MNP

MERCHANTS' NATIONAL PROPERTIES, INC.
10 Grand Central, 155 East 44th Street, New York, NY 10017

May 8, 2020

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To our Stockholders:

The annual meeting of Merchants' National Properties, Inc. ("MNP" or the "Company") will be held on June 4, 2020, beginning at 12:30 p.m., Eastern Time, virtually, by webcast, telephonically or by any other means of remote access deemed appropriate by the Company, for the purpose of:

1. Electing nine directors to serve a one year term;

2. Appointing Friedman LLP, as our independent public accounting firm for 2020

3. Reviewing the affairs of the Company; and

4. Transacting such other business as may properly come before the meeting.

Copies of MNP's Consolidated 2019 Financial Statements as well as the President and Chairman's Report to the Shareholders, providing a detailed overview of the Company and its major investments are attached herewith.

THE PROXY FOR THE ELECTION OF THE DIRECTORS IS ATTACHED HEREWITH. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, WE URGE YOU TO VOTE AND SUBMIT YOUR SIGNED PROXY IN ADVANCE OF THE MEETING AT YOUR EARLIEST CONVENIENCE, BUT NO LATER THAN JUNE 2, 2020.

Sincerely,

James Better, Chairman of the Board
Merchants' National Properties, Inc.

Note: A copy of the Virtual AGM Process Memorandum is attached for your convenience. If you are planning to attend the meeting virtually, please let us know by June 2, 2020, so that we can provide you with electronic access. Thank you.

PROXY STATEMENT

The Board of Directors of MNP (the "Board") has nominated the following 9 individuals to serve a one year term as Directors:

James M. Better - Mr. Better has been a director of MNP since 2002 and has served as Chairman since May 2010 and as a Member of the Dollar Land Associates, LLC Board of Managers since 2010. He is an Operating Partner of Kohlberg & Company, LLC, a private equity investment firm and the Chairman and Chief Executive Officer of Nellson Nutraceuticals, LLC, a Kohlberg portfolio company. Previously, Mr. Better was a Managing Director of Celerant Consulting, an operationally focused consultancy, and a General Partner of Capricorn Holdings, LLC, a private equity investment firm. Mr. Better is a graduate of Williams College and Stanford University's Graduate School of Business.

Craig M. Deitelzweig - Mr. Deitelzweig joined MNP and Marx Realty & Improvement Co., Inc., MNP's management and development arm, in August of 2017 as President and Chief Executive Officer. Mr. Deitelzweig has been a director of MNP since March 2019 and a Member of the Dollar Land Associates LLC Board of Managers since 2018. Mr. Deitelzweig brings over 20 years of diverse real estate experience to Marx Realty. Prior to joining MNP, he was a Managing Director and Head of Asset Management at Building and Land Technologies, where he oversaw a diverse portfolio of office, multifamily and hotel assets across the United States. Prior to joining BLT, Mr. Deitelzweig oversaw the office division of Rockrose Development Corp., and previously led the leasing and asset management activities of the Ruben Company's 4,000,000 square feet of retail and office space in New York, Washington, DC, and Boston. Mr. Deitelzweig is also an attorney having worked in the real estate group of Skadden, Arps, Slate, Meacher & Flom LLP. Mr. Deitelzweig graduated cum laude from Tulane University's A.B. Freeman School of Business and received his law degree from Fordham Law School.

Leonard S. Gruenberg, Jr. - Mr. Gruenberg has been a director of MNP since 2006. He was formerly a Managing Director of Bear, Stearns & Co., and JP Morgan Securities. He was previously a member of Dollar Land Associates, LLC Board of Managers, and attended the University of Arizona.

James Magowan - Mr. Magowan has been a director of MNP since May 2017 and serves as Managing Director of Private Equity with responsibility for private capital raising transactions in real assets and operating companies at Arboreal Capital LLC. Previously, Mr. Magowan held similar roles at Sutter Securities, Security Research Associates, and Johnson Capital (Walker & Dunlop). Mr. Magowan is a graduate of Harvard University and IMD International.

Mark Magowan - Mr. Magowan has been a director of MNP since 2004. He is President of The Vendome Press, a graduate of Harvard College and Oxford University. Mr. Magowan is the President of the Magowan Family Foundation and the Hellen Plummer Foundation.

Matthew K. Maguire – Mr. Maguire has been a Director of MNP since 2019 and was a member of the Dollar Land Board of Managers from 2010 to 2017. He has been a real estate professional in New York City for over twenty years. Mr. Maguire is the President of Loeb Partners Realty, LLC, a privately held real estate company with a portfolio of over 4 million square feet of commercial properties and over 2,500 residential units. He previously served as Senior Vice President of the New York City Economic Development Corporation, overseeing the City's programs for commercial office development and post-9/11 business recovery. Mr. Maguire is a graduate of Dartmouth College and Harvard University's Kennedy School of Government.

Richard Schosberg - Mr. Schosberg has been a director of MNP since September 2017. He has also been a director of many of the Marx Corporations for more than a decade. Mr. Schosberg is President of the Take2/Take The Lead Thoroughbred Retirement Program Inc. and serves as a director of the New York Thoroughbred Horsemen's Association (NYTHA). He chairs committees on governance, worker safety and housing, as well as thoroughbred aftercare and legislative issues. Mr. Schosberg graduated from Cornell University with a degree in applied economics.

James A. Stern - Mr. Stern has been a director of MNP since 2012. He is the Founder and Chairman of The Cypress Group, LLC, a New York-based private equity firm and family office with $3.5 billion under management. He was previously a member of the Dollar Land Associates, LLC Board of Managers. Prior to founding Cypress in 1994, Mr. Stern was a managing director of Lehman Brothers and a member of the Firm's Executive Committee. He serves or has served on the boards of Cinemark USA, Infinity Broadcasting, Lear Corporation, OHA Investment Corporation, RP Scherer Corporation, Two Harbors Investment Corporation, and Wesco International. Mr. Stern is Chairman Emeritus of Tufts University and served as Chairman from 2003-2013. He is a board member of several charitable organizations, including The Jewish Museum, WNET, and The Cancer Research Institute.

John Usdan - Mr. Usdan has been a director of MNP since 1998. He is the CEO of Midwood Investment & Development, a company originally started by his grandfather in 1925. He has amassed 3.5 million feet of real estate in 10 states and the District of Columbia. Mr. Usdan's philanthropic interests are primarily focused on education and the arts. He is a Trustee Emeritus of Wesleyan University, a Trustee of Brooklyn Academy of the Arts, Board President of the Usdan Center, and a member of the Hastings Center Board of Directors. Previously Mr. Usdan served as Chairman of the Board of Brandeis International Business School, Board President at Bronx House, Chair of Wesleyan's Capital Campaign, and Ascena Board of Directors.

Audit Committee

Mark Magowan (Chair)

Richard Schosberg

James M. Better, ex officio

Nominating/Governance Committee:

Leonard S. Gruenberg, Jr. (Chair)

Richard Schosberg

Mark Magowan

Matthew K. Maguire

James M. Better, ex officio

Our Executive Officers

Craig M. Deitelzweig - President and Chief Executive Officer. Please see Mr. Deitelzweig's biography above.

Jagdish Shah - Treasurer and Chief Financial Officer. Mr. Shah has worked for Marx Realty and Improvement Co., Inc., both as an outside accountant and an officer for over 30 years. Prior to joining Marx as Controller in 1991, Mr. Shah worked for six years as a public accountant for Frank and Zimmerman. In 2007, he was appointed Chief Financial Officer at Marx. Mr. Shah is a member of AICPA and New York State Society of CPAs. He has been a certified public accountant since 1987 and a chartered accountant since 1978. Mr. Shah received his B.S. with a major in accounting from Maharaja Sayajirao University of Baroda, India in 1975.

Directors will be elected by a plurality of the votes cast by stockholders present at the meeting or by proxy. Votes that are withheld in the election of directors and broker non-votes will have no effect on the election.

Stockholders are entitled to cumulative voting in the election of directors. Under cumulative voting, each stockholder is entitled to that number of votes equal to the number of directors to be elected, multiplied by the number of shares owned, and the stockholder may cast votes for one nominee or distribute them in any manner chosen among any number of the nominees.

The MNP By-laws require that we receive other nominations for election to the Board by April 25, 2020, so, under the By-laws, no additional nominations can be made at the meeting.

Please return your proxy as quickly as possible, but no later than June 2, 2020.

MERCHANTS' NATIONAL PROPERTIES, INC.

DIRECTORS AND MANAGEMENT

The following table shows the ownership of MNP common stock as of April 30, 2020 by any person acting as MNP's Chief Executive Officer during the fiscal year 2019, any person acting as MNP's Chief Financial Officer during fiscal 2019, other executive officers during fiscal 2019 who are considered to be named executive officers and MNP's directors and executive officers as a group.

Name	Number of Shares Beneficially Owned	Percentage of Outstanding Shares
James M. Better	6,662 [(a)]	7.27%
Craig M. Deitelzweig	0	*
Leonard S. Gruenberg, Jr.	7,744 [(b)]	8.45%
James Magowan	20 [(c)]	*
Mark Magowan	2,159 [(c)]	2.36%
Matthew K. Maguire	0	•
Richard Schosberg	461	*
Jagdish Shah	11	*
James A. Stern	1,195	1.30%
John Usdan	6	*
Directors and Executive Officers as a group (11 persons)	18,258	19.92%

(a) Includes 1,440 shares owned by his spouse and 5,103 shares owned by his children. Mr. Better disclaims beneficial ownership of these shares.

(b) Includes 7,444 shares owned by his spouse. Mr. Gruenberg disclaims beneficial ownership of these shares.

(c) Messrs. James and Mark Magowan have contributed their shares to the MNP Voting Trust and disclaim beneficial ownership of those shares.

* Represents less than 1% of the outstanding common stock.

MERCHANTS' NATIONAL PROPERTIES, INC.

DIRECTOR COMPENSATION

The following table sets forth information regarding the compensation paid to each non-employee director during the fiscal year 2019. Any director who is an employee of MNP is not compensated for Board service.

During 2019, the Board met four times in person, for which Directors received a fee of $3,000 per meeting. No additional fee was paid to Directors for meetings held via telephone conference call.

Name	Fees	Other Compensation
James M. Better (1)		$68,000
Leonard S. Gruenberg, Jr.	$12,000	
Linda S. Law (2)	$3,000	
James Magowan	$12,000	
Mark Magowan	$12,000	
Matthew K. Maguire (2)	$6,000	
Richard Schosberg	$12,000	
Claire M. Solot (2)	$6,000	
James A. Stern	$12,000	
John Usdan (3)	$12,000	$6,000

(1) Represents Chairman's annual retainer of $60,000 paid in four quarterly installments of $15,000 each and $8,000 for representing MNP on the Dollar Land Board of Managers and attending 4 meetings held in 2019.

(2) Ms. Linda Law was paid $3,000 for attending 1 MNP Directors' meeting held in 2019. Ms. Solot and Mr. Maguire were paid $6,000 each for attending 2 MNP Directors' meeting.

(3) Mr. Usdan was paid $6,000 for representing MNP on the Dollar Land Board of Managers and attending 3 meetings held in 2019.

MERCHANTS' NATIONAL PROPERTIES, INC.

SECURITY OWNERSHIP OF CERTAIN PERSONS

Principal Beneficial Owners

Listed below are the only individuals and entities known by MNP to own more than 5% of the outstanding common stock of the Company as of April 30, 2020:

Name	Number of Shares Owned	Percentage of Shares Owned
Mary Lynn Bianco	10,534	11.50%
Jennifer Gruenberg	7,744 [(a)]	8.45%
Leonard Marx, Jr.	9,216 [(b)]	10.06%
MNP Voting Trust	14,567 [(c)]	15.90%

(a) Includes 300 shares owned by her spouse. Mrs. Gruenberg disclaims beneficial ownership of these shares.

(b) Includes 3,247 shares owned by his spouse.

(c) A majority of the descendants of Charles E. Merrill are Subscribers to the MNP Voting Trust.

MNP

MERCHANTS' NATIONAL PROPERTIES, INC.
10 Grand Central, 155 East 44th Street, New York, NY 10017

May 8, 2020

To our Shareholders:

Merchants' National Properties, Inc. ("MNP" or the "Company") had another successful year in 2019. Significant highlights during the year include the following:

- The Company continued to show solid growth across the portfolio and key assets (including 10 Grand Central in New York, The Department Building in Atlanta, 545 Madison Avenue in New York and Cross County Shopping Center ("CCSC") in Yonkers, New York) have been repositioned or have repositionings/improvements planned which will further enhance value.

- This year, Marx Realty & Improvement Co., Inc. ("Marx") took over the property management of 10 Grand Central, CCSC, 135 Bowery, 161 Bowery, 545 Madison and 532 Madison. These properties have already benefited from Marx's hands-on management approach, allowing ownership to more effectively realize efficiencies, operating expense reductions and revenue enhancements.

- CCSC continues to perform strongly in an otherwise difficult retail leasing environment (even prior to COVID-19). Excluding the Sears vacancy, the current occupancy level exceeds 98%. Multiple tenants either renewed their leases in 2019 or are in active negotiations for renewal of their leases. We have leases out for a large portion of the former Sears building to tenants that will add to the vibrancy and desirability of the Center, and we continue to curate the tenant mix for long-term profitability and success.

- 10 Grand Central continues to outperform its underwriting and its competitive set. The property is approximately 94% leased at some of the highest rental rates in the Grand Central corridor. The property's renovations have been very well received, and we have been credited with being among the first landlords to bring a true hospitality aesthetic and experience to the office product. The repositioning has enabled the property to attract high caliber credit tenants as well as several notable awards, including BOMA New York's prestigious Pinnacle Award for Renovated Building of the Year, which has increased the recognition of the building and the Marx brand.

- For the third consecutive year, Marx, the management arm of MNP, was profitable, generating a net income before taxes of over $2.3 million from its operations. In the decade prior to Mr. Deitelzweig's arrival in August of 2017, Marx operated at a deficit.

- The Marx team members continue to work effectively and cohesively together (even remotely, these days). Recently, we significantly strengthened our accounting group with several new hires and upgraded our information systems to streamline reporting and improve transparency.

- The Company's cash position and low leverage, as well as its highly desirable and well positioned assets, will enable MNP to withstand upcoming challenges in the current and post-COVID environment. We continue to expand our relationships with institutional capital partners with whom we are discussing partnerships on acquisitions. These relationships, and our track record, will enable us to grow our portfolio as opportunities surface in the coming months.

Virtual Annual General Meeting:

In view of the current coronavirus pandemic, this year's annual general meeting of the shareholders will be held virtually. Attached to this shareholder letter is a memorandum which provides the details of the virtual meeting process. If you are planning to attend the meeting, we request that you please read this memorandum and follow the instructions.

COVID-19 Update:

Although the focus of this letter is on MNP's 2019 results, we want to update you on how the COVID-19 pandemic and the current stay-at-home orders in place for much of the country is impacting our near-term cash flow. As Mr. Deitelzweig indicated in his correspondence with shareholders several weeks ago, April rent collections from our office tenants across the portfolio are at 96% (with over 98% payment from the office tenants at 10 Grand Central and 100% payment from the office tenants at 545 Madison Avenue), but we do not know whether May's office rent collections will continue at the current pace.

April collections from retail tenants across our portfolio were at 45% (in line with our expectations). We have been working with dozens of our retail tenants who are struggling with a lack of revenue while their stores are closed and, in many instances, have worked out arrangements in which all or a portion of the tenant's rent is deferred for two to three months with payback starting later this year. We anticipate May's retail rent collections will be similar or potentially worse than April's as tenants' stores remain closed.

CCSC, our most important asset, is very well capitalized with over $60 million in cash reserves and is able to withstand the current 44% rental payment rate by tenants. In the short-term, while CCSC's rent collections from the larger tenants are consistent with their lack of payment nationally, we fully expect to collect the past due rent from these high credit tenants. At the same time, negotiations on new leases that began prior to the pandemic appear to be progressing well. Post-COVID, we believe the property is likely to benefit as weaker centers in our vicinity that were struggling pre-COVID suffer disproportionately from store closings as retail consolidations accelerate.

While it is too soon to say how the demand for office space will be affected post-COVID, we believe the potential increase in working remotely should be more or less balanced by a demand for less densely populated office configurations. In all cycles, location and asset quality are critical. Virtually all office tenants at 10 Grand Central and 545 Madison paid their April rent, which speaks to the quality of the tenants in our buildings and the successful communication and outreach by the Marx team.

We are currently working on the preparations for reopening our centers and office buildings which include creating social distancing signage, increasing the cleaning schedules, and purchasing masks and gloves for our team members as well as disinfectant and Purell for the general public entering our spaces. We are also looking into upgrading/providing HEPA air filters in office space. Our goal is to be in the forefront of creating healthy and safe environments for our tenants and guests in all our properties.

Financial Highlights:

The table below provides a side-by-side comparison of MNP's 2018-2019 Consolidated Income Statement "As Audited" in accordance with GAAP (Generally Accepted Accounting Principles) and "As Grossed-up" which provides more transparency to MNP's share of the underlying assets' revenue and expenses which flow up to MNP from various real estate investments.

	MNP & SUBSIDIARIES				
	CONSOLIDATED STATEMENTS OF INCOME				
	YEAR ENDING 12/31/2019			YEAR ENDING 12/31/2018	
	AS AUDITED	**AS GROSSED-UP**		**AS AUDITED**	**AS GROSSED-UP**
RENTAL & OTHER INCOME	11,201,730	48,203,572		9,937,825	46,454,180
DEFERRED REVENUE REVERSAL **(545 MADISON)**		(11,054,777)	**(A)**		
EQUITY IN EARNINGS (LOSSES) OF REAL ESTATE VENTURES	(948,891)		**(B)**	15,561,902	
INVESTMENT INCOME	1,236,222	1,685,364		1,071,961	2,218,277
EXPENSES	(7,381,832)	(22,795,523)		(6,530,686)	(19,560,908)
NON-RECURRING GAINS (LOSS)	(40,061)	4,432,219		-	4,393,091
UNREALIZED GAIN ON MARKETABLE SECURITIES	11,288,880	11,288,880	**(C)**		
IMPAIRMENT OF RENTAL PROPERTY	(1,337,269)	(1,337,269)	**(D)**		
EBITDA	**14,018,779**	**30,422,466**		**20,041,002**	**33,504,640**
FINANCING EXPENSE	(957,409)	(8,756,231)	**(E)**	(862,732)	(5,829,279)
TAXES (STATE & FEDERAL)	(894,656)	(1,281,922)		(3,463,811)	(4,158,108)
TAXES (STATE & FEDERAL) - DEFERRED	(685,673)	(685,673)		(750,466)	(750,466)
INTEREST & TAXES	**(2,537,738)**	**(10,723,826)**		**(5,077,009)**	**(10,737,853)**
DEPRECIATION/AMORTIZATION	(1,036,655)	(9,254,254)		(883,314)	(8,686,108)
NET INCOME	**10,444,386**	**10,444,386**		**14,080,679**	**14,080,679**

Please note a multitude of factors have impacted the 2019 reportable GAAP net income. Described below are some of those factors.

(A) The 2019 grossed-up Rental & Other Income of was reduced by an $11.1 million write-off of previously accrued and deferred straight lined rents at 545 Madison Avenue because of the termination of the ground lease. Excluding this write-off, the grossed-up Rental & Other Income was $48.2 million compared to $46.5 million in 2018.

(B) Besides the above stated $11.1 million write-off, the 2019 Equity in Earnings (Losses) of Real Estate Ventures were reduced by an additional $1.5 million due to the (a) early termination of the ground lease at 545 Madison Avenue and (b) bankruptcy and closure of the former Sears store at CCSC.

(C) The adoption of a new GAAP rule (Accounting Standards Update ("ASU") No. 2016-01 effective January 1, 2019), which requires any company holding marketable securities to include in its net income any change in the unrealized gains (losses) from those securities. For 2019, this change has resulted in increasing the reportable GAAP net income by $11.3 million.

(D) Represents the recognition of a $1.3 million loss from the impairment in the value of the Company's property located at 1381 East Putnam Avenue, in Greenwich, Connecticut.

(E) Included in the 2019 Financing Expense is a $2.6 million one-time mortgage interest expense arising from the pre-payment of the first mortgage on 10 Grand Central in connection with the 2019 refinancing of the property's debt.

- The year-end 2019 Retained Earnings shows a year-over-year increase of $35.4 million ($202.6 million at year-end 2019 from $167.2 million at year-end 2018). Almost the entire increase, net of dividend paid, is attributable to the change in accounting method with the adoption of the previously mentioned ASU 2016-01. Prior to the adoption of this ASU, any unrealized gain or loss on marketable securities was reported on the Balance Sheet as part of "Accumulated other comprehensive income". With the adoption of the ASU, the current year's unrealized gain of $11.3 million is included in the 2019 Net Income and Prior Year's cumulative unrealized gain of $29.6 million was reclassified to the beginning Retained Earnings.

Dividends paid in 2019 and 2018 totaled $50.00 and $47.50 per share, respectively. The MNP Board approved payment of a $20 per share dividend for the first half of 2020 to shareholders of record as of May 10, 2020. In view of the current crisis, this year's dividend is being paid out by wire transfer to each shareholder for whom we have wiring instructions. For all other shareholders, checks are being mailed directly to their designated mailing address.

Stockholders' equity increased by $4.1 million with a corresponding increase in book value per share to $2,055 at the end of 2019 from $1,988 at the end of 2018.

Over the 12 months ending March 31, 2020, MNP purchased 1,425 shares at an average price of $1,645 per share directly from various shareholders. Currently 91,638 shares of common stock are outstanding.

Property Management/Asset Management - Marx:

As of January 2020, Marx now oversees the management of CCSC, 10 Grand Central, 532 Madison and 545 Madison. We were happy to welcome the on-site members of the CCSC to the Marx team. Marx has been focusing on increasing shareholder value through both improving the value of its existing assets and acquiring new high-quality assets. Through our hands-on management approach, we are committed to enhancing the tenant experience at our properties, tightening cost controls for more efficiently run properties and increasing revenue.

For 2019, the entire portfolio generated rental revenues of $138.3 million, representing a 4% increase over $134.8 million in 2018, and a 53% increase over the $91.9 million in 2008 rental revenues. MNP's share of 2019 portfolio-wide revenue was $39.3 million.

Marx has been and will continue to sell assets with little or no potential for rental income growth in non-core markets in which we believe the upside potential is limited in comparison to the investment required and reinvesting the proceeds from these sales into assets in higher barrier to entry markets with more attractive long-term appreciation potential. As has been our practice, as long as most of the owners of any given property agree, and an opportunity arises that is economically advantageous, in case of a sale in excess of $2 million, we will continue to seek to roll over the proceeds into tax-deferred exchanges for other assets in one of the following markets - New York City, Atlanta and Washington, DC.

In 2019, the portfolio was comprised of 60 properties. While Marx actively oversees all the properties in the portfolio, prior to January 1, 2020, CCSC and 545 Madison Avenue were managed on a day-to-day basis by The Macerich Company and Avison Young, respectively. 545 Madison Avenue was previously ground leased to Thor Equities ("Thor"), and through an eviction process, we took possession of this valuable asset after Thor defaulted on the ground lease, which we then terminated. On May 1, 2019, Marx took over the management of 532 Madison Avenue, which had been subject to a below market ground lease that expired on its terms. Midwood Investment and Development ("Midwood") manages several jointly owned properties, including Washington Street, Boston assemblage, Expressway Plaza in Farmingville, Long Island and the Nespresso store on Prince Street in New York City.

Leasing:

Over the course of 2019, Marx oversaw the signing of new leases and renewals (excluding leases for Midwood joint venture properties) totaling approximately 351,378 sf and approximately $12.5 million in annual rental income. We currently are negotiating leases for over 260,000 sf of space and have signed leases for over 100,000 sf in Q1 2020. We remain cautiously optimistic that the current leases under negotiation will be executed.

Acquisitions and Dispositions:

The Herald, Washington DC: In April 2020, we closed on the purchase of The Herald at 1307 New York Avenue, NW in a prime location (within two blocks of the White House) in Washington, DC's East End neighborhood at a low basis of under $360 psf ($40.8 million). MNP currently owns 95% of this property. The building was the former home of the Washington Examiner Herald and is the type of property that we have been pursuing in DC. The historic building has unique features such as 13'10" ceiling heights on certain floors and loft-like ceiling heights on every floor as well as interesting architectural details that are difficult to duplicate. The Beaux Arts-style building also offers the type of heritage that works well with our hospitality-inspired office aesthetic that we successfully implemented at 10 Grand Central. We plan on renovating the building's lobby, adding a club floor with a lounge, café, boardroom and a fitness center. The building will be leased back to the sellers through the end of the year with the rents held in escrow. We plan to start construction in October. Under our conservative underwriting, we expect the first lease will be signed 18 months from closing. The property, with its unique attributes, is targeted towards associations, lobbying groups, law firms, technology and creative firms. DC is expected to be among the best performing leasing markets in the current environment, with the least amount of jobs in negatively impacted segments of the economy. We anticipate that The Herald will yield an internal rate of return in the high teens.

99 Greenwich Avenue, Greenwich, CT: In July 2019, we completed the sale of this property for $30 million. MNP owned a 16.9% interest in the property. We sought a 1031-tax deferred exchange for the property, but we did not find a property that made sense for the exchange and we distributed the proceeds from the sale to ownership in January 2020.

Southgate Shopping Center, Orlando, FL: We were under contract to sell our Orlando property, but the deal fell through in the wake of the Coronavirus pandemic. The purchaser will revisit in a few months when the debt markets reopen, and the potential buyer achieves more comfort with their existing retail portfolio's rent collections.

Development, Redevelopment and Entitlements:

Projects which are currently under development/renovation or in planning stages include:

- **545 Madison Avenue**: We recently finalized the renovation plans for the lobby, certain common areas and two pre-built suites for the building. We expect to obtain pricing for the work over the next couple of weeks.

- **The Herald**: (see above).

- **The Department Building, Atlanta**: The renovations include a new lobby, new elevator and HVAC system and white-boxing of two long-vacant upper-level floors and one lower level floor in downtown Atlanta, GA in a former department store. The intention is to create contemporary office space for creative users who desire spaces with character, high ceilings, and open layouts. The

renovation is now complete and the upgraded lobby and white-boxed office space is attracting strong tenant interest with three term sheets under negotiation. However, two of the potential tenants are on hold in the current environment. All the proposals are at rental rates in the high 20's to low 30's per square foot. One potential tenant is pricing out their construction work for two floors in the building. Part of the previously vacant lobby space has now been leased to a highly regarded sushi bar operator, which is expected to open for business this summer.

- **Washington Street, Boston**: The current plan is to construct a mixed-use Class A office and retail building on the site and Midwood is working with the City on the potential of adding square footage to the site as part of an initiative by the City for the Downtown Crossing neighborhood in which the property is located.

- **Cross County Shopping Center**: We are working with various tenants on the repositioning of the former Sears building with modifications to the exterior of the space, roof work, environmental abatement or containment, parking improvements and HVAC enhancements.

Review of Core Properties:

MNP has varying interest in 47 properties in 12 states and District of Columbia. The following six real estate holdings represent over 75% of MNP's direct and indirect gross income.

Cross County Shopping Center – Yonkers, NY (MNP – 37.62% Interest) – Excluding Sears, the occupancy rate at the CCSC stands at over 98%. The Marx leasing team is currently focused on completing a 130,000 sf lease with one of the nation's best retailers for two floors of the former Sears location. We are also working with the City of Yonkers to obtain expedited permitting for this work. In addition, we have a lease out with a college for over 30,000 sf on the third floor of the former Sears building. The team is also actively pursuing medical-based tenants with early expressions of interest from three different groups for the remainder of the third floor of the former Sears building.

We also are in negotiations to renew/expand (as the case may be) with H&M, Express and New York & Company. Conversations have been advancing with other top retailers in the athleisure, food, fashion and fast fashion categories, which likely will pick up traction in a few months.

Macy's completed a multi-million-dollar renovation of its store in 2019, and the store team was planning on focusing on enhancing food offerings and adding more high-end merchandise in 2020. Macy's at CCSC is ranked as the number six location in the company.

There have been several changes at CCSC's surrounding competitors. Westchester's Ridge Hill, 3 miles from CCSC and owned by QIC, an Australia-based firm, is in the process of building a second residential tower with rental and owned apartments, managed by Monarch. Because of its location and difficult access, this property has been suffering as many of their tenants have been closing in recent months, which should benefit CCSC. At Bay Plaza, located five miles south in the Bronx, Shake Shack is planned to open in the outdoor section of the mall. At The Westchester, a Simon mall, 15 minutes north of CCSC, Codeverse, a fully interactive coding studio for kids ages 6-13, offering after-school, evening, and weekend

classes and weeklong camps is planned to open in 2020. Other new stores planned for 2020 include Judith Ripka and Shake Shack.

CCSC ended 2019 with a 1.1% decrease over 2018 in sales at $819 psf.

Due to COVID-19, many nonessential retailers at CCSC temporarily closed on March 22, 2020. Only essential businesses including Super Stop & Shop, the Hyatt Place Hotel, banks and the Oakley's Gas Station were permitted to remain open. Restaurants were permitted to be open for dine-out options only. According to our restaurants that remain open, they are currently operating at about 30% of sales compared to last year. Future re-opening may include keeping social distancing guidelines and perhaps reduced hours or seating capacity. The CCSC team is managing the pandemic in various ways, including furloughing some non-essential staff to reduce operating costs (housekeeping and maintenance), deferring nonessential capital expenditures and enhancing social media promotion to lend support to our restaurants and online retailers. We also have been working on a smooth re-opening of CCSC with additional cleaning protocols and heavily emphasized social distancing guidelines in place.

10 Grand Central, 155 East 44th Street (formerly 708 Third Avenue), New York, NY (MNP – 35.71% Interest) – Leasing velocity and tour activity has been robust through Q1 2020 (but has been temporarily halted by COVID-19). The repositioning, with its hospitality-infused ambience and club floor with a lounge, board room and terrace, succeeded in changing the profile of the property as well as the caliber of tenant's interested in leasing space at the building. The property regularly competes with other Class A assets located on Park Avenue, Madison Avenue and Fifth Avenue, and often prevails in attracting prospective tenants over those other buildings. In 2019, we executed over 116,000 rsf of new leases and renewals at the property with an average rent increase of about 47% over prior rents for the same space. The higher rents achieved reflect the broad appeal of the completed renovations. The building is 94% leased. We are currently marketing the Penthouse Collection, which consists of five floors at the top of the building (including our former unused mechanical floor with 20' ceiling heights and two terrace setbacks). We are building out two floors of the Penthouse Collection with high-end finishes to attract tenants that will pay a premium rent above other spaces at 10 Grand Central for this elevated product. The Penthouse Collection was attracting great interest from several prospective tenants, and we have one group who was about to commit to the top two floors, but that deal is currently on hold until one more person could tour the space (which will have to wait until the abatement of New York City stay-at-home orders). We recently leased the former nail salon space adjacent to the lobby to SweetGreen at a $40 psf premium over the prior rent.

In July 2019, the partnership obtained a $110 million 10-year loan from Met Life Real Estate Lending. Part of the loan proceeds was used to retire the then outstanding mortgage on the property, including a private $8 million loan, plus new loan closing and defeasance cost. The remainder of the proceeds are to be used to pay for the on-going building improvement and leasing costs. The new interest-only loan carries a rate of 3.99% compared to the previous Bank of America loan which carried an interest rate of 5.903% and was set to mature in June 2022.

In 2020, approximately 33,000 sf of lease expirations will become available (mostly in Q4). Some of these tenants are seeking to renew and we have been having conversations with these tenants. Activity for this future availability was strong, but all tours were placed on hold and we anticipate that space demand will be delayed in the short-term as tenants get back to work and figure out their upcoming space needs. Our plan was to combine some of these vacant smaller adjacent spaces into larger space but we are reconsidering this approach as we are receiving many incoming calls from tenants who are seeking smaller spaces as they intend to leave their current co-working spaces.

In terms of capital expenses, we completed the sprinklering of all spaces in the building as well as the related sprinkler system backbone installation. Our next major project is the elevator modernizations, which we are now delaying until Q4 2020 or Q1 2021 given the current economic environment.

430 Park Avenue, New York, NY – (MNP – 8.22% Interest in the master leasehold) - This property consists of the entire western block front of Park Avenue between East 55th and 56th Streets. The property is improved with a sixteen-story class-A building and retail space on the ground floor. The building contains 287,000 sf of rentable space including 10,400 sf of ground floor retail space, the south half of which is leased to TD Ameritrade while the northern half is leased to three other tenants. Other than a small 3,000 sf vacancy, the building is fully leased. In order to fund the leasing costs of the vacancies, in May 2018 the master partnership obtained a $27 million loan from Bank of America ("BOA"). Part of the loan proceeds was used to retire the then outstanding mortgage on the property and the rest to pay for the leasing related costs. The ground lease expires on March 31, 2027. The BOA loan was recently extended for one-year through April 2021.

545 Madison Avenue, New York, NY – (MNP - 23.33% Interest) - The 17-story office building with ground floor retail which had been net leased to LCOR who later sold the lease to Thor in the fourth quarter of 2013. In October 2019, after Thor defaulted under the lease for non-payment of ground rent, the landlord (Joseph E Marx Co.) took back possession of this 140,000 sf building. Since January 1, 2020, Marx has taken over the management of this property. Plans are underway to renovate the lobby and potentially add amenity space along the lines of what we have achieved at 10 Grand Central. As a result of Marx's management of the property, as well as the plans underway to improve the property, we were able to renew and expand one of the tenants in the building, increasing their square footage to 25,000 sf and increasing the rent by approximately $10.00 psf with no tenant allowance. This tenant was about to leave the property and had a lease out for execution at another property. We currently are negotiating with another tenant to renew at a $22 psf increase over their current rental rate. Lastly, we are about to finalize a lease for most of the now vacant retail space with a high credit tenant.

605 West 181st Street, New York, NY – (MNP – 100% Interest) – In early Q1 2019, we signed a 10-year lease with Foot Locker, which opened a "Power Store" at this location in August 2019. This site is Foot Locker's only Power Store in New York. Besides selling its usual merchandise, this new Foot Locker experiential store will feature a barbershop, sneaker cleaning, and gaming zones. In August 2019, a first mortgage was placed on this property to pay-off the existing $4.5 million debt and pay for the landlord work and the tenant improvement/leasing costs as per the lease. Due to the current COVID-19 pandemic, Foot Locker is not current in paying its rent, but we fully expect to collect the past due amount over time from this high credit tenant.

201 East 57th Street, New York, NY – (MNP – 23.33% Interest) – This four-story showroom building is fully leased to TD Bank on the ground floor, Design Within Reach on second and third floors plus part of the ground floor and Mansour Rugs on the fourth floor. The property is encumbered with a 10-year self-amortizing $13 million loan with an interest rate of 3.07%.

A complete list of the Company's properties is attached to this letter as Schedule A.

More detailed information on MNP's various real estate holdings and investments can be found on the Marx website (http://www.marxrealty.com). Shareholders, without a username and password, may write to Pattie.j@marxrealty.com to request a username and password.

Securities Portfolio:

The MNP portfolio of marketable securities was valued at approximately $50 million as of December 31, 2019, with a cost basis of under $1 million. For the year, the portfolio value increased by $11.3 million or 25.3% in market value compared to a 28.9% increase in the S&P 500 Index. As of April 30, 2020, the portfolio was valued at $44.6 million.

Bank Line of Credit:

In September 2018, MNP secured a $30 million term note with Capital One Bank which is secured by a pledge of MNP's portfolio of marketable securities and carries interest at LIBOR plus 1.35% with a maturity date of May 1, 2021.

Under the terms of the term note, if the value of portfolio declines so that the value of the note is greater than 75% of liquid assets, MNP shall supply additional liquid assets or risk the sale of some or all of the securities with attendant tax consequences. As of December 31, 2019, the $1.5 million borrowed in August 2016 to fund the capital needs of the 85 North 3rd Street, Brooklyn, New York property still remain outstanding. In anticipation of The Herald acquisition in March 2020, the Company drew down an additional $20 million against the line.

Mr. Deitelzweig's Employment Agreement:

We are happy to report that the Board recently extended Mr. Deitelzweig's employment through August 2024. We look forward to his continued leadership and vision as he continues to grow the Company over the next four years.

Board Attendance and Compensation Practices:

Non-Executive Board Members (excluding the Chairman) received $3,000 for attending each scheduled meeting. In 2019, MNP's board met in person four times, and the total board compensation was $161,000.

In addition to the in-person meetings, the board spent (collectively) many hours in attendance at meetings, teleconferences, interviews, site visits, negotiations, on-site events, and promotions, etc. Of the $161,000 paid in 2019, Mr. Better received $60,000 as the Chairman of the Board. A supplementary honorarium of $2,000 per meeting was paid to both Messrs. Better and Usdan for their services as MNP's representatives on the Dollar Land Board of Managers.

Respectfully submitted,

Craig M. Deitelzweig
President and Chief Executive Officer

James M. Better
Chairman

Property	Building Type	Land (Acres) - Approx.	Building (square ft) - Approx.	MNP Interest [1]	Occupancy %	SF LEASED	SF VACANT	# of In-place Tenants	Primary Tenants
ALABAMA									
1301 N MEMORIAL PKWY, HUNTSVILLE	RETAIL/BILLBOARD SIGN	1.4	10,832	53.4%	100%	10,832	-	1	Bridgestone
CALIFORNIA									
17220-230 S. LAKEWOOD, BELLFLOWER	SHOPPING CENTER	11.1	131,884	17.2%	99%	130,384	1,500	4	Kimco Realty, Denny's, Granny's Donuts, Star Dental
CONNECTICUT									
1381 EAST PUTNAM AVENUE, GREENWICH	MIXED-USE	0.7	10,200	92.8%	100%	10,200	-	2	Belly & Body, Estate Treasures + Residentials
98,102, 108 GREENWICH AVENUE	MIXED-USE	-	18,181	57.9%	88%	16,056	2,125	5	Sweet Green, Karp Reilly, Altus Power, Atlantic Pacific
DISTRICT OF COLUMBIA									
2200 P STREET NW, DC	RETAIL/GAS STATION	0.4	2,100	100.0%	0%	-	2,100	1	Vacant (Lease out)
819 7TH ST., NW, WASHINGTON, DC	RETAIL/OFFICE		7,857	90.7%	100%	7,857	-	2	Nando's Restaurant Group
819 7TH ST., NW, WASHINGTON, DC	OFFICE		5,115	66.5%	100%	5,115	-	1	Color of Change
FLORIDA									
4601-4675 S. ORANGE, ORLANDO	SHOPPING CENTER	15.7	144,813	23.3%	85%	122,649	22,164	6	Auto Zone, Arron Rents, ALDI, Dd's, Good 2 Go, Beauty Exch
1677 & 1681 LENOX, MIAMI BCH	RESTAURANT	0.4	13,506	49.0%	100%	13,506	-	1	Yard House
GEORGIA									
207-211 PEACHTREE STREET, ATLANTA	1-4 STORY+1-1 STORY BLDG	0.4	42,451	26.8%	59%	25,151	17,300	3	Hooters, Red Phone Booth, Suito Sushi Bar
KANSAS									
520 EAST 5TH ST, TOPEKA	1 STORY INDUSTRIAL	0.3	7,732	94.6%	0%	-	7,732	1	Was Dental Lab
KENTUCKY									
3430 PRESTON HWY, LOUISVILLE [2]	RESTAURANT	0.3	1,950	49.3%	100%	1,950	-	1	Taco Bell
MASSACHUSETTS									
349-365 WASHINGTON STREET, BOSTON [2]	4 BUILDING ASSEMBLAGE MIXED USE	0.5	68,405	25.0%	42%	28,936	39,469	13	Payless, Pearl Media, Cingular, Bromfield Pen Shop
BROMFIELD & BOSWARTH ST, BOSTON [2]	3 BUILDING ASSEMBLAGE MIXED USE	0.1	36,000	29.7%	94%	33,735	2,265	16	Marliave, Colonial Trading, Breather, Neighborschools
NEW JERSEY									
460 WEST ROUTE 70, MARLTON	RETAIL	1.4	9,000	34.9%	100%	9,000	-	1	Enterprise Car Rental
240 WEST PWY, PEQUANNOCK	WAREHOUSE	6.9	127,800	22.6%	100%	127,800	-	1	Strong Man Builiding Products
1218 HOOPER AVE (& BEY AVE)	RETAIL + VACANT LAND	27.2		30.1%	100%	-	-	3	Target, Chilli's, Exxon
1232 HOOPER, TOMS RIVER	SHOPPING CENTER	14.1	79,186	11.5%	68%	54,165	25,021	8	Petsmart, Modern Woman, DXL, Tuesday Morning, Encore Dental (part of old Toys R Us space)
3607 BERGENLINE, UNION CITY	RETAIL	0.3	37,647	100.0%	71%	26,647	11,000	1	ABC Bargain Stores
2125 FLETCHER AVENUE, FORT LEE [2]	RETAIL	2.1	32,725	30.0%	100%	32,725		1	Metropolital Plant Exchange
NEW YORK									
KNOLLS COOP SOCIETY, BRONX [5]	RESIDENTIAL			100.0%	100%			1	Knolls Cooperative Section No. 1
3965 HEMPSTEAD BLVD., BETHPAGE	RETAIL/GAS STATION	1.3	6,929	95.7%	100%	6,929	-	1	Quick Check Corp.
89-17/23 QUEENS BLVD., ELMHURST	RETAIL	0.3	8,625	12.7%	89%	7,653	972	2	JP Morgan Chase, Japanese/Asian Food
222 ELMIRA RD, ITHACA	SHOPPING CENTER	6.9	46,517	21.0%	93%	43,467	3,050	13	Northside Liquor, 5 Guys, Taco Bell, DiBellas
201 EAST 57TH STREET, NYC	4 SHOW ROOM	0.2	29,617	23.3%	100%	29,617	-	4	TD Bank, Design Within Reach, Mansour Rugs
532 MADISON AVENUE, NYC	RETAIL/OFFICE	0.04	15,347	10.4%	100%	15,347	-	6	Smilers, Inter Audi, Ross Art, Sasha & Less is More
545 MADISON AVENUE, NYC	RETAIL/OFFICE	-	139,540	23.3%	77%	107,093	32,447	11	Reichmont, Oscar Blandi, Ogden Capital, HSN, Strike Holding, Ice Data
605-9 WEST 181st STREET, NYC	RETAIL	0.2	23,897	100.0%	100%	23,897	-	1	Foot Locker
712 THIRD AVENUE, NYC	RETAIL/OFFICE BUILDING	0.1	9,869	17.9%	100%	9,869	-	3	Wendy's, Dunkin Donuts, Haufbrau
140 7TH AVE S PARCEL, NYC	21sf LAND PARCEL			100.0%	100%			1	Ark Seventh Ave South
135 BOWERY ST., NYC	RETAIL/OFFICE BUILDING		21,308	100.0%	100%	21,308	-	8	Tang Hosp, Breather, RTS, Minds+Assemblt, Tradewinds
3639 MERRICK RD. SEAFORD	FREESTANDING BUILDING	0.3	4,620	22.7%	100%	4,620	-	1	Funstuff
2800 HYLAN BLVD. STATEN ISLAND	BANK BLDG/FAST FOOD RESTAURANT	1.3	7,147	0.7%	100%	7,147	-	2	Burger King, Bank of America
79-83 MAMARONECK AVE. W.PLAINS	1 STORY + PARTIAL BSMT	0.1	4,449	94.6%	24%	1,058	3,391	2	Salon/Skeleton Key (Escape Room)
10 GRAND CENTRAL, 155 E 44TH STREET	RETAIL/OFFICE BUILDING	0.4	414,097	35.7%	94%	390,666	24,440	82	ANA, Benenson, UNOPS, Int'l FCStone, LPQ, Blackfield, Wheelock, Mass Mutual, Crux
CROSS COUNTY SHOPPING CTR. [3]	SHOPPING CENTER	71.3	1,143,174	37.6%	82%	934,713	206,805	100	Macy's, Stop&Shop, XXI, Zara, H&M, Hyatt, Victoria's Secret, Sears (Vacant)
92 PRINCE STREET, NEW YORK [2]	RETAIL	0.1	5,200	19.7%	100%	5,200	-	1	Nespresso
85 NORTH 3RD ST. WILLIAMSBURGH, BKLYN	RETAIL		26,856	40.6%	44%	11,825	15,031	8	Ralph Lauren, Crème Design, Kula Yoga, Aesop
478 W. BROADWAY, NEW YORK [2]	RETAIL	-	2,900	19.7%	100%	2,900	-	1	Avenso Photo Art
430 PARK AVENEUE, NEW YORK [2, 4]	OFFICE BUILDING	0.3	295,900	8.2%	99%	$ 292,994	2,906	22	WeWork, TD, Cellini, Wainwright, Withers, Molo, Engel & Volkers, Savanna, TIAA
124 HUDSON STREET, NEW YORK	RETAIL/OFFICE	-	11,892	19.4%	100%	11,892	-	3	Tribeca School, Little Gym, Warburg Realty
2320 OCEAN AVENUE, FARMINGVILLE [2]	SHOPPING CENTER	40.6	287,314	12.3%	58%	166,090	121,224	21	Stop&Shop, JPM, TGIF, BK, GNC, LA Fitness, City Practice
TEXAS									
3803 SOUTH COOPER ST., ARLINGTON [2]	SHOPPING CENTER	5.1	55,005	18.1%	70%	38,768	16,237	4	Colaw Fitness, Pet Supplies+, Pediatric Dentistry, Univ. Melody
VIRGINIA									
7717 RICHMOND HWY, ALEXANDRIA	VACANT LAND	0.1		42.6%	0%	-	-	-	Vacant, available for lease or sale
7704 RICHMOND HWY, ALEXANDRIA	SHOPPING CENTER	2.8	13,330	42.6%	100%	13,330	-	6	Verizon, Vitamin Shoppe, Pollo Campero, Dunkin
7508 RICHMOND HWY, ALEXANDRIA	RETAIL	1.1	7,920	7.9%	100%	7,920	-	2	Sherwin Williams, End of the Roll
5025 WELLINGTON RD, GAINESVILLE	FREESTANDING BUILDING	0.7	2,126	49.0%	100%	2,126	-	1	Chipotle
		216.48	3,370,963			2,813,137	557,179		

[1] Includes interest owned indirectly through MNP's 23.3333% ownership in Joseph E. Marx Co., Inc.
[2] Managed by Midwood Management
[3] Was managed by Macerich through Dec. 31, 2019
[4] Leasehold Interest
[5] Ground Leased

MERCHANTS' NATIONAL PROPERTIES, INC.
10 Grand Central, 155 East 44th Street, New York, NY 10017

Virtual Meeting Process

Dear Shareholders:

We are writing to inform you that, because of the Coronavirus (COVID-19) pandemic, the 2020 Annual General Meeting ("AGM") of the Shareholders of Merchants' National Properties, Inc. ("MNP") will be held in a virtual format on June 4, 2020 at 12:30 p.m., Eastern Time.

Management urges all the shareholders who plan to attend the meeting to pre-register no later than June 2, 2020.

In order to pre-register for the meeting, please click on the following URL (or copy and paste it in your web browser) and provide the requested information:

http://www.eventcastpro.com/webcasts/cc/events/LG77PNs633ud.cfm

Shareholders who pre-register will be able to join the AGM using the same URL as mentioned above.

Shareholders who have not pre-registered prior to the AGM, we request that, on the day of the AGM, you please log in at least 15 minutes before the scheduled meeting time. You will be asked to provide the following information to the conference manager prior to joining the AGM:

- Your name;
- Your email address;
- Your telephone number;
- Your affiliation with the registered MNP shareholder if shares are not held in your own name;
- The number of shares you have the authority to vote; and
- Your voting instructions if you are the record owner of your shares and have not submitted a proxy or if you wish to revoke your proxy and vote at the AGM .

In the event your computer does not have audio capability, you will also be able to listen to the meeting through your phone by calling 866.342.8588 or 203.518.9865 and providing Conference ID: 667. In case you have any questions or need assistance logging-in between now and the day of the AGM, please call our corporate office at 212 557-1400 and someone will assist you.

Shareholders who own their shares in street name (for example, through brokerage accounts) are urged to provide their voting instructions ahead of the meeting. **Your vote must be received by June 2, 2020 to be counted.** Shareholders who are the record owners of their shares will be able to cast their votes until the polls close on the day of the AGM.

In order to make the AGM more efficient and informative, we encourage shareholders to provide their questions in advance of the meeting by emailing: mariela.b@marxrealty.com.

MERCHANTS' NATIONAL PROPERTIES, INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

AND

INDEPENDENT AUDITORS' REPORT

FRIEDMAN LLP®

ACCOUNTANTS AND ADVISORS

MERCHANTS' NATIONAL PROPERTIES, INC. AND SUBSIDIARIES

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Merchants' National Properties, Inc.

We have audited the accompanying consolidated financial statements of Merchants' National Properties, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of one of the investments in real estate ventures (Dollar Land Associates, LLC) discussed in Note 5 of the consolidated financial statements. Merchants' National Properties, Inc. and Subsidiaries' investment in this real estate venture approximates 14% of consolidated total assets for both December 31, 2019 and 2018, and the equity in earnings (losses) of such investee approximates 30% and 32%, respectively, of the consolidated net income before general and administrative expenses and other costs and income taxes for the years then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Dollar Land Associates, LLC. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers

(Continued)

internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Merchants' National Properties, Inc. and Subsidiaries as of December 31, 2019 and 2018, and the consolidated results of their operations and their consolidated cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Friedman LLP

May 8, 2020

MERCHANTS' NATIONAL PROPERTIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2019	2018
ASSETS		
Rental properties, net	$ 43,778,496	$ 43,344,928
Marketable securities	50,202,265	40,066,103
Investments in real estate ventures	122,715,988	130,831,412
Intangible asset available-for-sale	749,036	749,036
Cash and cash equivalents	17,041,064	12,835,429
Restricted cash	543,133	1,104,794
Receivables:		
Loans, real estate ventures	2,100,000	2,275,000
Affiliated real estate ventures	954,990	1,031,556
Employees	923,984	895,151
Related parties	2,697,722	2,593,742
State tax credit refunds	21,651	2,161,091
Deferred revenue	1,411,038	-
Other	708,583	15,424
Tenant security deposits in escrow	360,672	315,989
Prepaid expenses and other assets	1,586,096	1,154,731
Prepaid income taxes	2,528,322	-
Deferred tax assets	2,570,779	1,578,575
Total assets	$ 250,893,819	$ 240,952,961
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Accounts payable and accrued expenses	$ 1,226,568	$ 850,498
Accrued rent and lease deposits	452,561	583,188
Mortgages payable, less unamortized debt issuance costs of $276,554 and $69,402 in 2019 and 2018, respectively	25,353,422	15,077,294
Line of credit	1,500,000	6,000,000
Income taxes payable	-	1,461,919
Deferred tax liabilities	26,025,921	24,348,044
Total liabilities	54,558,472	48,320,943
Commitments and contingencies		
Stockholders' equity		
Common stock, $1 par value; 187,000 shares authorized, 105,199 shares issued, (shares outstanding, 92,196 and 93,064 in 2019 and 2018, respectively)	105,199	105,199
Additional paid-in capital	1,146,317	1,146,317
Accumulated other comprehensive income	-	29,650,653
Retained earnings	202,654,307	167,185,788
Treasury stock, at cost (13,003 and 12,135 shares in 2019 and 2018, respectively)	(14,459,577)	(13,048,118)
Total Merchants' National Properties, Inc. stockholders' equity	189,446,246	185,039,839
Noncontrolling interests	6,889,101	7,592,179
	196,335,347	192,632,018
Total liabilities and stockholders' equity	$ 250,893,819	$ 240,952,961

See notes to consolidated financial statements.

MERCHANTS' NATIONAL PROPERTIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,	
	2019	2018
Revenues		
Rental revenue	$ 4,431,096	$ 3,798,152
Management fees	2,237,562	1,916,717
Leasing commissions	1,469,830	910,818
Asset acquisition/disposition fees	-	1,817,000
Development and buildout fees	1,069,747	466,469
Mortgage financing fees	620,125	176,250
Other revenues	1,373,370	852,419
Total revenues	11,201,730	9,937,825
Direct operating expenses		
Real estate taxes	956,182	927,497
Depreciation and amortization	1,036,655	883,314
Other operating expenses	500,494	721,752
Financing expenses	957,409	758,392
Total direct operating expenses	3,450,740	3,290,955
Net revenues from rentals and other income	7,750,990	6,646,870
Equity in earnings (losses) from real estate ventures, net*	(948,891)	15,561,902
Investment income	1,236,222	1,071,961
Unrealized gain on marketable securities	11,288,880	-
Gain on sale of marketable securities	44,702	-
Loss on sale of rental property	(84,763)	-
Net income before general and administrative expenses and other costs and income taxes	19,287,140	23,280,733
General and administrative expenses and other costs		
Financing expenses	-	104,340
Professional fees	724,151	302,648
Impairment of rental property	1,337,269	-
Salaries and other general expenses	5,152,953	4,556,067
Total general and administrative expenses and other costs	7,214,373	4,963,055
Net income before income tax expense	12,072,767	18,317,678
Income tax expense	1,580,329	4,214,277
Net income	10,492,438	14,103,401
Less - Noncontrolling interests in income of consolidated subsidiaries	(48,052)	(22,722)
Net income attributable to Merchants' National Properties, Inc.	$10,444,386	$14,080,679
Basic and diluted earnings per share	$ 112.36	$ 151.30
Weighted average number of common shares outstanding		
Basic and diluted	92,951	93,064

* Includes the write-off of accrued rent from a real estate venture in the amount of $11,054,777 in 2019 and equity in earnings from the gain on sales of properties held by other real estate ventures of $4,475,317 and $4,393,091 in 2019 and 2018, respectively.

See notes to consolidated financial statements.

MERCHANTS' NATIONAL PROPERTIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,	
	2019	2018
Net income	$10,492,438	$14,103,401
Other comprehensive income (loss)		
Unrealized gain (loss) on marketable securities arising during the year, net of deferred tax of $(997,724)	-	(3,540,682)
	-	(3,540,682)
Comprehensive income	10,492,438	10,562,719
Less - Comprehensive income attributable to noncontrolling interests	(48,052)	(19,425)
Comprehensive income attributable to Merchants' National Properties, Inc.	$10,444,386	$10,543,294

See notes to consolidated financial statements.

MERCHANTS' NATIONAL PROPERTIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Merchants' National Properties, Inc. and Subsidiaries								
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock		Noncontrolling Interests	Total Equity
	Shares	Amount				Shares	Amount		
Balance, January 1, 2018	105,199	$ 105,199	$ 1,146,317	$ 33,188,038	$ 157,525,633	12,135	$ (13,048,118)	$ 7,514,786	$ 186,431,855
Net income	-	-	-	-	14,080,679	-	-	22,722	14,103,401
Dividends paid	-	-	-	-	(4,420,524)	-	-	(110,499)	(4,531,023)
Capital contributions	-	-	-	-	-	-	-	168,467	168,467
Other comprehensive loss, net of tax	-	-	-	(3,537,385)	-	-	-	(3,297)	(3,540,682)
Balance, December 31, 2018	105,199	105,199	1,146,317	29,650,653	167,185,788	12,135	(13,048,118)	7,592,179	192,632,018
Acquisition of treasury stock	-	-	-	-	-	868	(1,411,459)	-	(1,411,459)
Net income	-	-	-	-	10,444,386	-	-	48,052	10,492,438
Dividends paid	-	-	-	-	(4,626,520)	-	-	(814,305)	(5,440,825)
Capital contributions	-	-	-	-	-	-	-	63,175	63,175
Adoption of new accounting policy (Note 2	-	-	-	(29,650,653)	29,650,653	-	-	-	-
Balance, December 31, 2019	105,199	$ 105,199	$ 1,146,317	$ -	$ 202,654,307	13,003	$ (14,459,577)	$ 6,889,101	$ 196,335,347

See notes to consolidated financial statements.

MERCHANTS' NATIONAL PROPERTIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2019	2018
Cash flows from operating activities		
Net income	$ 10,492,438	$ 14,103,401
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	1,036,655	883,314
Amortization of debt issuance costs included in financing expenses	49,018	39,893
Provision for deferred taxes	685,673	750,466
Accrued interest on loans receivable, real estate ventures	(75,000)	(75,000)
Equity in losses (earnings) of investments in real estate ventures, net*	948,891	(15,561,902)
Impairment of land and building	1,337,269	-
Loss on sale of rental property	84,763	-
Gain on sale of marketable securities	(44,702)	-
Unrealized gain on marketable securities	(11,288,880)	-
Changes in assets and liabilities		
Receivables - affiliated real estate ventures	76,566	(124,578)
Receivables - employees	(28,833)	(609,713)
Receivables - related parties	(103,980)	(1,675,027)
Receivables - state tax credit refunds	2,139,440	(990,836)
Receivables - other	(693,159)	138,999
Prepaid expenses and other assets	(431,365)	(17,211)
Deferred revenue	(1,411,038)	
Prepaid income taxes	(2,528,322)	1,141,676
Accounts payable and accrued expenses	376,070	176,242
Prepaid rent and lease deposits	(130,627)	68,222
Income taxes payable	(1,461,919)	1,461,919
Net cash provided by operating activities	(971,042)	(290,135)
Cash flows from investing activities		
Contributions to investments in real estate ventures	(859,872)	(3,958,974)
Distributions from investments in real estate ventures	8,026,405	8,733,494
Capital contributions from noncontrolling interests	63,175	168,467
Purchase of rental properties	(2,979,458)	(510,976)
Proceeds from sale of rental properties	87,203	-
Proceeds from sale of marketable securities	1,197,420	-
Loan receivable - real estate ventures	250,000	-
Net cash used in investing activities	5,784,873	4,432,011
Cash flows from financing activities		
Purchase of treasury stock	(1,411,459)	-
Payment of dividends	(4,626,520)	(4,420,524)
Payment of dividends to noncontrolling interests	(814,305)	(110,499)
Proceeds from (payments of) line of credit, net	(4,500,000)	4,500,000
Principal payments of mortgages payable	(416,785)	(5,056,817)
Proceeds from mortgage payable	10,900,065	-
Debt issuance costs	(256,170)	-
Net cash used in financing activities	(1,125,174)	(5,087,840)
Net increase (decrease) in cash and cash equivalents, restricted cash and tenant security deposits in escrow	3,688,657	(945,964)
Cash and cash equivalents, restricted cash and tenant security deposits in escrow, beginning of year	14,256,212	15,202,176
Cash, cash equivalents, restricted cash and tenant security deposits in escrow, end of year	$ 17,944,869	$ 14,256,212

* Includes the write-off of accrued rent from a real estate venture in the amount of $11,054,777 in 2019 and equity in earnings from the gain on sales of properties held by other real estate ventures of $4,475,317 and $4,393,091 in 2019 and 2018, respectively.

See notes to consolidated financial statements.

MERCHANTS' NATIONAL PROPERTIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2019	2018
Reconciliation of cash and cash equivalents, restricted cash and tenant security deposits in escrow, beginning of year		
Cash and cash equivalents	$ 12,835,429	$ 14,017,163
Restricted cash	1,104,794	861,270
Tenant security deposits in escrow	315,989	323,743
Cash and cash equivalents, restricted cash and tenant security deposits in escrow, beginning of year	$ 14,256,212	$ 15,202,176
Reconciliation of cash and cash equivalents, restricted cash and tenant security deposits in escrow, end of		
Cash and cash equivalents	$ 17,041,064	$ 12,835,429
Restricted cash	543,133	1,104,794
Tenant security deposits in escrow	360,672	315,989
Cash and cash equivalents, restricted cash and tenant security deposits in escrow, end of year	$ 17,944,869	$ 14,256,212
Supplemental cash flow disclosures		
Interest paid	$ 907,252	$ 821,700
Income taxes paid - net of refunds of $53,081 and $149,043, respectively	4,373,226	1,745,625

See notes to consolidated financial statements.

MERCHANTS' NATIONAL PROPERTIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 - ORGANIZATION

Merchants' National Properties, Inc. ("Merchants"), Guest Realty Company ("Guest"), Marx Realty & Improvement Co. Inc. ("Marx"), Maryland Stores Corporation ("Maryland"), Rier Realty Co., Inc. ("Rier"), East Putnam Ave. I, LLC ("Putnam"), The M&B Building Owners II, LLC ("Bethpage"), Brahmin Realty Associates, LLC ("Brahmin), Madison Syndicate ("Madison"), and University Plaza Joint Venture ("University") own, manage, develop and lease various commercial real estate properties and invest in real estate ventures in the United States (collectively these entities are referred to as the "Company"). Guest, Marx, Maryland and Rier (the "Acquired Entities") were acquired in the transaction discussed below.

On November 21, 2006, Merchants acquired certain shares of stock and partnership interests in the Acquired Entities and other joint venture interests from the estate of Merchants' former stockholder (the "Seller") for a total cost of $41,661,149 in cash. There were no significant liabilities assumed upon acquisition. The purchase price was allocated to the real estate and partnership interests based on their fair values. No goodwill or intangible assets were recorded.

On November 8, 2012, Putnam was formed to acquire property which is being developed into a commercial and residential project. Merchants owns 92.75% of Putnam.

On July 16, 2013, Bethpage was formed to acquire land for the purpose of net leasing or developing it into a commercial project. Merchants owns 95.70% of Bethpage.

In October 2014, Brahmin was formed to acquire a 50% tenancy-in-common interest in three real properties. Merchants owns 59.40% of Brahmin.

On September 11, 2015, Merchants acquired an additional 8.05% interest in the members' equity of University, which resulted in 57.88% interest in the members' equity of University.

Principles of Consolidation

The consolidated financial statements include the accounts of Merchants and its subsidiaries; Guest, a 100% owned subsidiary; Maryland, an 80% owned subsidiary; Marx, a 100% owned subsidiary; Rier, a 94.64% owned subsidiary; Putnam, a 92.75% owned limited liability company; Madison, a 52.93% owned partnership; Bethpage, a 95.70% owned limited liability company; Brahmin, a 59.40% owned limited liability company; and University, a 57.88% owned partnership. All significant intercompany accounts and transactions have been eliminated in consolidation.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Noncontrolling Interests
Accounting principles generally accepted in the United States of America ("GAAP") require that noncontrolling interests in subsidiaries and affiliates be reported in the equity section of a company's balance sheet. In addition, the amounts attributable to the net income and other comprehensive income of these subsidiaries and affiliates are reported separately in the consolidated statements of income, comprehensive income and changes in stockholders' equity for all periods presented.

Use of Estimates
Management uses estimates and assumptions in preparing consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. The most significant estimates and assumptions relate to depreciable lives, impairment of long-lived assets and the recovery of receivables. Actual results could differ from those estimates.

Rental Properties, Net
Real estate is recorded at cost. Maintenance and repairs are charged to operations at the time the expenditures are made, whereas betterments and improvements are capitalized. Upon sale or other disposition of real estate, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in operations.

Marketable Securities
Prior to January 1, 2019, the Company accounted for equity securities at fair value with unrealized gains and losses recognized in accumulated other comprehensive income on the balance sheet. Realized gains and losses on equity securities sold or impaired were recognized in nonoperating income on the statement of comprehensive income (loss). On January 1, 2019, the Company adopted Accounting Standards Update No. 2016-01 ("ASU 2016-01") "Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities," which amends various aspects of the recognition, measurement, presentation, and disclosure of financial instruments. Equity securities are measured at fair value and starting January 1, 2019 unrealized gains and losses are recognized in net income.

As a result of adopting this standard, the Company recorded a cumulative effect adjustment to decrease accumulated other comprehensive income ("AOCI") by $29,650,653 with a corresponding increase to retained earnings. The adoption of ASU 2016-01 increases the possibility of increased volatility of other income, as a result of the requirement to remeasure our equity securities each reporting period.

Marketable securities consist of equity securities, and are carried in the accompanying consolidated financial statements at fair value. Realized gains and losses are included in net income based on the specific identification method; unrealized holding gains and losses are include in the consolidated statement of net income.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in Real Estate Ventures

Investments in unconsolidated affiliated companies, in which the Company has a less than 50% interest and significant influence, but not control, are accounted for using the equity method. Distributions declared but not paid are recorded as receivables from affiliated real estate ventures. On a periodic basis, management assesses whether there are any indicators that the carrying value of the Company's investments in real estate ventures may be impaired. An investment is impaired only if management's estimate of the fair value of the investment is less than the carrying value of the investment, and such decline in value is deemed to be other than temporary. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying amount of the investment over the fair value of the investment. The Company's estimates of fair value for each investment are based on a number of assumptions that are subject to economic and market uncertainties, including, among others, demand for space, competition for tenants, changes in market rental rates, and operating costs. As these factors are difficult to predict and are subject to future events that may alter management's assumptions, the fair values estimated by management in its impairment analyses may not be realized. As of December 31, 2019 and 2018, management determined that no impairment of the recoverability of the carrying amount of its investments has occurred.

Intangible Asset Available-for-Sale

Intangible asset available for sale consists of a liquor license that is not amortized as it has an indefinite life. The Company reviews intangible assets with indefinite lives for impairment annually or more frequently if impairment indicators arise. As permitted under GAAP, the Company took a qualitative approach in determining whether it was more likely than not that the intangible asset was impaired. To the extent the qualitative factors indicate that there is more than a 50% likelihood that the intangible asset is impaired or when the qualitative approach is not used, the Company performs a quantitative impairment test. The quantitative impairment test consists of a comparison of the fair value of the asset with its carrying amount. If the carrying amount of the intangible asset exceeds its fair value, the Company recognizes an impairment loss in an amount equal to that excess. The liquor license has been classified as available for sale. As of December 31, 2019 and 2018, management determined that no impairment provision was necessary.

Long-Lived Assets

The Company reviews the carrying values of its long-lived assets, such as rental properties, whenever events or changes in circumstances indicate that the carrying values may no longer be appropriate. Recoverability of carrying values is assessed by estimating future net cash flows from the assets. Impairment assessment inherently involves judgment as to assumptions about expected future cash flows and the impact of market conditions on those assumptions. Future events and changing market conditions may impact management's assumptions as to rental rates, costs, holding periods or other factors that may result in changes in the Company's estimates of future cash flows. Although management believes the assumptions used in testing for impairment

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Lived Assets (Continued)
are reasonable, changes in any one of the assumptions could produce a significantly different result. In 2019, the Company negotiated and signed a letter of intent with a third-party purchaser to sell the property located at 1381 East Putnam Avenue, Greenwich, CT, for $5,125,000. Before signing the Purchase & Sale Agreement, the purchaser decided not to move forward with the transaction. In view of the Company's agreement to sell this property for this price, an impairment of $1,337,269 to the value of the property has been recorded. No impairment was recognized for the year ended December 31, 2018.

Cash and Cash Equivalents
The Company considers cash and cash equivalents to include cash on hand, cash in banks, and short-term investments in institutional money market funds with initial maturities of three months or less. Cash balances in banks in the United States of America are insured by the Federal Deposit Insurance Corporation subject to certain limitations. Cash balances in institutional money market funds are insured by the Securities Investor Protection Corporation subject to certain limitations.

Restricted Cash
Restricted cash represents funds held in escrow for tenant and capital improvements and leasing commissions as required by the lenders.

Debt Issuance Costs
Debt issuance costs represent amounts incurred in connection with obtaining debt financing. These costs are being amortized on the straight-line basis over the term of the related loan, which approximates the effective interest method. For the years ended December 31, 2019 and 2018, amortization of deferred financing costs was $49,018 and $39,893, respectively. These amounts are included in financing expenses on the accompanying statements of income.

Income Taxes
The Company files a combined income tax return for New York State and New York City except for Madison, Putnam, Bethpage, Brahmin and University. Merchants and Marx file a consolidated federal income tax return and separate income tax returns for all states except New York. Guest, Maryland and Rier file separate federal income tax returns and for all states except New York. Madison, Putnam, Bethpage, Brahmin and University file separate federal and state income tax returns.

The Company applies the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 740, "Income Taxes". The Company files income tax returns in the U.S. federal jurisdiction and in various states.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)
The Company does not have any uncertain tax positions. As a result, there are no unrecognized tax benefits in the accompanying consolidated balance sheets. If the Company were to incur any interest and penalties in connection with income tax deficiencies, the Company would classify interest in the "interest expense" category and classify penalties in the "non-interest expense" category within the consolidated statements of income.

Deferred Income Taxes
The Company uses the asset and liability method of accounting for income taxes in accordance with ASC Topic 740. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities.

Rental Revenue
Revenues derived from fixed lease payments are recognized on a straight-line basis over the non-cancelable period of the lease, together with renewal options that are reasonably certain of being exercised. All leases between the Company and the tenants of the properties are considered to be operating leases. Receivables from tenants are stated at the amount management expects to collect. Account balances are written off after all means of collection have been exhausted and the potential for recovery is considered remote. Accounts are considered past due or delinquent based on contractual terms and how recently payments have been received. No allowance against tenant receivables is considered necessary at December 31, 2019 and 2018.

Sales of Real Estate
The Company accounts for sales of real estate under the full accrual method, whereby gain is not recognized until the collectability of the sales price is reasonably assured and the earnings process is virtually complete. When a sale does not meet such requirements, gain is deferred until the requirements for income recognition are met.

Depreciation
Properties are stated at cost. Depreciation of rental properties is computed using the straight-line method over the estimated useful lives of the assets.

Earnings Per Share
The Company computes basic earnings per share by dividing net income attributable to Merchants by the weighted average number of shares outstanding for the year. Diluted earnings per share are calculated utilizing the weighted average number of common shares outstanding adjusted for the effect of any common stock equivalents.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comprehensive Income

Comprehensive income consists of two components, consolidated net income and other comprehensive income (loss). Other comprehensive income (loss) refers to revenue, expenses, gains and losses that, under GAAP, are recorded as an element of equity but are excluded from consolidated net income.

Fair Value Measurements

The Company follows the provisions of ASC Topic 820, "Fair Value Measurements and Disclosures", which establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.
Level 2: Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and model-derived valuations whose inputs or significant value drivers are observable.
Level 3: Unobservable inputs are used when little or no market data is available.

Financial assets measured at fair value on a recurring basis are summarized below:

December 31, 2019				
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Marketable securities	$50,202,265	$ -	$ -	$50,202,265

December 31, 2018				
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Marketable securities	$40,066,103	$ -	$ -	$40,066,103

The carrying values of cash and cash equivalents, restricted cash, receivables, and accounts payable and accrued expenses approximate their fair values due to their short-term nature. It was not practicable to reasonably estimate the fair value of the loans receivable from real estate ventures, line of credit and mortgages payable as there are no quoted market prices of similar products and management has not developed a valuation model necessary to make such estimates.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, "Revenue from Contracts with Customers" (Topic 606), for the recognition and presentation of revenues from customer contracts. ASU 2014-09 significantly enhances comparability of revenue recognition practices across entities as it now requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Utilizing a five-step method, ASU 2014-09 replaces numerous industry-specific and transaction-specific standards for recognizing revenue (formerly Subtopic 605-35, Subtopic 985-506, Subtopic 360-20 and Subtopic 605-25) by providing transparency. A retrospective and modified retrospective method of adoption are allowable under ASU 2014-09.

Adoption of ASU 2014-09 became effective for nonpublic companies for annual reporting periods beginning after December 15, 2018. Management adopted ASU 2014-09 effective January 1, 2019 using the modified retrospective approach, which required applying the new standard to all existing contracts not yet completed as of the effective date and recording a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

Revenues subject to ASU 2014-09 consist of management fees, leasing commissions, development fees, asset acquisition/disposition fees and mortgage financing fees related to services provided to other entities, with which the Company has contracts. Management fees and development fee are recognized ratably over the period that the services are performed. Leasing commissions are recognized when the leases are executed. Asset acquisition/dispositions fees and mortgage financing fees are recognized when the transactions are entered into. The Company also provides management services on investments it also has an ownership interest. Fees earned on consolidated properties are eliminated in consolidation. The Company recognized revenue related to management fees and development fees over time of $3,307,309 and $2,383,186 for the years ended December 31, 2019 and 2018, respectively, and revenues related to leasing commission, asset acquisition/disposition fees and mortgage financing fees at a point in time of $2,089,955 and $2,904,068 for the years ended December 31, 2019 and 2018, respectively.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments" (Topic 825-10), for the recognition and presentation of financial assets and financial liabilities. ASU 2016-01 requires separate presentation of financial assets and financial liabilities by measurement category and form of asset on the balance sheet or accompanying notes to the financial statements for public companies. Such requirement allows private companies to omit this disclosure. Retrospective application has allowed the Company to remove the disclosure that the fair value of the mortgage payable approximates the carrying value, presented in prior years. Adoption of ASU 2016-01 became effective for nonpublic companies for annual reporting periods beginning after December 15, 2018. Management adopted ASU 2016-01, effective January 1, 2019.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)
In November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows" (Topic 230), for the presentation of restricted cash in the statement of cash flows. ASU 2016-18 applies to all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows. Adoption of ASU 2016-18 became effective for nonpublic companies for annual reporting periods beginning after December 15, 2018. Management adopted ASU 2016-18, effective January 1, 2019. Accordingly, the statements of cash flows present a reconciliation of the changes in cash and cash equivalents, restricted cash and tenant security deposits in escrow.

Recently Issued Accounting Pronouncements - Not Yet Adopted
In 2016, the FASB issued ASU 2016-02, "Leases" (Topic 842), for the recognition and presentation of lease assets and lease liabilities on the balance sheet. ASU 2016-02 calls for the disclosure of key information regarding leasing arrangements, particularly as it relates to operating leases. ASU 2016-02 now requires a lessee to recognize within the balance sheet, a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term. The accounting applied by a lessor is largely unchanged from that applied under previous GAAP, as the vast majority of operating leases should remain classified as operating leases, and lessors should continue to recognize lease income for those leases generally on a straight-line basis over the lease term. ASU 2016-02 requires a modified retrospective application. Adoption of ASU 2016-02 will be effective for nonpublic companies for annual reporting periods beginning after December 15, 2020, with early adoption permitted. The FASB has proposed to delay the effective date to annual reporting periods beginning after December 15, 2021. Management will be evaluating the impact of this standard on the consolidated financial statements.

Derivative Instruments
In accordance with GAAP, the Company recognizes derivatives as either assets or liabilities in the consolidated balance sheets and measures those instruments at fair value. Changes in fair value will affect either accumulated other comprehensive income or loss, which is a component of equity, if the derivative qualifies as a hedge and is effective, or net income or loss, if the derivative does not qualify as a hedge or if the hedge is ineffective.

The Company has a receive-variable (LIBOR plus 1.625%), pay-fixed (3.9%) interest rate swap agreement related to its variable rate loan (see Note 8). The interest rate swap agreement is effective as of October 1, 2015, matures on October 1, 2025, and has an original notional amount of $9,000,000 with a notional amount of $8,044,434 and $8,288,588 at December 31, 2019 and 2018, respectively. The notional amount is reduced based on the terms of the agreement. The interest rate swap agreement is intended to hedge the Company's exposure to possible increases in interest rates and the resulting increase in cash outflows.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative Instruments (Continued)
The interest rate swap was not designated as a cash flow hedge and, accordingly, changes in fair value are recognized in earnings. As of December 31, 2019 and 2018, the Company did not record the fair value of the interest rate swap agreement as it was not material to its consolidated financial statements.

Risks and Uncertainties
The Company is subject to risks incidental to the ownership, development and management of real estate. These include the risks normally associated with the changes in the general economic climate, trends in the real estate industry, availability of land for development, changes in tax laws and interest rates, availability of financing, and the potential liability under environmental and other laws.

The Company's investments include marketable equity securities. Due to the risks associated with equity securities, it is at least reasonably possible that changes in market conditions in the near term could materially affect the value of investments reported in the consolidated financial statements.

Reclassifications
Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. These reclassifications had no impact on previously reported net income.

Subsequent Events
These consolidated financial statements were approved by management and available for issuance on May 8, 2020. Management has evaluated subsequent events through this date. See Note 14.

3 - RENTAL PROPERTIES, NET

Rental properties consist of the following:

	December 31,	
	2019	2018
Land	$ 19,922,052	$ 20,094,019
Buildings and improvements	29,416,204	27,120,003
Furniture and fixtures	1,097,285	1,045,556
Equipment	194,143	79,124
Impairment of land and building	(1,337,269)	-
	49,292,415	48,338,702
Less - Accumulated depreciation	5,513,919	4,993,774
	$ 43,778,496	$ 43,344,928

4 - MARKETABLE SECURITIES

Cost and fair value data for common stock classified as available-for-sale securities are as follows:

	December 31,	
	2019	2018
Cost	$ 961,168	$ 2,113,886
Fair value	50,202,265	40,066,103
Net unrealized gain	$ 49,241,097	$ 37,952,217

During the year ended December 31, 2019, the Company realized gross gains and losses from sales of marketable securities of $101,020 and $56,318, respectively, resulting in a net realized gain of $44,702. Proceeds from sales of marketable securities during 2019 were $1,197,420 with a cost basis of $1,152,718.

5 - INVESTMENTS IN REAL ESTATE VENTURES

The Company holds investments in various real estate ventures. Changes in the Company's investments in real estate ventures for the years ended December 31, 2019 and 2018 are as follows:

	December 31,	
	2019	2018
Balance, beginning of year	$ 130,831,412	$ 120,044,030
Contributions	859,872	3,958,974
Distributions	(8,026,405)	(8,733,494)
Equity in earnings (losses), net*	(948,891)	15,561,902
Net investments, end of year	$ 122,715,988	$ 130,831,412

* Includes the write-off of accrued rent from one real estate venture in the amount of $11,054,777 in 2019 and equity in earnings from the gain on sale of a property held by another real estate venture of $4,475,317 in 2019 and $4,393,091 in 2018, respectively.

The Company has an investment in Joseph E. Marx Co. Inc. ("JEM"), which owns certain properties and land located on 545 Madison Avenue. On October 2006, the land was leased to New 545 Madison Avenue LLC, an unrelated third party, for a term of 75 years with a step up in rent based on the terms of the lease. On October 15, 2019, JEM took possession of the building when the third party defaulted on the ground rent. As part of this transaction, the Company wrote off $11,054,777 of deferred revenue that was owed by the third party.

5 - INVESTMENTS IN REAL ESTATE VENTURES (Continued)

The following information summarizes the total assets, liabilities, revenues and expenses of the investees in the aggregate prior to allocating the Company's share indicated by the percentages listed on the following page:

	December 31,	
	2019 (Unaudited) *	2018 (Unaudited) *
Assets	$ 700,129,561	$ 548,152,007
Liabilities	458,504,321	317,162,936
Equity	$ 241,625,240	$ 230,989,071

	Year Ended December 31,	
	2019 (Unaudited) *	2018 (Unaudited) *
Rental and other revenues	$ 85,375,910	$ 134,797,394
Net gains on disposal of rental property	26,461,599	8,851,405
Total income	111,837,509	143,648,799
Direct operating expenses	59,579,316	52,516,247
Financing expenses	21,645,820	14,436,552
Depreciation and amortization expense	28,160,678	25,246,324
Income taxes	1,577,987	2,948,080
Total expenses	110,963,801	95,147,203
Net income	$ 873,708	$ 48,501,596

*The investments in real estate ventures are accounted for using the equity method. The above amounts, which represent 100% of the assets, liabilities, equity, revenues and expenses of the real estate joint ventures, have not been audited, except as noted in the independent auditors' report. However, one of the investments in real estate ventures is audited by other auditors. The assets and liabilities of this investment in real estate ventures are approximately 28% and 27%, respectively, of the total assets and liabilities above for 2019 and 27% and 39%, respectively, for 2018. The net income of this investment in real estate ventures is approximately 2080% and 48% of the total net income above for the years ended December 31, 2019 and 2018, respectively.

5 - INVESTMENTS IN REAL ESTATE VENTURES (Continued)

Investments in real estate ventures consist of the following at December 31:

	% of Ownership*	
Investee	2019	2018
135 Bowery	9.0000%	9.0000%
430 Park Avenue Syndicate **	7.0828	7.0828
532 Madison Syndicate	10.4099	10.4099
708 Third Avenue Holdings, LLC ***	35.7135	35.7135
Arlington Joint Venture	18.0625	18.0625
Athens Joint Venture	45.3332	45.3332
Avon Joint Venture	40.5938	40.5938
Bell Blvd. Partners	33.2500	33.2500
BSC Empire	37.6214	37.6214
Belle Haven Realty LLC	42.5700	42.5700
Bellflower Joint Venture	17.1667	17.1667
Bey Lea Joint Venture **	9.0050	9.0050
Boston Syndicate	25.0000	25.0000
Dollar Land Associates LLC	37.6214	37.6214
East Rutherford Joint Venture	0.7500	0.7500
Farmingville Associates **	10.5598	10.5598
Fort Lee Joint Venture	30.0000	30.0000
Ithaca Joint Venture	21.0000	21.0000
Joseph E. Marx Co. Inc.	23.3330	23.3330
Knights Road Shopping Center LP **	11.4044	11.4044
LM of Greenwich	16.9125	16.9125
Louisville Syndicate	49.3097	49.3097
Marlton Joint Venture	34.9167	34.9167
Newbury Street Partners **	18.7084	18.7084
Ocean County Ventures **	30.0981	30.0981
Orange Syndicate **	48.5607	48.5607
Pequannock Joint Venture LLC	22.5953	22.5953
Peters Land Syndicate	26.7644	26.7644
Queens Blvd. Joint Venture	12.6867	12.6867
Seaford Joint Venture	22.6781	22.6781

* % of Company's beneficial interest in the underlying asset.

** Excludes indirect interest through Joseph E. Marx Co. Inc.

*** Represents 35.7135% of 10 Grand Central (formerly known as 708 Third Avenue) and 17.85675% of 712 Third Avenue.

6 - LOANS RECEIVABLE, REAL ESTATE VENTURES

Loans receivable from two real estate venture affiliates in the combined amount of $2,100,000 and $2,275,000 as of December 31, 2019 and 2018, respectively, are due on demand and bear interest at 5.0%. As of December 31, 2019 and 2018, accrued interest of $150,000 and $75,000, respectively, was included in the loan receivable balance. Management believes that these loans are fully collectible, and no allowance for loan loss is required at December 31, 2019 and 2018.

7 - LINE OF CREDIT

Merchants has a $30,000,000 credit facility (the "Facility"), expiring on May 1, 2021. In May 2018, the secured line was modified and increased to $30,000,000 from $20,000,000. The Facility is subject to a borrowing base of 70% of the fair value of Merchants' marketable securities and 100% of the value of cash and cash equivalents. The interest rate on the Facility is LIBOR plus 1.35% (2.88% and 3.73% at December 31, 2019 and 2018, respectively). As of December 31, 2019 and 2018, the Company had $1,500,000 and $6,000,000, respectively, of outstanding borrowings under the Facility.

The Facility is subject to certain covenants and allows Merchants to request that the bank issue standby letters of credit on its behalf.

Interest expense was $142,934 and $104,340 for the years ended December 31, 2019 and 2018, respectively.

8 - MORTGAGES PAYABLE

In April 2009, Merchants obtained a $6,500,000 mortgage payable, secured by a first mortgage lien on the property located at 605-609 West 181st Street, New York, New York. The mortgage required monthly payments of $41,084 based on a 30-year amortization, including interest at 6.5% a year through April 30, 2014. In July 2013, the terms were modified on the outstanding mortgage balance of $6,155,902. The modified mortgage requires monthly payments of $42,762 based on a 15-year amortization, including interest at 3.04%. The loan matured on August 1, 2018 and was paid off with proceeds from the Facility. For the year ended December 31, 2018, Interest expense was $102,056.

In August 2019, Merchants obtained a $8,625,000 mortgage payable, secured by a first mortgage lien on the property located at 605-609 West 181st Street, New York, New York. The mortgage requires monthly payments of interest only at 3.39% through September 1, 2020.

8 - MORTGAGES PAYABLE (Continued)

Beginning October 1, 2020, the mortgage requires principal and interest payment based on a 24-year amortization term. The mortgage matures on September 1, 2029, at which time the outstanding principal balance and any unpaid interest is due. For the year ended December 31, 2019, interest expense was $111,599. The loan is subject to a debt service coverage ratio of 1.10, which shall be tested annually through December 31, 2019. Beginning January 1, 2020, the debt service ratio shall be tested quarterly.

In October 2014, Brahmin obtained three mortgages totaling $2,790,000, which collectively are secured by a first mortgage lien on the properties located at 10-14 Bosworth Street, 41 Bromfield Street and 45 Bromfield Street, Boston, Massachusetts. On June 1, 2019, the three mortgages with an outstanding balance of approximately $2,480,000 were modified to $4,750,000. The modified mortgages requires monthly payments in the aggregate of $52,342 with 4.35% of interest to adjust every seven years through November 1, 2039. The initial interest rate during the first seven years is fixed at 4.35% and every seven years the interest will adjust to 185 basis points plus the 7-year US Treasury Index not to exceed 4.35%. Merchants is a limited guarantor of this loan. Interest expense was $158,328 and $110,028 for the years ended December 31, 2019 and 2018 respectively. The mortgage payable balances at December 31, 2019 and 2018 were $4,706,599 and $2,512,611, respectively. The loan is subject to a debt service coverage ratio of 1.20, which shall be tested annually.

On April 3, 2015, Putnam obtained a construction loan in the amount of $4,000,000 for the development of its property, with an option to convert it to a permanent facility at the issuance of a certificate of occupancy after closing. The loan bore interest at the Wall Street Journal Prime Rate plus a margin of 0.123% on the outstanding balance. On December 29, 2016, the outstanding construction loan in the amount of $3,965,429 was converted into a permanent mortgage of $4,500,000, maturing on January 1, 2024. The mortgage requires monthly payments in the aggregate of $21,484, including principal and interest based on a 30-year amortization schedule. The interest rate during the term of the note is 4%. For the years ended December 31, 2019 and 2018, interest expense was $172,034 and $175,393, respectively. The mortgage payable balances at December 31, 2019 and 2018 were $4,253,943 and $4,346,475, respectively. The loan is subject to a debt service ratio of 1.25, which shall be tested annually. Putnam is currently not in compliance with the ratio as of December 31, 2019; however, Putnam is current in its payment of debt service.

On September 11, 2015, University obtained a loan in the amount of $9,000,000. The loan requires monthly payments of approximately $19,000, including interest equal to LIBOR plus 1.625% (3.17% and 4.03% at December 31, 2019 and 2018, respectively), and has a maturity date of September 11, 2025. Merchants is the guarantor of this loan. University has entered into a receive-variable (LIBOR plus 1.625%), pay-fixed (3.9%) interest rate swap agreement related to its variable rate loan (see Note 2). The loan can be prepaid in whole or in part from time to time without penalty. The loan is subject to a debt service ratio of 1.30, which shall be tested annually.

8 - MORTGAGES PAYABLE (Continued)

If the debt service ratio falls below 1.30, University is required to provide cash collateral or an unconditional standby letter of credit. In April 2018, University deposited $300,000 in a debt service reserve at the request of the lender in order to satisfy this covenant due to noncompliance as of December 31, 2017. For the years ended December 31, 2019 and 2018, interest expense was $323,496 and $331,022, respectively. The mortgage payable balance at December 31, 2019 and 2018 was $8,044,434 and $8,287,610, respectively.

Future minimum payments on the aforementioned mortgages payable are as follows:

Year Ending December 31,	
2020	$ 509,475
2021	709,427
2022	737,209
2023	766,089
2024	794,812
Thereafter	22,112,964
	25,629,976
Less - Unamortized debt issuance costs	276,554
	$ 25,353,422

9 - LEASE ARRANGEMENTS

Building space is leased under noncancelable operating leases. Certain tenant leases provide for the payment of minimum rentals plus a percentage of the tenant's sales in excess of stipulated amounts. Minimum rental revenues under existing noncancelable leases as of December 31, 2019 are approximately as follows:

Year Ending December 31,	
2020	$ 3,415,000
2021	3,204,000
2022	2,867,000
2023	2,822,000
2024	2,539,000
Thereafter	12,851,000
	$ 27,698,000

9 - LEASE ARRANGEMENTS (Continued)

Common area maintenance and real estate tax escalation charges included in rental income were $221,493 and $232,294 for the years ended December 31, 2019 and 2018, respectively.

For the years ended December 31, 2019 and 2018, two tenants represented approximately 35% and 41% of rental income, respectively.

10 - INCOME TAXES

The Company's effective tax rate differs from the statutory tax rate due to state credits, as discussed below.

The Company's income tax provision (benefit) consists of the following:

	Year Ended December 31,	
	2019	2018
Current		
Federal	$ 865,054	$ 3,272,926
State	29,602	1,389,683
New York State Empire Zone and Qualified Empire Zone Enterprise credit*	-	(1,198,798)
	894,656	3,463,811
Deferred		
Federal	1,109,723	485,471
State	(424,050)	264,995
	685,673	750,466
Income tax expense per consolidated statements of income	$ 1,580,329	$ 4,241,277
Deferred tax effect of other comprehensive income	$ -	$ (997,724)

*Dollar Land Associates LLC ("Dollar Land") is the owner of Cross County Shopping Center in Yonkers, New York and one of the entities listed in Note 5. Dollar Land applied for and was accepted into the New York State Empire Zone program, which entitled its members to obtain a Qualified Empire Zone Enterprise ("QEZE") credit against their New York State income taxes based on property tax payments made under the Payment-in-Lieu-of-Taxes program. In April 2009, the State of New York issued QEZE Certification, allowing the Dollar Land members to claim a refundable tax credit equal to 75% of the PILOT amount for ten years through 2018. Merchants' share of the QEZE credit as of December 31, 2019 and 2018 was $-0- and $1,170,255, respectively.

10 - INCOME TAXES (Continued)

Components of deferred tax assets and liabilities are as follows:

	December 31,			
	2019		2018	
	Components	Tax Effect	Components	Tax Effect
Deferred tax assets				
Depreciation - state	$ 14,533,956	$ 1,598,735	$ 12,719,957	$ 1,399,195
	484,695	143,906	447,424	132,840
Depreciation - federal	1,013,427	212,820	-	-
NOL	1,176,514	247,068	-	-
Other	1,240,317	368,250	156,754	46,540
	18,448,909	2,570,779	13,324,135	1,578,575
Deferred tax liabilities				
Unrealized gain on marketable securities	49,299,406	10,845,796	38,013,564	8,362,911
Depreciation	-	-	716,352	150,434
Amortization	1,846,229	548,145	1,843,786	547,420
Deferred gain on disposal of rental property	30,649,685	9,099,891	26,174,368	7,771,170
Deferred revenue*	7,169,304	2,132,021	16,150,016	4,798,395
Tangible property regulations	9,439,602	2,807,234	7,086,287	2,108,535
Other	1,993,466	592,834	2,048,534	609,179
	100,397,692	26,025,921	92,032,907	24,348,044
Net deferred tax liability	$ 81,948,783	$ 23,455,142	$ 78,708,772	$ 22,769,469

*Includes revenue from straight-lining of rents pursuant to ASC Topic 840, "Leases", for various properties. For the years ended December 31, 2019 and 2018, deferred revenue components of $1,226,916 and $1,166,205, respectively, apply to Dollar Land. For the years ended December 31, 2019 and 2018, deferred revenue components of $1,132,819 and $12,551,688, respectively, apply to Joseph E. Marx Co. Inc.

Components of deferred tax assets and liabilities include book to tax differences arising from investments in real estate ventures.

11 - RELATED PARTY TRANSACTIONS

The Company manages various properties and several entities through which investments in real estate ventures are held. Management fees, leasing commissions, supervisory and other miscellaneous fees earned from related parties for the years ended December 31, 2019 and 2018 were $5,633,725, and $4,233,036, respectively.

The amount due from related parties for management fees, leasing commissions, supervisory fees and other charges at December 31, 2019 and 2018 was $2,697,722 and $2,593,742, respectively. These amounts are noninterest-bearing and are due on demand.

Loans to employees for the purchase of membership interests in certain subsidiaries totaling $923,984 and $895,151 at December 31, 2019 and 2018, respectively, are included in receivables from employees on the accompanying consolidated balance sheets. The loans bear interest at 6%, and any unpaid balance, including accrued interest, is due within 12 months of termination of employment with the Company. The loans to employees are collateralized by the employees' respective ownership interest in these subsidiaries.

12 - RETIREMENT PLAN

The Company makes matching contributions to a retirement plan equivalent to 50% of participants' contributions, not to exceed 2% of such employees' base compensation, or the Internal Revenue Code imposed maximum of $5,400 per year. The Company's matching contributions for the years ended December 31, 2019 and 2018 were $49,430 and $43,996, respectively.

13 - COMMITMENTS AND CONTINGENCIES

Guarantees and Indemnification

The Company has signed limited suretyship and guarantee agreements with the mortgagees of two investees, which own rental real properties with mortgages outstanding of approximately $19,285,000 and $18,444,000 at December 31, 2019 and 2018, respectively. In addition, the Company has provided indemnification for any environmental issues to the lenders of these investees. Management believes that there is no liability under these guarantees at December 31, 2019 and 2018.

13 - COMMITMENTS AND CONTINGENCIES (Continued)

Lease

The Company leases office space from 708 Third Avenue Holdings, LLC, in which it has an investment. The lease expires on January 23, 2029. For the years ended December 31, 2019 and 2018, rent expense, including real estate tax and operating expense escalations, was $153,560 and $219,755, respectively. Minimum rental expense under this lease as of December 31, 2019 is as follows:

Year Ending December 31,	
2020	$ 204,746
2021	204,746
2022	204,746
2023	204,746
2024	217,273
Thereafter	885,881
	$ 1,922,138

Employment Agreement

The Company is committed under a three-year employment agreement with its Chief Executive Officer (the "CEO") ending in August 2020, with an automatic extension of one year thereafter, pursuant to which the Company agrees to pay a base annual salary of $480,000, with an annual increase of the lesser of the increase in the consumer price index or 3% per year, and a first year guaranteed minimum bonus of $100,000, payable no later than March 15, 2018, provided he has not resigned or been terminated. In subsequent years, the CEO is eligible for an annual performance bonus award providing a target bonus opportunity of no less than 50% of the current base salary. During 2019, the Company paid the CEO total compensation of $870,000. During 2018, the Company paid the CEO a base salary of $448,608 and the first year guaranteed bonus of $100,000.

In April 2020, the Company amended and restated the employee agreement with its CEO ending August 2024, with an automatic extension of one year thereafter, pursuant to which the Company agrees to pay a base annual salary of $620,000, with an annual increase of the lesser of the increase in the consumer price index or 3% per year. The CEO is eligible for an annual performance bonus award providing a target bonus opportunity of no less than 75% of the current base salary.

13 - COMMITMENTS AND CONTINGENCIES (Continued)

Employment Agreement (Continued)
In August 2017, the Company granted the CEO a long-term incentive award equal to $750,000 (the "LT Cash Incentive"). The LT Cash Incentive was amended and restated to $1,100,000 in April 2020. The LT Cash Incentive shall be invested by the CEO in shares of the Company's common stock and shall be adjusted upwards or downwards, as the case may be, based on the value of the Company's common stock, as reasonably determined by the Board of Directors in good faith, at the end of the period commencing on August 10, 2020, (the "Award Date") and ending on payment date. The LT Cash Incentive shall vest on each of the four anniversaries of the Award Date in four equal installments, subject to the CEO's continued employment through the respective vesting dates. As of December 31, 2019, $510,000 was vested and included in accounts payable and accrued expenses. As of December 31, 2018, $250,000 was vested and included in accounts payable and accrued expenses.

In addition, when the Company enters into new investments, as defined in the employment agreement, the CEO is required to make a personal investment at the level of 5% of the Company's investment. The funds for the CEO's personal investments would be loaned by the Company on a non-recourse basis, with interest at 6% a year, using the acquired equity as collateral. The unpaid balance, including accrued interest, is due within 12 months of termination of employment with the Company. As of December 31, 2019 and 2018, the loan balance was $608,581, including accrued interest of $36,514 and $6,042, respectively. These amounts are included in receivables from employees on the accompanying balance sheets.

Capital Calls and Investment Funding
In the normal course of business, the Company may request additional capital contributions from its investees.

Litigation
In the normal course of business, the Company is a party to various legal claims, actions and complaints relating to its real estate activities. Management does not expect that the results of any of these proceedings will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

14 - SUBSEQUENT EVENTS

On April 9, 2020, the Company acquired a 10-story office building, located in Washington, D.C., of approximately $41 million. This acquisition was funded with approximately $25.7 million from the Facility and equity contributions.

In December 2019, a novel strain of coronavirus ("COVID-19") surfaced. The spread of COVID-19 around the world in the first and second quarters of 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions due to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Company is unable to determine if it will have a material impact to its operations.

As a result of COVID-19, on March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act (the "Act") was signed into law. The Act amends the Small Business Act to include a new guaranteed, unsecured loan program (the "Paycheck Protection Program"). On April 3, 2020, the Company applied for a loan under the Paycheck Protection Program. On April 20, 2020 the loan was approved in the amount of $578,297. The loan has a term of two years and is subject to interest of 1% per annum. Interest and potential principal payments are deferred for the first six months. Subject to certain conditions as defined in the Act, up to 100% of the loan may be forgiven.