall be incorporated into the shareholders resolutions for announcement purposes:

- (1) whether the procedures for convening and holding a shareholders general meeting comply with the requirements of the laws and regulations and the Articles;
- (2) whether attendees or the convenor of a general meeting meet the requisite legal requirements;
- (3) verification of the eligibility of the shareholders who propose new motions at the general meeting;
- (4) whether the voting procedures for and the voting results of the general meeting are lawful and valid;
- (5) issuance of any legal opinions on other relevant issues at the request of the Company.

7.3.24 The original Articles 71 to 76 of the Rules of Procedure for the Shareholders General Meetings are proposed to be renumbered as Articles 77 to 82.

7.3.25 The following is proposed to be added to become Article 83 of the Rules of Procedure for the Shareholders General Meetings:

If a motion in respect of the distribution of cash or bonus shares, or in connection with the capital increase by conversion from common reserve funds, is adopted at a general meeting of shareholders, the Company shall implement such distribution within two months of the relevant general meeting.

7.3.26 The original Articles 77 to 80 of the Rules of Procedure for the Shareholders General Meetings are proposed to be renumbered as Articles 84 to 87.

7.4 *Proposed amendments to the Rules of Procedure for Supervisory Committee Meetings*

7.4.1 It was provided in the original Article 1 of the Rules of Procedure for Supervisory Committee Meetings:

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In order to safeguard the interests of the shareholders and employees of the Company and improve the Company's internal supervision and control mechanisms, these Rules governing the work of the Supervisory Committee of

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this Company are hereby amended in accordance with the Company Law of the People's Republic of China, the Provisional Regulations on Supervisory Committees of State Enterprises and the Guidelines on the Articles of Association of Listed Companies, and with the reference to the Opinions on Further Promoting Standardized Operation of Reform of Companies Listed Overseas, the Detailed Rules of Procedure for Supervisory Committee of Sinopec Shanghai Petrochemical Company Limited and the Articles of the Association of the Company.

It is hereby proposed to be amended as follows:

In order to safeguard the interests of the shareholders and employees of the Company and improve the Company's internal supervision and control mechanisms, these Rules governing the work of the Supervisory Committee of this Company are hereby amended in accordance with the Company Law of the People's Republic of China, the Provisional Regulations on Supervisory Committees of State Enterprises and the Guidelines on the Articles of Association of Listed Companies, and with the reference to the Opinions on Further Promoting Standardised Operation of Reform of Companies Listed Overseas, the Detailed Rules of Procedure for Supervisory Committee of Sinopec Shanghai Petrochemical Company Limited and the Articles of the Association of the Company (the Articles of Association ).

7.4.2 It was provided in the original Article 3 of the Rules of Procedure for Supervisory Committee Meetings:

The Supervisory Committee of this Company shall be composed of seven (7) members, one half of whom shall be external supervisors. The Supervisory Committee shall have a Chairman.

It is hereby proposed to be amended as follows:

The Supervisory Committee of this Company shall be composed of seven (7) members, one half of whom shall be external supervisors and at least one third of whom shall be staff representatives.

7.4.3 It was provided in the original Article 4 of the Rules of Procedure for Supervisory Committee Meetings:

The staff representatives in the Supervisory Committee shall be recommended by the employees representative meeting or the board of the employees representative meeting and elected by the shareholders general meeting.

It is hereby proposed to be amended as follows:

The shareholder representatives in the Supervisory Committee shall be elected and removed at a shareholders' meeting. The staff representatives in the Supervisory Committee shall be democratically elected and removed at the employees representative meeting.

The Supervisory Committee shall have a Chairman. The Chairman shall be elected by at least two thirds of the members of the Supervisory Committee. The Chairman shall carry out the duty of the Supervisory Committee. When a Chairman cannot or does not carry out his duty, another supervisor shall be nominated by at least half of the members of the Supervisory Committee to convene and chair meetings of the Supervisory Committee.

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7.4.4 It was provided in paragraph 2 of the original Article 6 of the Rules of Procedure for Supervisory Committee Meetings:

A person who falls under any circumstance set out in Article 57 of the Company Law or is prohibited by the China Securities Regulatory Commission from access to the market shall not act as the supervisor of the Company if such prohibition is not lifted.

It is hereby proposed to be amended as follows:

A person shall be disqualified from being a supervisor of the Company if any of the circumstances stipulated in Article 178 of the Articles of Association applies.

7.4.5 It was provided in the Article 8 of the Rules of Procedure for Supervisory Committee Meetings:

The Supervisory Committee shall establish an Office of Supervisory Committee, which shall be the executive body of the Supervisory Committee and shall handle relevant specific matters under the leadership of the Supervisory Committee and its Chairman.

It is hereby proposed to be amended as follows:

The Supervisory Committee shall establish an Office of Supervisory Committee, which shall be the working body of the Supervisory Committee and shall handle relevant specific matters under the leadership of the Supervisory Committee and its Chairman.

7.4.6 It was provided in the original Articles 9(2) and (4) of the Rules of Procedure for Supervisory Committee Meetings:

- (2) to examine the Company's financial affairs, review the Company's financial and accounting information and other information relating to the Company's operation and management activities, verify authenticity and legitimacy of the Company's financial statements, and assess the Company's monthly, interim and annual financial reports. When necessary, it may require any executive directors, managers and functionary departments to report on the relevant business matters.
  
- (4) to supervise directors, managers and other officers of the Company as to whether they are involved in any of the following activities in violation of laws, regulations or the Articles of Association of the Company:
  - (i) by taking advantage of his office power, taking bribes or other illegal income or illegally taking possession of the assets of the Company;
  
  - (ii) misappropriating the funds of the Company, or lending the funds of the Company to other persons;
  
  - (iii) depositing the assets of the Company in an account under an individual's name or in any other names;
  
  - (iv) using the assets of the Company to provide guarantees for a shareholder of the Company or for any other individual's debts;

- (v) engaging in any activity which may jeopardize the interests of the Company on his own account or for any other person; or
- (vi) divulging commercial secrets of the Company.

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- (5) to attend the meetings of the Board of Directors as observers, and to designate any supervisor to attend the manager's executive meetings as an observer when necessary.

It is hereby proposed that they be amended as follows:

- (2) to examine the Company's financial affairs, review the Company's financial and accounting information and other information relating to the Company's operation and management activities, verify authenticity and legitimacy of the Company's financial statements, and review periodic reports of the Company prepared by the board of directors and to furnish written review opinions. When necessary, it may require any executive directors, managers and functionary departments to report on the relevant business matters;
- (4) to supervise directors, managers and other senior officers of the Company in relation to their performance of duties as to whether they are involved in any of the following activities in violation of laws, regulations or the Articles of Association of the Company and to propose removal of a director or a senior officer who is in violation of laws, administrative regulations, the Articles of Association or resolutions passed at a general meeting of shareholders:
- (i) by taking advantage of his office power, taking bribes or other illegal income or illegally taking possession of the assets of the Company;
  - (ii) misappropriating the funds of the Company, or lending the funds of the Company to other persons;
  - (iii) depositing the assets of the Company in an account under an individual's name or in any other names;
  - (iv) using the assets of the Company to provide guarantees for a shareholder of the Company or for any other individual's debts;
  - (v) engaging in any activity which may jeopardise the interests of the Company on his own account or for any other person; or
  - (vi) divulging commercial secrets of the Company.
- (5) to attend the meetings of the Board of Directors as observers, and to designate any supervisor to attend the general manager's executive meeting as an observer when necessary.

7.4.7 It was provided in the original Article 11 of the Rules of Procedure for Supervisory Committee Meetings: During the performance of its duties of supervision, the Supervisory Committee may adopt the following measures against issues discovered therein:



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- (1) to issue a written notice demanding correction;
- (2) to ask the audit and surveillance departments to verify;
- (3) to appoint qualified external accountants firm, audit firm, law firm or other professional institutions to verify and collect evidence;
- (4) to propose to convene any interim shareholders general meeting; or

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(5) to make a report or explanation to the relevant State regulatory institutions or judicial authorities.  
It is hereby proposed to be amended as follows:

During the performance of its duties of supervision, the Supervisory Committee may adopt the following measures against issues discovered therein:

- (1) to issue a written notice demanding correction;
- (2) to ask the audit and surveillance departments to verify;
- (3) to appoint qualified external accountants firm, audit firm, law firm or other professional institutions to verify and collect evidence;
- (4) to propose to convene any extraordinary shareholders general meeting;
- (5) to make a report or explanation to the relevant State regulatory institutions or judicial authorities;  
or
- (6) to initiate proceedings against the directors and senior officers in accordance with section 152 of the Company Law.

7.4.8 It was provided in the original Article 12 of the Rules of Procedure for Supervisory Committee Meetings:  
A supervisor shall perform the following duties:

- (1) to comply with the Articles of Association of the Company and implement the resolutions of the Supervisory Committee;
- (2) to assume corresponding liability for any business activity of the Company in violation of laws and regulations which has been discovered but has not been stopped; and
- (3) to assume corresponding liability for any violation of the provisions of laws, regulations or the Articles of Association of the Company during the work, resulting in any damage to the Company;

If any resolution of the Supervisory Committee causes any damage to investors' interests, the Company's interests and legitimate interests of the employees, the supervisors participating in the adoption of the resolution shall assume corresponding liabilities. However, if a supervisor expressed his objection and this fact is recorded in the minutes of the meeting, such supervisor shall be exempted from relevant liability.

It is hereby proposed to be deleted.

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7.4.9 The original Article 13 of the Rules of Procedure for Supervisory Committee Meetings is proposed to be renumbered as Article 12, and the following added as point 1:

- (1) comply with the Articles of Association and to carry out those resolutions approved at the meetings of the Supervisory Committee;

7.4.10 It was provided in the original Article 14 of the Rules of Procedure for Supervisory Committee Meetings: The Supervisory Committee operates mainly through regular meetings and interim meetings.

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It is hereby proposed to be renumbered as Article 13 and amended as follows:

The Supervisory Committee operates mainly through regular meetings and extraordinary meetings, telephone meetings and meetings carried out via other means of communication.

7.4.11 It was provided in the original Article 15 of the Rules of Procedure for Supervisory Committee Meetings: The Supervisory Committee shall hold two regular meetings each year. In general, the agenda of the meeting shall include:

- (1) to review the annual and interim financial statements of the Company, and present the Supervisory Committee's analysis and recommendation from the points of view of enterprise operation risks, standardized operation, effective management and asset loss, etc.;
- (2) to focus on the assessment of the performance of the Company's budget, operation of the assets, implementation of material investment decisions, asset quality of the Company and preservation of and increase in the value of the Company's assets, etc.; and
- (3) to discuss the work report of the Supervisory Committee, amendment to important systems, work plan and summaries of its work.

It is hereby proposed to be renumbered as Article 14 and amended as follows:

The Supervisory Committee shall hold four regular meetings each year. In general, the agenda of the meeting shall include:

- (1) to review the annual, interim and quarterly financial statements of the Company, and present the Supervisory Committee's analysis and recommendation from the points of view of enterprise operation risks, standardized operation, effective management and asset loss, etc.;
- (2) to focus on the assessment of the performance of the Company's budget, operation of the assets, implementation of material investment decisions, asset quality of the Company and preservation of and increase in the value of the Company's assets, etc.; and
- (3) to discuss the work report of the Supervisory Committee, amendment to important systems, work plan and summaries of its work.

7.4.12 The original Article 16 of the Rules of Procedure for Supervisory Committee Meetings is proposed to be renumbered as Article 15, and it was provided in (3) and (4) of that article:

- (3) where it is necessary to conduct investigation of any specific matter, or it is necessary to invite the Board and management to provide relevant consultancy opinions;
- (4)

where the Supervisory Committee considers necessary to appoint any external accountant, auditor or law firm to issue professional opinions in respect of certain material supervision matters;

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It is hereby proposed that they be amended as follows:

- (3) where it is necessary to conduct investigation of any specific matter, or it is necessary to invite the Board and management to provide relevant reports or explanations;
- (4) where the Supervisory Committee considers necessary to appoint any external accountant or law firm to issue professional opinions in respect of certain material supervision matters;

7.4.13 The original Article 17 of the Rules of Procedure for Supervisory Committee Meetings is proposed to be renumbered as Article 16, and it was provided in paragraph 1 of that article:

Notice of the time and place of a Supervisory Committee meeting and major items recommended for discussion should be given to supervisors ten days prior to the date of meeting, either by telegraph, electronic transmission, facsimile, courier or registered post. When convening an interim meeting, oral or written notice may be given three days prior to the meeting.

Should all supervisors be able to fully express their personal opinion and communicate with all other supervisors, Supervisory Committee Meetings can be held by means of telephone conference or other means of communication, and all supervisors are deemed to be present at the Supervisory Committee Meetings.

It is hereby proposed to be amended as follows:

Notice of the time and place of a Supervisory Committee meeting and major items recommended for discussion should be given to supervisors ten days prior to the date of meeting, either by telegraph, electronic transmission, facsimile, courier or registered post. When convening an extraordinary meeting, oral or written notice may be given three days prior to the meeting. Should all supervisors be able to fully express their personal opinion and communicate with all other supervisors, Supervisory Committee Meetings can be held by means of telephone conference or other means of communication, and all supervisors are deemed to be present at the Supervisory Committee Meetings.

7.4.14 The original Article 18 of the Rules of Procedure for Supervisory Committee Meetings is proposed to be renumbered as Article 17.

7.4.15 The original Article 19 of the Rules of Procedure for Supervisory Committee Meetings is proposed to be renumbered as Article 18, and it was provided in paragraph 2 of that article:

If a supervisor does not attend two consecutive meetings, and does not appoint another supervisor to act as his proxy, then the Supervisory Committee should recommend to the shareholders' general meeting that he be replaced.

It is hereby proposed to be amended as follows:

The Supervisory Committee shall propose at a shareholders' meeting or trade union representatives' meeting for the removal of a Supervisor who, without reasons, fails to attend in person two consecutive Supervisory Committee meetings and fails to nominate another supervisor to act on his behalf.

7.4.16 The original Article 20 of the Rules of Procedure for Supervisory Committee Meetings is proposed to be renumbered as Article 19.

7.4.17 It was provided in the original Article 21 of the Rules of Procedure for Supervisory Committee Meetings:

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Resolutions of the Supervisory Committee shall be voted by ballot, either by poll or on a show of hands. Each supervisor has the right to cast one vote, and when votes in favor and against are equal, the Chairman of the Supervisory Committee may cast an additional vote. Ordinary resolutions require the approval of half of the supervisors present at the meeting to be effective. The following matters must receive the approval of two-thirds (inclusive) of the supervisors present at the meeting to be passed:

- (1) a motion to convene an extraordinary general meeting of shareholders;
- (2) the appointment of accountants, auditors or lawyers in the name of the Company;
- (3) organizing an investigate or consultation into a particular matter.

It is hereby proposed to be renumbered as Article 20 and amended as follows:

Resolutions of the Supervisory Committee shall be voted by ballot, either by poll or on a show of hands. Ordinary resolutions require the approval of half of the supervisors present at the meeting to be effective. The following matters must receive the approval of at least two-thirds (inclusive) of the supervisors present at the meeting to be passed:

- (1) a motion to convene an extraordinary general meeting of shareholders;
- (2) the appointment of accountants or lawyers in the name of the Company;
- (3) organizing an investigate or consultation into a particular matter.

7.4.18 The original Articles 22 to 25 of the Rules of Procedure for Supervisory Committee Meetings are proposed to be renumbered as Articles 21 to 24.

7.4.19 The following is proposed to be added to become Article 25 of the Rules of Procedure for Supervisory Committee Meetings:

A Supervisor shall be held liable for any contravention of the laws, rules and regulation if the Supervisor knows of such contravention but did nothing to stop it.

7.4.20 The following is proposed to be added to become Article 26 of the Rules of Procedure for Supervisory Committee Meetings:

If the Company suffers from losses as a result of a Supervisor breaching the laws, rules and regulation or the Articles of Association, the Supervisor shall be liable for the losses.

If the interest of an investor, the Company or the Company's staff is negatively affected as a result of a decision of the Supervisory Committee, the Supervisor(s) who approved the decision shall be held liable. Supervisor(s) whose disapprovals are recorded in minutes shall be free from any obligations.



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7.4.21 The following is added to become the Article 27 of the Rules of Procedure for Supervisory Committee Meetings:

If the achievements of members of the Supervisory Committee in carrying out their work are outstanding, and make a significant contribution to the rights and interests of the Company and the shareholders, the shareholders general meeting may grant them a bonus.

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7.4.22 It was provided in the original Article 27 of the Rules of Procedure for Supervisory Committee Meetings:

In any of the following cases, based on the severity of the particular circumstances, administrative or disciplinary sanctions, including dismissal from their post, may be imposed on the Supervisor in accordance with the law and the Company's Articles of Association. Where this constitutes criminal behavior, criminal liability will be pursued by judicial organs in accordance with the law:

- (1) concealing major breaches of the law or regulation by the Company, or gross dereliction of duty in relation thereto;
- (2) preparing a false report in relation to the Company's financial situation;
- (3) behavior in breach of Article 13 of these Rules.

It is hereby proposed to be renumbered as Article 28 and amended as follows:

In any of the following cases, based on the severity of the particular circumstances, the Supervisory Committee shall propose at a shareholders meeting or trade union democratic management authority for the removal of a Supervisor in accordance with the law, rules and regulations and the Articles of Association. Where this constitutes criminal behavior, criminal liability will be pursued by judicial organs in accordance with the law:

- (1) concealing major breaches of the law or regulation by the Company, or gross dereliction of duty in relation thereto;
- (2) preparing a false report in relation to the Company's financial situation;
- (3) behavior in breach of Article 12 of these Rules (except for Article 12(5) of these Rules).

7.4.23 The original Articles 28 to 30 of the Rules of Procedure for Supervisory Committee Meetings are proposed to be renumbered as Articles 29 to 31.

3. Attendees of the meeting

- (1) Holders of the Company's shares whose names appear on the Register of Members of the Company as at close of trading on 15 May 2006 (Monday) or their proxies are entitled to attend the Company AGM. They shall complete the notice of attendance and return it to the Company by 25 May 2006. For details, please refer to the notice of attendance.
- (2) Directors, supervisors and senior management of the Company.
- (3) Representatives of professional intermediaries engaged by the Company and guests invited by the board of directors.

4. Method of registration:

- (1) Please complete the notice of attendance for the AGM. For details, please refer to the notice of attendance.
- (2) Registration period: 16 May 2006 to 25 May 2006.
- (3) Registration address: For details, please refer to the notice of attendance for the AGM.

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By order of the Board

**Zhang Jingming**

*Company Secretary*

Shanghai, April 27, 2006

*As at the date of this announcement, the executive directors of the Company are Rong Guangdao, Du Chongjun, Han Zhihao, Wu Haijun, Gao Jinping and Shi Wei; the non-executive directors of the Company are Lei Dianwu and Xiang Hanyin, and the independent non-executive directors of the Company are Chen Xinyuan, Sun Chiping, Jiang Zhiquan and Zhou Yunnong.*

**Notes:**

- (a) Holders of the Company's H Shares should note that the Register of Members in respect of the Company H Shares will be closed from May 16, 2006 to June 14, 2006, both days inclusive, during which period no share transfer will be effected. In order to qualify for the final dividend and to vote at the 2005 annual general meeting, holders of the Company's H Shares shall lodge transfer documents and the relevant share certificates with the Company's share registrar at 17/F, Hopewell Centre, 183 Queen Road East, Hong Kong by 4:00 p.m. on May 15, 2006. Shareholders of American Depository Receipts whose names appear on the registers of shareholders of the Company on May 12, 2006 are entitled to final dividend. Details of the record date, timing and dividend distribution procedures for holders of A Shares will be announced separately.
- (b) A shareholder entitled to attend and vote at the AGM may appoint a proxy (no matter whether he/she is a shareholder or not) to attend and vote on his/her behalf. Each shareholder (or his/her proxy) shall be entitled to one vote for each share held. The completion and deposit of a form of proxy will not preclude any shareholder from attending and voting at the AGM.
- (c) Shareholders must appoint a proxy in writing. Such instrument should be signed by the person appointing the proxy or by the proxy himself/herself. If the form of proxy is signed by the proxy, it must be certified by a notary. To be valid, a notarially certified form of proxy and voting instructions must be returned to the Secretary's Office 24 hours prior to the commencement of the AGM. A form of proxy for use for the AGM will be dispatched to shareholders in due course.
- (d) The AGM is expected to last half a day. Shareholders attending the AGM shall be responsible for their own transportation and accommodation expenses.
- (e) The address of the Secretary's Office is:  
The Secretary's Office of the Board of Directors  
  
Sinopec Shanghai Petrochemical Company Limited  
  
No. 48 Jinyi Road, Jinshan District  
  
Shanghai, PRC  
  
Postal code: 200540  
  
Telephone: (8621) 57943143  
  
Fax: (8621) 57940050

**APPENDIX 1:**

**CANDIDATES FOR DIRECTORS:**

Li Honggen, 50, is a vice president of the Company. Mr. Li joined the Company in 1973 and has previously held positions including deputy director of No.1 Chemical Plant of the Company, deputy director and director of the Ethylene Plant of the Company and deputy manager and Manager of the Refining and Chemical Division of the Company. In August 2000, he was appointed vice president of Shanghai Chemical Industrial Park Development Company Limited. In August 2002, he was appointed vice president of Shanghai Secco Petrochemical Company Limited. From March 2006, he was appointed vice president of the Company. Mr. Li graduated from East China Institute of Chemical Technology majoring in engineering management and completed a post-graduate course majoring in engineering management at East China University of Science and Technology in 1998. He is an

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engineer. As at the 25 April 2006, Mr. Li did not have any interests or short positions in any shares, underlying shares of equity derivatives or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ) as recorded in the register required to be kept and notified to the Company and the Hong Kong Stock Exchange under Section 352 of the SFO. Mr. Li did not have any relationships with any directors, senior management, substantial shareholders and controlling shareholders. Pursuant to the remuneration system (RMB240,000) for directors, supervisors and senior management passed at the 2002 Annual General Meeting convened on 18 June 2003, the annual salary standard of Mr. Li is 40% to 90% of the annual salary standard of the Chairman and President of the Company. The Chairman and President of the Company will have the authority to determine the general salary amount on the basis of work quantity, responsibility and performance.

Dai Jinbao, 50, is a deputy secretary of the Communist Party Committee of the Company's Refining and Chemical Division and Chairman of the Labor Union. Mr. Dai joined the Company in November 1973 and was deputy director of No.1 Chemical Plant of the Company. In December 1997, he was appointed director of ethylene joint production facilities of No.1 Refining and Chemical Division of the Company. In May 2003, he was appointed chairman of the Labor Union of the Company's Refining and Chemical Division. In August 2005, he was appointed deputy secretary of the Communist Party Committee of the Company's Refining and Chemical Division. Mr. Dai graduated from the Shanghai Second Polytechnic University majoring in business management. Mr. Dai is a certified engineer. As at the 25 April 2006, Mr. Dai did not have any interests or short positions in any shares, underlying shares of equity derivatives or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ) as recorded in the register required to be kept and notified to the Company and the Hong Kong Stock Exchange under Section 352 of the SFO. Mr. Dai did not have any relationships with any directors, senior management, substantial shareholders and controlling shareholders. Pursuant to the remuneration system (RMB240,000) for directors, supervisors and senior management passed at the 2002 Annual General Meeting convened on 18 June 2003, the annual salary standard of Mr. Dai is 40% to 90% of the annual salary standard of the Chairman and President of the Company. The Chairman and President of the Company will have the authority to determine the general salary amount on the basis of work quantity, responsibility and performance.

As at 25 April 2006, none of Mr. Li, Mr. Dai and their respective spouses and children under 18 years of age had been granted by the Company or had exercised any rights to subscribe for shares of debentures of the Company or any of its associates.

Regarding the proposed appointment of Mr. Li and Mr. Dai, the Directors confirm that they are not aware of information required to be disclosed pursuant to rules 13.51(2)(h) to 13.51(2)(v) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Company further confirms that it is not aware of any matters that need to be brought to the attention of the Shareholders regarding the proposed appointment of Mr. Li and Mr. Dai.