MNP

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

ISSUER INFORMATION

Title and class of security:	Common Shares ($1 par value)
Transfer Agent:	Merchants' National Properties, Inc. 10 Grand Central 155 East 44th Street New York, NY 10017
President and Chief Executive Officer:	Craig M. Deitelzweig (Director)
Board of Directors:	James M. Better (Chairman) Leonard S. Gruenberg Mark Magowan James Magowan Mathew Maguire Richard Schosberg James Stern John Usdan
Issuer's telephone number:	(212) 557-1400

Number of shares outstanding of common stock as of April 14, 2021: 91,637

FINANCIAL INFORMATION

The information furnished in the accompanying consolidated balance sheets and related consolidated statements of operations, stockholders' equity and cash flows reflect all adjustments, consisting solely of normal and recurring adjustments that are, in management's opinion, necessary for a fair and consistent presentation of the aforementioned consolidated financial statements.

Cautionary Statement Regarding Forward-Looking Statements

Certain statements contained in this letter and the attached Report of Merchants' National Properties, Inc. and Subsidiaries ("MNP") may be considered forward looking statements. Additionally, MNP or the executive officers on MNP's behalf, may from time to time make forward-looking statements in reports and other documents or in connection with written or oral statements made to the press, potential investors, or others.

Forward-looking statements can generally be identified by our use of forward-looking terminology such as "may," "will", "expect", "intend", "estimate", "continue", "anticipate", or other similar words. However, the absence of these or similar words or expressions does not mean that a statement is not forward-looking. Forward-looking statements are not guarantees of performance and are based on certain assumptions. Forward-looking statements may include the discussion of future expectations or description of plans and strategies and may contain projections of results of operations or of financial condition or other forward-looking information. Expected future net income (loss) depends on many factors including among others expected uses of cash generated from operations; expected sources and adequacy of capital resources and liquidity. Any deviation from these assumptions may lead to fluctuations in future net income (loss).

Any such forward-looking statements are based on a number of assumptions involving judgments and are subject to risks, uncertainties, and other factors that could cause actual results to differ materially from our historical experience and our present expectations. Accordingly, readers are cautioned not to place undue reliance on our forward-looking statements, which speak only as of the date of this report. MNP makes no representations or warranties (express or implied) about the accuracy of any such forward-looking statements contained in this report, and MNP does not intend to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.

April 14, 2021

To our Stockholders:

Attached are the Merchants' National Properties, Inc. ("MNP" or the "Company") audited consolidated financial statements for the year ended December 31, 2020. These statements have been filed with the OTC Market.

As discussed during the Annual General Meeting of the stockholders of MNP, we have commenced quarterly reporting both to provide more timely information and to facilitate trading in the Company's stock. As anticipated, the OTC Market has approved our prior filings and changed the status of MNP's common stock to "Pink Current Information".

Financial Highlights:

The table on the following page provides a side-by-side comparison of MNP's December 31, 2020 vs. December 31, 2019 consolidated statements of operations in accordance with accounting principles generally accepted in the United States of America ("GAAP") and "As Grossed-up", a non-GAAP measure, 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.

For the year ended December 31, 2020, the Company reported grossed-up income of $51.3 million, as compared to $48.2 million for the year ended December 31, 2019. Similarly, for the year ended December 31, 2020, the Company reported grossed-up operating income of $24.4 million, as compared to $25.4 million for the year ended December 31, 2019 and a grossed-up EBITDA of $31.8 million for the year ended December 31, 2020, as compared to $30.4 million for the year ended December 31, 2019. Finally, for the year ended December 31, 2020, the Company reported grossed-up net income of $9.9 million, as compared to $10.4 million for the year ended December 31, 2019.

Effective January 1, 2019, the Company adopted Accounting Standards Update ("ASU") No. 2016-01 ("ASU 2016-01") "Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurements of Financial Assets and Financial Liabilities", which requires unrealized gains and losses of marketable securities to be included in net income. This standard, combined with COVID-19 fueled volatility in the stock market, has driven substantial swings in earnings during the reporting periods. For the year ended December 31, 2020, the Company reported an unrealized gain of $7.6 million as compared to an unrealized gain of $11.3 million for the year ended December 31, 2019.

The following table provides a side-by-side comparison of the GAAP based consolidated statement of operations versus the amounts "As Grossed-up" for the years ended December 31, 2020 and December 31, 2019:

INCOME STATEMENT OVERVIEW
GAAP vs. Underlying Property Performance

	Year Ended December 31, 2020		Year Ended December 31, 2019		
	As Audited	As Grossed-Up**	As Audited	As Grossed-Up**	
Rental and other income	$ 14,233,501	$ 51,306,848	$ 11,201,730	$ 48,203,572	
Equity in earnings (losses) of real estate ventures	6,521,723	-	(948,891)	-	(A)
Operating expenses	(11,595,143)	(26,913,138)	(7,158,405)	(22,795,523)	(B)
Operating income	**9,160,081**	**24,393,710**	**3,094,434**	**25,408,049**	
Investment income	1,277,697	1,380,410	1,236,222	1,685,364	
Deferred revenue reversal	-	-	-	(11,054,777)	(A)
Non-recurring gains (losses)	83,698	(184,053)	(40,061)	4,432,219	(C)
Unrealized loss on swap contracts	(1,313,675)	(1,313,675)	-	-	(D)
Unrealized gain on marketable securities	7,562,005	7,562,005	11,288,880	11,288,880	*
Impairment of rental property	-	-	(1,337,269)	(1,337,269)	(E)
EBITDA	**16,769,806**	**31,838,397**	**14,242,206**	**30,422,466**	
Financing expense	(2,864,419)	(7,725,804)	(957,409)	(8,756,231)	(F)
Depreciation and amortization expense	(2,132,488)	(10,982,978)	(1,212,031)	(9,254,254)	
Income taxes	(624,296)	(1,552,197)	(894,655)	(1,281,922)	
Income taxes - deferred	(1,671,152)	(1,675,916)	(685,673)	(685,673)	
Net Income	**9,477,451**	**9,901,502**	**10,492,438**	**10,444,386**	
Noncontrolling interests in loss (income) of consolidated subsidiaries	424,051	-	(48,052)	-	
Net income attributable to Merchants' National Properties, Inc.	**9,901,502**	**9,901,502**	**10,444,386**	**10,444,386**	

What follows is a description of some of the factors which impacted the 2019 and 2020 reportable GAAP net income.

* The adoption of ASU 2016-01 has resulted in increasing the reportable GAAP income before taxes by $7.6 million for the year ended December 31, 2020. For the year ended December 31, 2019, this change resulted in increasing the reportable GAAP income before taxes by $11.3 million, a net change of $3.7 million.

** The above As Grossed-Up amounts include the non-controlling interest in each category.

(A) The 2019 equity in earnings (losses) of real estate ventures was reduced by (i) a $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 and (ii) an additional $1.5 million loss of revenue 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 the Cross County Center ("CCC").

(B) The 2020 increase in operating expenses is impacted by the inclusion of the (i) operating expenses and real estate taxes of the newly acquired Herald building; (ii) payroll and related costs of the CCC management office personnel in Marx Realty's operations; (iii) payroll and related costs of new accounting and leasing staff added relating to the takeover of management of CCC, 10 Grand Central, 545 Madison, the Herald and the enhanced internal and external reporting requirements associated with the OTC filings and (iv) a one-time deduction of the CEO's Long Term Incentive Plan upon its vesting in 2020.

(C) Included in the 2019 "As Grossed-Up" amount of $4.4 million is the gain on the sale of 99 Greenwich Avenue, Greenwich, CT property.

(D) 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. For the year ended December 31, 2020 this change in fair value has resulted in decreasing the reportable GAAP income before taxes by $1.3 million.

(E) Represents the recognition of a $1.3 million loss in 2019 from the impairment in the value of the Company's property located at 1381 East Putnam Avenue, in Greenwich, CT. No impairment has been recognized in 2020.

(F) 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. No prepayment was made in 2020.

Dividends paid both in 2020 and 2019 totaled $50.00 per share.

For the year ended December 31, 2020, the stockholders' equity increased by $3.7 million with a corresponding increase in book value per share to $2,108 at December 31, 2020 from $2,055 at December 31, 2019.

During the year ended December 31, 2020, MNP purchased 559 shares of common stock at an average price of $1,675 per share directly from various stockholders. As of December 31, 2020, 91,637 shares of common stock were outstanding.

Respectfully submitted,

Craig M. Deitelzweig
President and Chief Executive Officer

James M. Better
Chairman

**MERCHANTS' NATIONAL PROPERTIES, INC.
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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, 2020 and 2019, and the related consolidated statements of 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 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 11% and 14% of consolidated total assets at December 31, 2020 and 2019, respectively and the equity in earnings of such investee approximates 25% and 36%, 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, is based solely on the report of the other auditors. 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.

(Continued)

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 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, 2020 and 2019, 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

April 14, 2021

MERCHANTS' NATIONAL PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2020	December 31, 2019
ASSETS		
Rental properties, net	$ 100,651,592	$ 43,778,496
Marketable securities	57,764,270	50,202,265
Investments in real estate ventures	109,293,139	122,715,988
Intangible asset available for sale	749,986	749,036
Cash and cash equivalents	23,564,429	17,041,064
Restricted cash	1,519,570	543,133
Receivables:		
Loans, real estate ventures	1,725,000	2,100,000
Affiliated real estate ventures	924,754	954,990
Employees	1,935,238	923,984
Related parties	1,905,533	2,697,722
Tax refund	1,584,686	21,651
Deferred rent	1,961,020	1,411,038
Other	780,492	708,583
Tenant security deposits in escrow	435,566	360,672
Prepaid expenses and other assets	2,071,621	1,586,096
Prepaid income taxes	2,576,560	2,528,322
Deferred tax assets	3,061,423	2,570,779
Total assets	**$ 312,504,879**	**$ 250,893,819**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Accounts payable and accrued expenses	$ 2,538,237	$ 1,226,568
Income taxes payable	92,854	-
Accrued rent and lease deposits	548,651	452,561
Interest rate swap liabilities	1,313,675	-
Loan payable, Paycheck Protection Program	578,297	-
Mortgages payable, less unamortized debt issuance costs of $1,502,361 and $276,554 in 2020 and 2019, respectively	54,792,500	25,353,422
Line of credit	21,500,000	1,500,000
Deferred tax liabilities	28,335,060	26,025,921
Total liabilities	**109,699,274**	**54,558,472**
Stockholders' Equity		
Common stock, $1 par value; 187,000 shares authorized, 105,199 shares issued (shares outstanding, 91,637 and 92,196 in 2020 and 2019, respectively)	105,199	105,199
Additional paid-in capital	1,146,317	1,146,317
Retained earnings	207,325,200	202,654,307
Treasury stock, at cost (13,562 and 13,003 shares in 2020 and 2019, respectively)	(15,395,875)	(14,459,577)
Total stockholders' equity	**193,180,841**	**189,446,246**
Noncontrolling interests	9,624,764	6,889,101
	202,805,605	**196,335,347**
Total liabilities and stockholders' equity	**$ 312,504,879**	**$ 250,893,819**

See notes to consolidated financial statements.

MERCHANTS' NATIONAL PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31, 2020	Year Ended December 31, 2019
Revenues		
Rental revenues	$ 6,887,843	$ 4,431,096
Management fees	3,633,894	2,237,562
Leasing commissions	1,483,658	1,469,830
Asset acquisition/disposition fees	131,000	-
Development and buildout fees	670,627	1,069,747
Mortgage financing fees	-	620,125
Other revenues	1,426,479	1,373,370
Total revenues	**14,233,501**	**11,201,730**
Operating Expenses		
Real estate taxes	1,674,030	956,182
Depreciation and amortization	2,132,488	1,212,031
Other operating expenses	1,248,249	500,494
Financing expenses	2,864,419	957,409
Total operating expenses	**7,919,186**	**3,626,116**
Net revenues from rentals and other income	**6,314,315**	**7,575,614**
Equity in earnings (losses) from real estate ventures, net *	6,521,723	(948,891)
Investment income	1,277,697	1,236,222
Unrealized gain on marketable securities	7,562,005	11,288,880
Gain on sale of marketable securities	-	44,702
Unrealized loss on interest rate swap	(1,313,675)	-
Gain (loss) on sale of rental property	83,698	(84,763)
Net income before general and administrative expenses and other costs and income tax expense	**20,445,763**	**19,111,764**
General and administrative expenses and other costs		
Professional fees	505,915	724,151
Impairment of rental property	-	1,337,269
Salaries and other general expenses	8,166,949	4,977,577
Total general and administrative expenses and other costs	**8,672,864**	**7,038,997**
Net income before income tax expense	**11,772,899**	**12,072,767**
Income tax expense	2,295,448	1,580,329
Net income	**9,477,451**	**10,492,438**
Noncontrolling interests in loss (income) of consolidated subsidiaries	424,051	(48,052)
Net income attributable to Merchants' National Properties, Inc.	**$ 9,901,502**	**$ 10,444,386**
Basic and diluted earnings per share	$ 107.05	$ 112.36
Weighted average number of common shares outstanding		
Basic and diluted	92,492	92,951

* 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 in 2019.

See notes to consolidated financial statements.

MERCHANTS' NATIONAL PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-In	Accumulated Other Comprehensive	Retained	Treasury Stock		Non-Controlling	Total
	Shares	Amount	Capital	Income (Loss)	Earnings	Shares	Amount	Interests	Equity
Balance, January 1, 2019	**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**
Acquisition of treasury stock	-	-	-	-	-	559	(936,298)	-	(936,298)
Net income (loss)	-	-	-	-	9,901,502	-	-	(424,051)	9,477,451
Athens & Bell Blvd investments*	-	-	-	-	(648,735)	-	-	2,262,898	1,614,163
Dividends paid	-	-	-	-	(4,581,874)	-	-	(164,400)	(4,746,274)
Capital contributions	-	-	-	-	-	-	-	1,061,216	1,061,216
Balance, December 31, 2020	**105,199**	**$ 105,199**	**$ 1,146,317**	**$ -**	**$ 207,325,200**	**13,562**	**$ (15,395,875)**	**$ 9,624,764**	**$ 202,805,605**

* See Note 1 for the description of the transaction

See notes to consolidated financial statements.

MERCHANTS' NATIONAL PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2020	2019
Cash flows from operating activities		
Net income	$ 9,477,451	$ 10,492,438
Adjustments to reconcile net income to net cash used in operating activities		
Depreciation and amortization	1,926,640	1,036,655
Amortiztion of deferred leasing costs	205,848	182,731
Amortization of debt issuance costs included in financing expenses	462,648	49,018
Provision for deferred taxes	1,671,152	685,673
Accrued interest on loans receivable, real estate ventures	(75,000)	(75,000)
Equity in (earnings) losses of investments in real estate ventures, net *	(6,521,723)	948,891
Unrealized loss on swap agreement	1,313,675	-
Impairment of land and building	-	1,337,269
(Gain) loss on sale of rental property	(83,698)	84,763
Gain on sale of marketable securities	-	(44,702)
Unrealized gain on marketable securities	(7,562,005)	(11,288,880)
Changes in assets and liabilities		
Receivables - affiliated real estate ventures	30,236	76,566
Receivables - employees	(1,011,254)	(28,833)
Receivables - related parties	792,189	(103,980)
Receivables - tax refund	(1,563,035)	2,139,440
Receivables - deferred revenue	(549,982)	(1,411,038)
Receivables - other	75,433	(693,159)
Prepaid expenses and other assets	(634,438)	(614,096)
Prepaid income taxes	(48,238)	(2,528,322)
Accounts payable and accrued expenses	944,265	376,070
Income taxes payable	92,854	(1,461,919)
Accrued rent and lease deposits	70,147	(130,627)
Net cash used in operating activities	**(986,835)**	**(971,042)**
Cash flows from investing activities		
Contributions to investments in real estate ventures	(939,436)	(859,872)
Distributions from investments in real estate ventures	12,514,907	8,026,405
Purchase of rental properties	(43,570,971)	(2,979,458)
Intangible asset available for sale	(950)	-
Proceeds from sale of rental properties	114,958	87,203
Proceeds from sale of marketable securities	-	1,197,420
Loans receivable - real estate ventures	-	250,000
Net cash (used in) provided by investing activities	**(31,881,492)**	**5,721,698**
Cash flows from financing activities		
Purchase of treasury stock	(936,298)	(1,411,459)
Payment of dividends	(5,230,609)	(4,626,520)
Payment of dividends to noncontrolling interests	(164,400)	(814,305)
Proceeds from loan payable, Paycheck Protection Program	578,297	-
Proceeds from (payments of) line of credit, net	20,000,000	(4,500,000)
Capital contributions from noncontrolling interests	1,709,951	63,175
Principal payments of mortgages payable	(651,166)	(416,785)
Proceeds from mortgage payable	26,703,997	10,900,065
Debt issuance costs	(1,566,749)	(256,170)
Net cash provided by (used in) financing activities	**40,443,023**	**(1,061,999)**
Net increase in cash and cash equivalents, restricted cash and tenant security deposits in escrow	**7,574,696**	**3,688,657**
Cash and cash equivalents, restricted cash and tenant security deposits in escrow, beginning of year	17,944,869	14,256,212
Cash and cash equivalents, restricted cash and tenant security deposits in escrow, end of year	**$ 25,519,565**	**$ 17,944,869**

* 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 in 2019.

See notes to consolidated financial statements.

MERCHANTS' NATIONAL PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2020	2019
Reconciliation of cash and cash equivalents, restricted cash and tenant security deposits in escrow, beginning of year		
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, beginning of year	**$ 17,944,869**	**$ 14,256,212**
Reconciliation of cash and cash equivalents, restricted cash and tenant security deposits in escrow, end of year		
Cash and cash equivalents	$ 23,564,429	$ 17,041,064
Restricted cash	1,519,570	543,133
Tenant security deposits in escrow	435,566	360,672
Cash and cash equivalents, restricted cash and tenant security deposits in escrow, end of year	**$ 25,519,565**	**$ 17,944,869**
Supplemental cash flow disclosures		
Interest paid	$ 2,389,540	$ 907,252
Income taxes paid - net of refunds of $36,832 and $53,081, respectively	2,371,213	4,373,226
Supplemental non-cash investing and financing activities		
Capital improvements included in accounts payable and accrued expenses	324,408	-
Reclassification of assets, liabilities, noncontrolling interests and equity due to consolidation of investment in joint venture		
Rental properties, net	14,935,616	-
Investments in real estate ventures	(8,369,101)	
Loans receivable, real estate ventures	(450,000)	-
Receivables - other	(147,342)	
Deferred tax assets and liabilites, net	147,342	
Prepaid expenses and other assets	56,935	-
Accounts payable and accrued expenses	(42,996)	-
Accrued rent and lease deposits	(25,943)	-
Mortgage payable	(4,490,348)	-
Noncontrolling interests	(2,262,898)	-
Equity	648,735	

See 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"), University Plaza Joint Venture LLC ("University"), Athens Joint Venture LLC ("Athens"), Bell Blvd. Partners ("Bell") and The Herald Owners, LLC ("Herald") 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 a Merchants' former stockholder 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 was 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.

During 2020, Merchants consolidated its investment in Athens pursuant to a Plan of Redemption and Partition whereby Merchants' ownership interest increased from 45.3332% to 90.6664%, when Athens took full ownership of the retail condominium at 819 7th Street NW, Washington, D.C. in exchange for its ownership interest in a commercial property in Pittsburgh, PA.

During 2020, Merchants consolidated its investment in Bell further to reflect the increase in its ownership interest in Bell from 33.25% to 66.5% after the acquisition of the fifth-floor commercial condominium unit at 819 7th Street NW, Washington, D.C.

On April 9, 2020, the Merchants acquired a 10-story office building, located in Washington, D.C., for approximately $41 million. This property was acquired through a newly formed limited liability company, Herald, in which Merchants has a 95.01% ownership interest.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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; University, a 57.88% owned limited liability company, Athens, a 90.667% owned limited liability company, Bell, a 66.5% owned partnership and Herald, a 95.01% owned limited liability company. All significant intercompany accounts and transactions have been eliminated in consolidation.

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 (loss) of these subsidiaries and affiliates are reported separately in the consolidated statements of income and changes in stockholders' equity for all years 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.

Purchase Accounting
The Company allocates the purchase price of asset acquisitions to the various components of the acquisition based upon the relative fair value of each component which may be derived from various observable or unobservable inputs and assumptions. Also, the Company may utilize third party valuation specialists. These components typically include buildings, land and intangibles related to in-place leases and the Company estimates:

- the relative fair value of land and related improvements and buildings on an as-if-vacant basis,
- the market value of in-place leases based upon the Company's best estimate of current market rents and amortizes the resulting market rent adjustment into lease income,
- the value of costs to obtain tenants, including tenant allowances and improvements and leasing commissions, and

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Purchase Accounting (Continued)

- the value of lease income and recovery of costs foregone during a reasonable lease-up period, as if the space was vacant.

The relative fair value of buildings is depreciated over the estimated remaining life of the acquired building or related improvements. The Company amortizes tenant improvements, in-place lease assets and other lease-related intangibles over the remaining life of the underlying leases. The Company also estimates the value of other acquired intangible assets, if any, which are amortized over the remaining life of the underlying related intangibles. Considering the Herald building was purchased with short-term in-place leases and the intention of reposition the building after its acquisition, the market value of in-place leases or the value of costs to obtain tenants were not deemed necessary considerations in deriving the relative fair value of the building or improvements.

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 consolidated balance sheet. Realized gains and losses on equity securities sold or impaired were recognized in nonoperating income on the consolidated statement of comprehensive income (loss). On January 1, 2019, the Company adopted the provisions of Financial Accounting Standards Board ("FASB") 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 in 2019 a cumulative effect adjustment to decrease accumulated other comprehensive income 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 included in the consolidated statements of operations.

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

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in Real Estate Ventures (Continued)

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, 2020 and December 31, 2019, 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, 2020 and December 31, 2019, 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 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 was recorded in 2019. No impairment was noted at December 31, 2020.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2020 and December 31, 2019, amortization of deferred financing costs was $462,648 and $49,018, respectively. These amounts are included in financing expenses on the accompanying statements of operations.

Income Taxes
The Company files a combined income tax return for New York State and New York City except for Madison, Putnam, Bethpage, Brahmin, University, Athens and Bell. 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, University, Athens, Bell and Herald file separate federal and state income tax returns.

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

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.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition
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 was considered necessary at December 31, 2020 or 2019.

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.

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)

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, 2020

	Level 1	Level 2	Level 3	Total
Marketable securities	$ 57,764,270	$ -	$ -	$ 57,764,270

December 31, 2019

	Level 1	Level 2	Level 3	Total
Marketable securities	$ 50,202,265	$ -	$ -	$ 50,202,265

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 – Not Yet Adopted
In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848)". ASU 2020-04 applies to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. ASU 2020-14 is effective for all entities as of March 12, 2020 through December 31, 2022. The Company is currently evaluating the impact of the adoption of ASU 2020-04 on the mortgages payable and is working with their lenders to determine the impact it will have on its debt and the consolidated financial statements.

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 is effective for the Company's year ending December 31, 2022 and requires a modified retrospective application. The Company is currently evaluating the impact of the adoption of this standard, however it does not expect to have a material impact on its 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 on University Plaza (see Note 9). 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 $7,791,343 and $8,044,434 at December 31, 2020 and December 31, 2019, 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.

The Company has a receive-variable (LIBOR), pay-fixed (1.64%) interest rate swap agreement related to its variable rate loan on West 181st Street (see Note 9). The interest rate swap agreement is effective as of August 13, 2019, matures on September 4, 2029, and has an original notional amount of $8,625,000 with a notional amount of $8,566,596 at December 31, 2020. 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 swaps were not designated as cash flow hedges and, accordingly, changes in fair value are recognized in earnings. As of December 31, 2020, the Company recorded a loss of approximately $1,313,675 in the fair value of the interest rate swap agreements. As of December 31, 2019, the Company did not record the fair value of the interest rate swap agreements 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 April 14, 2021. Management has evaluated subsequent events through this date.

3 - RENTAL PROPERTIES, NET

Rental properties consist of the following:

	December 31, 2020	December 31, 2019
Land	$ 44,456,441	$ 19,922,052
Buildings and improvements	64,369,854	29,416,205
Furniture and fixtures	1,105,701	1,097,284
Equipment	208,805	194,143
Impairment of land and building	(1,337,269)	(1,337,269)
	108,803,532	49,292,415
Less: accumulated depreciation	8,151,940	5,513,919
	$ 100,651,592	**$ 43,778,496**

4 - MARKETABLE SECURITIES

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

	December 31, 2020	December 31, 2019
Cost	$ 961,168	$ 961,168
Fair value	57,764,270	50,202,265
Net unrealized gain	**$ 56,803,102**	**$ 49,241,097**

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. There were no sales of marketable securities during the year ended December 31, 2020.

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, 2020 and December 31, 2019, respectively are as follows:

	Year Ended December 31, 2020	Year Ended December 31, 2019
Balance, beginning of year	$ 122,715,988	$ 130,831,412
Contributions	939,436	859,872
Distributions	(12,514,907)	(8,026,405)
Athens & Bell Blvd investments *	(8,369,101)	-
Equity in earnings (losses), net **	6,521,723	(948,891)
Net investments, end of year	**$ 109,293,139**	**$ 122,715,988**

* Represents the reclassification of investments in two real estate ventures (Athens and Bell) to rental properties, net, as a result of the consolidation of these real estate ventures with the Company's consolidated financial statements effective January 1, 2020 (see Note 1).

** 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.

5 - INVESTMENTS IN REAL ESTATE VENTURES (Continued)

The Company has an investment in Joseph E. Marx Co. Inc. ("JEM"), which owns certain properties including 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 lease rent. As part of this transaction, the Company wrote off $11,054,777 of deferred revenue that was owed by the third party.

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,	
	2020 (Unaudited)*	**2019 (Unaudited)***
Assets	$ 567,965,840	$ 700,129,561
Liabilities	344,613,063	458,504,321
Equity	$ 223,352,777	$ 241,625,240

	Year Ended December 31,	
	2020 (Unaudited)*	**2019 (Unaudited)***
Rental and other revenues	$ 129,639,393	$ 85,375,910
Net gains on disposal of rental property	4,337,926	26,461,599
Total income	133,977,319	111,837,509
Direct operating expenses	60,131,612	59,579,316
Financing expenses	14,046,355	21,645,820
Depreciation and amortization expense	26,726,181	28,160,678
Write-off of capital expenditures	4,627,426	-
Income taxes	4,487,207	1,577,987
Total expenses	110,018,781	110,963,801
Net income	$ 23,958,538	$ 873,708

*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 was audited by other auditors. The assets and liabilities of this investment in real estate ventures are approximately 34% and 35%, respectively, of the total assets and liabilities above for 2020 and 27% and 27%, respectively, for 2019. The net income of this investment in real estate ventures is approximately 57% and 2080% of the total net income above for the years ended December 31, 2020 and December 31, 2019, respectively.

5 - INVESTMENTS IN REAL ESTATE VENTURES (Continued)

Investments in real estate ventures consist of the following:

	% of Ownership*	
Investee	December 31, 2020	December 31, 2019
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	18.1875	18.0625
Avon Joint Venture	40.5938	40.5938
BSC Empire	37.6214	37.6214
Belle Haven Realty LLC	42.5700	42.5700
Bellflower Joint Venture	17.4167	17.1667
Bey Lea Joint Venture **	9.1366	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 **	10.6223	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 investment.
** Excludes indirect interest through JEM.
*** 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 one real estate venture affiliate in the amount of $1,725,000 as of December 31, 2020 and two affiliates in the combined amount of $2,100,000 as of December 31, 2019, are due on demand and bear interest at 5.0%. As of December 31, 2020 and December 31, 2019, accrued interest of $225,000 and $150,000, 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, 2020 and December 31, 2019.

7 - LINE OF CREDIT

Merchants has a $30,000,000 credit facility (the "Facility"), expiring on May 1, 2021. 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% (1.50% and 2.88% at December 31, 2020 and December 31, 2019, respectively). As of December 31, 2020 and December 31, 2019, the Company had $21,500,000 and $1,500,000, respectively, of outstanding borrowings under the Facility (see Note 15).

The Facility is subject to certain covenants, as described in the facility agreement, and allows Merchants to request that the bank issue standby letters of credit on its behalf.

Interest expense was $405,879 and $142,934 for the years ended December 31, 2020 and December 31, 2019, respectively.

8 – LOAN PAYABLE, PAYCHECK PROTECTION PROGRAM

In April 2020, the Company applied for and received funding for a loan totaling $578,297 under the U.S. Small Business Administration ("SBA") Paycheck Protection Program ("PPP"), which is part of the Coronavirus Aid, Relief, and Economic Security Act ("CARES"), enacted on March 27, 2020. Under the terms of the SBA PPP loan, up to 100% of the principal and accrued interest may be forgiven if certain criteria are met and the loan proceeds are used for qualifying expenses such as payroll costs, benefits, rent and utilities as described in the CARES Act. The loan accrues interest at a rate of 1% and any portion of the principal and accrued interest that is not forgiven is required to be repaid by April 20, 2022. Interest expense for the year ended December 31, 2020 was not considered significant to the Company's consolidated financial statements.

9 - MORTGAGES PAYABLE

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, NY. The mortgage required monthly payments of interest only at 3.39% through September 1, 2020.

9 - 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 years ended December 31, 2020 and December 31, 2019, interest expense was $286,600 and $111,599, respectively. The mortgage payable balances at December 31, 2020 and December 31, 2019 were $8,566,596 and $8,625,000, respectively. The loan is subject to a debt service coverage ratio of 1.10. Beginning January 1, 2020, the debt service ratio has been 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, MA. 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 require 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 seven-year US Treasury Index not to exceed 4.35%. Merchants is a limited guarantor of this loan. Interest expense was $205,570 and $158,328 for the years ended December 31, 2020 and December 31, 2019, respectively. The mortgage payable balances at December 31, 2020 and December 31, 2019 were $4,589,106 and $4,706,559, respectively. The loan is subject to a debt service coverage ratio of 1.20, which shall be tested annually. Brahmin is currently not in compliance with the ratio as of December 31, 2020; however, Brahmin is current in its debt service payments.

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, 2020 and December 31, 2019, interest expense was $168,540 and $172,034, respectively. The mortgage payable balances at December 31, 2020 and December 31, 2019 were $4,172,295 and $4,253,943, 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, 2020; 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% (2.61% and 3.17% at December 31, 2020 and December 31, 2019, 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. University is currently not in compliance with the ratio as of December 31, 2020; however, University is current in its debt service payments.

9 - 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, 2020 and December 31, 2019, interest expense was $313,550 and $323,496, respectively. The mortgage payable balance at December 31, 2020 and December 31, 2019 was $7,791,343 and $8,044,434, respectively.

In November 2016, Athens obtained a $5,000,000 mortgage payable, secured by a first mortgage lien on the property located at 817 7th Street NW, Washington DC. Merchants is a limited guarantor of this loan. The mortgage requires monthly payments in the aggregate of $25,199, including principal and interest, based on a 25-year amortization schedule and has a maturity date of December 1, 2023. The interest rate during the term of the note is 3.50%. For the year ended December 31, 2020, interest expense was $161,854. The mortgage payable balance at December 31, 2020 was $4,471,524. The loan is subject to a debt service ratio of 1.25, which shall be tested annually.

In April 2020, Herald obtained a mortgage payable of up to $49,844,000, with a mortgage balance outstanding at December 31, 2020 in the amount of $26,703,997 secured by a first mortgage lien on the property located at 1307 New York Avenue, NW, Washington, DC. Merchants is a limited guarantor on this loan. In addition, Merchants has provided an Interest, Carry and Rebalancing Guaranty ("ICR Guaranty"), Deferred Equity and Completion Guarantees and indemnification for any environmental issues. Among other requirements, the ICR Guaranty will terminate upon the completion of construction work and achievement of an occupancy rate of 88% of net rentable square feet. The mortgage requires monthly interest only payments at the rate of 4.5% during the term of the note, which matures April 2023, with two 12-month extensions subject to Merchants meeting certain conditions. For the year ended December 31, 2020, interest expense was $859,778. The mortgage payable balance at December 31, 2020 was $26,703,997.

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

Year Ending December 31,		
2021	$	857,348
2022		888,553
2023		31,644,178
2024		794,812
2025		7,187,785
Thereafter		14,922,185
		56,294,861
Less: unamortized debt issuance costs		1,502,361
	$	**54,792,500**

10 - 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, 2020 are approximately as follows:

Year Ending December 31,		
2021	$	5,596,000
2022		5,205,000
2023		4,558,000
2024		3,882,000
2025		3,558,000
Thereafter		21,208,000
	$	**44,007,000**

Common area maintenance and real estate tax escalation charges included in rental income were $589,539 and $221,493 for the years ended December 31, 2020 and December 31, 2019, respectively.

For the year ended December 31, 2020, one tenant represented approximately 17% of rental income. For the year ended December 31, 2019, two tenants represented approximately 35% of rental income.

11 - 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,			
		2020		2019
Current				
Federal	$	(271,266)	$	865,054
State		895,562		29,602
		624,296		894,656
Deferred				
Federal		2,048,033		1,251,022
State		(376,881)		(565,349)
		1,671,152		685,673
Income tax expense per consolidated statements of operations	**$**	**2,295,448**	**$**	**1,580,329**

11 - INCOME TAXES (Continued)

Components of deferred tax assets and liabilities are as follows:

	December 31, 2020		December 31, 2019	
	Components	Tax Effect	Components	Tax Effect
Deferred tax assets				
Bad debt expense	$ 278,685	$ 80,541	$ -	$ -
Depreciation - state	15,889,735	1,588,973	14,533,956	1,598,735
Depreciation - federal	-	-	1,013,427	212,820
Impairment loss	2,142,649	619,226	1,240,317	368,250
NOL	-	-	1,176,514	247,068
Unrealized loss on interest rate swap	1,029,377	297,490	-	-
Prepaid rent	1,644,268	475,193	484,695	143,906
	$ 20,984,714	**$ 3,061,423**	**$ 18,448,909**	**$ 2,570,779**
Deferred tax liabilities				
Amortization	$ 1,846,229	$ 533,560	1,846,229	548,145
Depreciation - federal	3,023,301	634,893	-	-
Deferred gain on disposal of rental property	26,174,368	7,564,392	30,649,685	9,099,891
Deferred revenue	9,298,410	2,687,240	7,169,304	2,132,021
Tangible property regulation (263a)	11,413,923	3,298,625	9,439,602	2,807,234
Other	3,829,886	1,106,840	1,993,466	592,834
Unrealized gain on marketable securities	56,861,411	12,509,510	49,299,406	10,845,796
	$ 112,447,528	**$ 28,335,060**	**$ 100,397,692**	**$ 26,025,921**
Net deferred tax liability	**$ 91,462,814**	**$ 25,273,637**	**$ 81,948,783**	**$ 23,455,142**

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

12 - 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 revenues earned from related parties for the years ended December 31, 2020 and December 31, 2019 were $6,979,993 and $5,633,725, respectively.

As of December 31, 2020 and December 31, 2019, the amount due from related parties for management fees, leasing commissions, supervisory fees and other charges was $1,905,533 and $2,697,722, respectively. These amounts are non-interest bearing and are due on demand.

Loans to employees for the purchase of membership interests in certain subsidiaries totaling $1,935,238 and $923,984 at December 31, 2020 and December 31, 2019, 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.

13 - 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 $5,700 per year. The Company's matching contributions for years ended December 31, 2020 and December 31, 2019 were $70,198 and $49,430, respectively.

14 - 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 $19,118,000 and $19,285,000 at December 31, 2020 and December 31, 2019, 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, 2020 and December 31, 2019.

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, 2020 and December 31, 2019, rent expense, including real estate tax and operating expense escalations, was $239,504 and $235,097, respectively.

14 - COMMITMENTS AND CONTINGENCIES (Continued)

Lease (Continued)

Minimum rental expense under this lease as of December 31, 2020 is as follows:

Year Ending December 31,		
2021	$	204,746
2022		204,746
2023		204,746
2024		217,273
2025		218,099
Thereafter		667,782
	$	**1,717,392**

Employment Agreement

In April 2020, the Company amended and restated the original 2017 employee agreement with its Chief Executive Officer (the "CEO") ending August 2024, with an automatic extension of one year, 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 not less than 75% of the current base salary.

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 shall vest on each of the four anniversaries of the Award Date in three equal installments, subject to the CEO's continued employment through the respective vesting dates. As of December 31, 2020 and 2019, $750,000 and $510,000, respectively, was vested and included in accounts payable and accrued expenses.

In April 2020, the Company granted the CEO a new long-term incentive award equal to $1,100,000 (the "New LT Cash Incentive"). The New 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 New 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.

14 - COMMITMENTS AND CONTINGENCIES (Continued)

Employment Agreement (Continued)

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, 2020 and December 31, 2019, the loan balance, including accrued interest, was $1,681,193 and $608,581, respectively. These amounts are included in receivables from employees on the accompanying consolidated balance sheets.

For the year ended December 31, 2020, the CEO's total compensation was $1,870,000, which consisted of $620,000 for base salary, a $500,000 bonus and a $750,000 LT Cash Incentive. During 2019, the CEO's total compensation was $870,000, which consisted of $510,000 for base salary and a $360,000 bonus.

Capital Calls and Investment Funding

In the normal course of business, the Company may request additional capital contributions from its investors.

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.

15 – HEALTH RISK UNCERTAINTY

The spread of a novel strain of coronavirus ("COVID-19") around the world in 2020 and 2021 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related 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 materially impact its operations.

16 - SUBSEQUENT EVENTS

In February 2021, the Company entered into a joint venture agreement with the Herald Member, LLC (the "Investor") (an affiliate of Iowa Public Employee's Retirement System), managed by Invesco Advisers, Inc., whereby the Investor acquired a 70% equity interest in the Herald for an amount equal to 70% of the Company's investment in the Herald since its acquisition in April 2020.

In March 2021, the Company closed on a new three year $40 million credit facility (the "New Facility") with Valley National Bank, expiring February 2024. The New Facility is subject to a borrowing base of 75% of the fair value of the Company's marketable securities and 100% of the value of cash and cash equivalents. The interest rate on the New Facility is LIBOR plus 1.25%. The New Facility is subject to certain covenants and allows the Company to request that the bank issue standby letters of credit on its behalf. Soon after closing the New Facility, the Company paid off the entire then outstanding balance of $21.5 million.