MNP

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

May 9, 2022

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 8, 2022, beginning at 2:00 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 2022;

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 2021 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 6, 2022.

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 have any questions about joining the meeting virtually, please feel free to reach out to us at (212) 557-1400.

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 continued presence of the Coronavirus (COVID-19) pandemic, the 2022 Annual General Meeting ("AGM") of the Shareholders of Merchants' National Properties, Inc. ("MNP") will be held in a virtual format on June 8, 2022 at 2:00 p.m., Eastern Time.

Management urges all the shareholders who plan to attend the meeting to pre-register no later than June 6, 2022. 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:

https://www.eventcastpro.com/webcasts/cc/events/35G146.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 be able to listen to the meeting through your phone by calling 800.791.4813 or 785.424.1102 and providing Conference ID: MNP. 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 (i.e., through brokerage accounts) are urged to provide their voting instructions ahead of the meeting. **Your vote must be received by June 6, 2022 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.

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 Executive Chairman and former 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. 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 oversaw a diverse portfolio of office, multifamily and hotel assets across the United States. Mr. Deitelzweig has experience at both private developer and private equity firms. Throughout his career, he has successfully spearheaded multiple repositionings across the country and across multiple asset groups. 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 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. He serves as Managing Director of Private Equity with responsibility for private capital transactions in real assets and operating companies at Arboreal Capital LLC. He recently served as Co-Founder and Interim CEO of Arboreal B.V., a Netherlands company, focused on biodiverse, permanent reforestation in the tropics. Previously, Mr. Magowan has served as Managing Director at Sutter Securities, an Owner at Security Research Associates, and as Director at Johnson Capital (Walker & Dunlop). Mr. Magowan is an investor in early-stage companies in decarbonization and financial inclusion. Mr. Magowan is a graduate of Harvard University and holds an MBA from IMD International.

Mark Magowan - Mr. Magowan has been a director of MNP since 2004. He is President of The Vendome Press and 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 is a member of the Audit Committee. Mr. Maguire was a member of the Dollar Land Associates LLC 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, a graduate of Cornell University, has been a director of MNP since 2017 and is Chair of the Audit Committee and a member of the Governance Committee. He has also been a director of many of the Marx Corporations for more than a decade. Richard is President of the Take2/Take The Lead Thoroughbred Retirement Program Inc. and Vice President of the New York Thoroughbred Horsemen's Association, Inc. He chairs committees on governance, worker safety and housing, as well as thoroughbred aftercare and legislative issues.

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 is also 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 in 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

Matthew Maguire

Richard Schosberg (Chair)

James M. Better, ex officio

Compensation Committee:

James Magowan

James Stern (Chair)

John Usdan

James M. Better, ex officio

Nominating/Governance Committee:

Leonard S. Gruenberg, Jr. (Chair)

Mark Magowan

Matthew Maguire

Richard Schosberg

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 12, 2022, so, under the By-laws, no additional nominations can be made at this time or at the meeting.

MERCHANTS' NATIONAL PROPERTIES, INC.

DIRECTORS AND MANAGEMENT

The following table shows the ownership of MNP common stock as of May 5, 2022 by any person acting as MNP's Chief Executive Officer during fiscal year 2021, any person acting as MNP's Chief Financial Officer during fiscal year 2021, other executive officers during fiscal year 2021 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)]	7.25%
Craig M. Deitelzweig	200 [(b)]	*
Leonard S. Gruenberg, Jr.	7,744 [(c)]	8.43%
James Magowan	20 [(d)]	*
Mark Magowan	2,158 [d)]	2.35%
Matthew 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 (10 persons)	18,457	20.01%

(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) Represents shares awarded to Mr. Deitelzweig, as the CEO of the Company, pursuant to a restricted stock agreement. These shares become fully vested on August 10, 2024 provided Mr. Deitelzweig remains employed by the Company at that date. Unless and until this agreement is rescinded, Mr. Deitelzweig shall have voting rights and receive all dividends paid with respect to these shares.

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

(d) 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 fiscal year 2021. Any director who is an employee of MNP is not compensated for Board service.

During 2021 the Board met six times in person and/or virtually, for which Directors received a fee of $3,000 per each of the four regularly scheduled meeting. No additional fee was paid to Directors for other meetings held via telephone conference call.

Name	Fees	Other Compensation
James M. Better (1)		$68,000
Leonard S. Gruenberg, Jr.	$12,000	
James Magowan	$12,000	
Mark Magowan	$12,000	
Matthew Maguire	$12,000	
Richard Schosberg	$12,000	
James A. Stern	$12,000	
John Usdan (2)	$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 2021.

(2) Mr. Usdan was paid $6,000 for representing MNP on the Dollar Land Board of Managers and attending 3 meetings held in 2021.

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 May 5, 2022:

Name	Number of Shares Owned	Percentage of Shares Owned
Mary Lynn Bianco	9,534	10.38%
Jennifer Gruenberg	7,744 [(a)]	8.43%
Leonard Marx, Jr.	8,889 [(b)]	9.68%
MNP Voting Trust	14,756 [(c)]	16.07%

(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 9, 2022

To our Shareholders:

Despite all of the pandemic-related challenges that continue to impact the real estate industry, MNP delivered a solid financial performance in 2021, and achieved many important strategic objectives that position us well for strong growth in the years ahead. During Q1 of 2022, we began to see the fruits of our efforts as pent-up demand and an increasing desire to return to normalcy have resulted in accelerated leasing activity across our portfolio.

The market reflects a "flight-to-quality" as our well-located and repositioned assets with amenities, attractive spaces, customer-focused property management, enhanced technology and hospitality-infused aesthetic are experiencing enhanced tour activity and, at several properties, leasing activity exceeding pre-pandemic levels.

Significant highlights during the past year include the following:

- Cross County Center ("CCC") continues to outperform its competition in an otherwise difficult retail leasing environment. Current occupancy is over 96%. Excluding the Target Building vacancy, the current occupancy level is over 99%. We signed in excess of 158,000 sf of new and renewal leases at the Center. Multiple tenants either renewed their leases in 2021 or are in active negotiations for renewal of their leases, all at premium rental rates over their prior in-place rent. We continue to improve the food offerings at the Center, with leases signed with five new restaurant groups. Westchester Community College ("WCC"), which previously occupied 12,000 sf of space, signed a new lease for 40,000 sf in the Target building. With Target leasing 132,000 sf and WCC taking another 40,000 sf, we have already exceeded the in-place rent from Sears (the former occupant of the building) and now have another 39,000 sf available to lease, with negotiations underway to lease 30,000 sf to a medical user. Cross County Center remains the premiere regional center and it continues to attract a compelling array of best-in-class tenants.

- In February 2022, we closed on the purchase of a 106,300 sf office building at 2121 Wisconsin Avenue in the Glover Park neighborhood of Washington, DC for $27.7 million ($260 psf). The property's largest tenant, NexStar, is the nation's largest independent owner of TV stations and is about to open two TV studios on site. This property was acquired with proceeds from the 1031-Exchange of the South Beach, Miami property owned by Orange Syndicate ("Orange") and with additional funds from MNP. After the acquisition, the ownership of Orange Syndicate was restructured and, as a result, MNP's beneficial interest in the Wisconsin Avenue property has increased to 81.51%.

- In July 2021, we completed the dramatic renovation of the 106,700 sf office building known as The Herald, located at 1307 New York Avenue NW in Washington, DC. Construction was completed on-time and slightly below budget – which is a major accomplishment given the supply chain

related delays, COVID related shutdowns, and labor and material cost escalations that impacted all construction projects in DC (and beyond). This building is a unique property with average ceiling heights over 13' and a rich history as the former home of the Washington Herald Examiner and the office location of Jacqueline Bouvier Kennedy during her reporter days. Tenant demand for this type of differentiated and hospitality-infused product has exceeded our projections, as we have signed four leases totaling over 22,000 sf, with proposals and leases out to potential tenants for another 57,000 sf of space in the building – all at rental rates significantly above our underwriting. Many of the tenants with whom we are negotiating are household names in technology and media, as well as some of the top governmental affair offices in D.C.

- On the disposition side, in February 2022, the Arlington Joint Venture, managed by Midwood, sold its 50% interest in the Arlington, TX property for $3.25 million. Prior to the sale, the Company had a 36.37% ownership interest in the joint venture.

- The Company's cash position and low leverage, as well as its highly desirable and well positioned assets, will enable MNP to withstand 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 prevailing coronavirus pandemic and to meet expressed shareholder requests, this year's annual general meeting of the shareholders will again 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 the attached Memorandum and follow the instructions.

Financial Highlights:

The earnings per share for 2021 were $283.50 versus $107.93 per share in 2020. Excluding the unrealized gain on marketable securities, net of deferred taxes, earnings per share for 2021 were $134.47 versus $43.64 per share in 2020.

For the year ended December 31, 2021, stockholders' equity increased by $20.0 million with a corresponding increase in book value per share to $2,326 at December 31, 2021 from $2,108 at December 31, 2020. The Company paid $65 per share in dividends in 2021 versus $50 per share in 2020.

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. No shares were purchased during the year ended December 31, 2021. As of December 31, 2021 and 2020, 91,637 shares of common stock were outstanding.

For the year ended December 31, 2021, the Company reported grossed-up net income of $26.0 million, as compared to a net income of $9.9 million for the year ended December 31, 2020. For 2021, the Company reported grossed-up rental and other income of $50.7 million, as compared to $51.3 million for the prior year; the slight decline in 2021 is largely attributable to the sale of a significant interest in The Herald to Iowa Pension Public Employees Retirement System ("IPERS"). Similarly, for 2021, the Company reported grossed-up operating income of $22.7 million, as compared to $24.0

million for the prior year. Finally, for 2021, the Company reported grossed-up earnings before interest, taxes, depreciation and amortization ("EBITDA") of $51.6 million as compared to $31.4 million for the prior year, largely as a result on the increase in the value of marketable securities and swap contracts and the non-recurring gain on sale of real estate and marketable securities.

Accounting principles generally accepted in the United States of America ("GAAP") 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. As a result of these influences, we believe the most useful metric for assessing our performance is "Operating Income As Grossed-Up".

The following table provides a side-by-side comparison of MNP's December 31, 2021 vs. December 31, 2020 consolidated statements of operations in accordance with GAAP and "As Grossed-Up", a non-GAAP measure, which provides more transparency to MNP's share of the underlying assets' revenues and expenses which flow up to MNP from the various real estate investments.

INCOME STATEMENT OVERVIEW
GAAP vs. Underlying Property Performance

	Year Ended December 31, 2021		Year Ended December 31, 2020		
	As Audited	**As Grossed-Up**	**As Audited**	**As Grossed-Up**	
Rental and other income	$ 14,522,295	$ 50,672,296	$ 14,233,501	$ 51,306,848	(A)
Equity in earnings of real estate ventures	10,926,899	-	6,521,723	-	(B)
Operating expenses	(10,788,115)	(27,968,445)	(11,595,143)	(27,337,189)	(A)
Operating income	**14,661,079**	**22,703,851**	**9,160,081**	**23,969,659**	
Investment income	1,065,461	1,348,323	1,277,697	1,380,410	
Non-recurring gains (losses)	7,353,609	12,965,624	83,698	(184,053)	(C)
Write off of unused tenant improvements	(3,848,599)	(3,672,920)	-	-	(D)
Unrealized gain on marketable securities	17,508,676	17,508,676	7,562,005	7,562,005	(E)
Unrealized gain (loss) on swap contracts	817,043	769,133	(1,313,675)	(1,313,675)	(F)
EBITDA	**37,557,269**	**51,622,687**	**16,769,806**	**31,414,346**	
Financing expense	(1,426,760)	(6,729,451)	(2,864,419)	(7,725,804)	
Depreciation and amortization expense	(1,876,834)	(10,446,033)	(2,132,488)	(10,982,978)	
Income taxes	(1,645,299)	(1,838,827)	(624,296)	(1,552,197)	
Income taxes - deferred	(6,695,867)	(6,695,867)	(1,671,152)	(1,675,916)	
Net income	**25,912,509**	**25,912,509**	**9,477,451**	**9,477,451**	
Noncontrolling interests in loss of consolidated subsidiaries	66,359	66,359	424,051	424,051	
Net income attributable to Merchants' National Properties, Inc.	**$25,978,868**	**$ 25,978,868**	**$ 9,901,502**	**$ 9,901,502**	

The following is a description of some of the factors that impacted the As Audited and As Grossed-Up net income for the years ended December 31, 2021 and 2020.

(A) As a result of the de-consolidation of The Herald from the Company's consolidated financial statements effective February 26, 2021, the current year consolidated statement of operations no longer includes revenues and expenses related to The Herald subsequent to that date. The prior year consolidated statement of operations included 100% of The Herald's revenues and expenses.

(B) In 2021, equity in earnings of real estate ventures includes a $5.5 million gain on sale of the Miami Beach property.

(C) In 2021, the $13.0 million non-recurring gain (as Grossed-Up) includes a $2.1 million gain from the sale of marketable securities, a gain of $5.5 million from the sale of the Miami Beach property and a gain of $5.2 million from the sale of the Company's 70% interest in The Herald to Iowa Public Employee Retirement System, managed by Invesco Advisors, Inc.

(D) In 2021, write-off of unused tenant improvements of $3.7 million represents the retirement of certain tenant improvements at The Herald in January 2021 immediately after the last of the original tenants vacated the premises in preparation for the commencement of the repositioning of the building and re-leasing of the vacant tenant spaces.

(E) Including the unrealized gains and losses in marketable securities, as required under GAAP, increased the income before taxes by $17.5 million for the year ended December 31, 2021. For the year ended December 31, 2020, this change resulted in an increase in reportable GAAP income before taxes of $7.6 million, a net year-over-year increase in income before taxes of $9.9 million.

(F) 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, 2021 this change in fair value has resulted in increasing reportable GAAP income before taxes by $817 thousand. For the year ended December 31, 2020 this change in fair value resulted in reducing reportable GAAP income before taxes by $1.3 million.

The MNP Board approved payment of a $25 per share dividend for the first half of 2022 to shareholders of record as of May 16, 2022. This year's dividend will be paid out by wire transfer to each shareholder who has requested a wire transfer and has provided wiring instructions. For all other shareholders, checks will be mailed directly to their designated mailing address.

Property Management/Asset Management - Marx:

Despite all of the COVID-related challenges of 2021, the entire portfolio generated rental revenues of $141.2 million, representing a 1.15% increase over $139.6 million in 2020. MNP's share of 2021 portfolio-wide revenue was $40.5 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 our core markets.

In 2021, the portfolio under management was comprised of 58 properties. While Marx actively oversees all the properties in the portfolio, Midwood Investment and Development ("Midwood") manages seven of the jointly owned properties, including the Washington Street, Boston assemblage,

85 North 3rd Street, Brooklyn, NY, Expressway Plaza in Farmingville, Long Island and the Nespresso store on Prince Street in New York City.

Leasing:

Over the course of 2021, Marx oversaw the signing of new leases and renewals (excluding leases for Midwood joint venture properties) totaling approximately 308,000 sf. In 2022, we already signed 166,000 sf of leases and currently have approximately 473,000 sf of leases out or under negotiation and remain cautiously optimistic that the current lease proposals and leases under negotiation will be executed this year. In Q1 and Q2, we are seeing strong leasing tour activity on almost all of our properties – likely resulting from pent-up demand after two years of tenants mostly sidelined during the pandemic. We also see office tenants expressing strong interest in spaces that are highly amenitized and thoughtfully designed as a tool to help them attract and retain talent in a competitive hiring environment. We see this flight to quality as a competitive advantage as most of our properties have been repositioned.

Acquisitions and Dispositions:

2121 Wisconsin Avenue NW, Washington, DC: In February 2022, we closed on the purchase of this value-add property located in the Glover Park micro-market of Washington, DC, near the Vice President's residence at the Naval Observatory, minutes from Georgetown's main retail corridor. Our investment basis is a compelling $260 psf acquisition price and an all-in basis post renovation of $356 psf for this property. The largest tenant, Nexstar Media Group, has fully committed to this location by recently investing $5.5 million in custom ground floor studio with street visibility. Nexstar is the largest local television and media company in the nation with 199 stations reaching more than 68% of the households. This property was acquired as part of a 1031-Exchange of the South Beach, Miami property owned by Orange Syndicate (see below). After the acquisition there was a restructuring of the ownership of the property which resulted in the Company owning more than 81% of the property.

3803 South Cooper Street, Arlington, TX: In February 2022, we closed on the sale of this property for $3.25 million. This property was jointly owned (50:50) with and managed by Midwood Investment and Development. The Company had a 18.2% beneficial interest in this jointly owned property.

1677 & 1681 Lenox Avenue, South Beach, Miami, FL: In August 2021, we completed the sale of this property for $15.35 million. MNP owned a 48.56% interest in the property, owned by Orange Syndicate. After paying off the then existing mortgage on the sold property and closing costs, net sales proceeds of $11.2 million was deposited with a 1031-Exchange intermediary for use in the aforementioned 2121 Wisconsin Avenue NW, Washington, DC property's purchase. This property had a challenging lease provision relating to taxes which had previously impaired the ability to sell the property.

Development, Redevelopment and Entitlements:

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

- **545 Madison Avenue**: We completed the renovation of the building's lobby into a warm and inviting hospitality-infused space with new seating areas, a library and a coffee bar. We also completed the third-floor pre-built space, which is now leased to a private equity firm and the 14th floor pre-built, which was just delivered and already is garnering proposals of interest. We have

been proactively extending the lease terms of two multi-floor tenants who were considering leaving the property prior to the renovations. We recently executed the lease for one of the lease extensions. Lastly, work will commence in July on our building amenity space, the Leonard Lounge, which will include a conference facility, lounge space, terrace and a fireplace.

- **The Herald**: (www.theheralddc.com) The full repositioning of the building is complete. Work was performed on schedule and slightly below budget.

- **The Department Building, Atlanta**: The renovated building in downtown Atlanta, GA in a former department store is complete. The ground level retail space, carved out of the building's lobby, has been built-out and leased to a sushi bar operator, which is now open and exceeding its sales projections. We have a lease out to a media company for both of the upper floors.

- **Washington Street, Boston**: Preliminary plans have been drawn for the construction of a mixed-use Class A office and retail building on the site. Midwood is working with different local groups and the City to obtain approvals for additional FAR and hopes to receive waivers and/or approvals by this summer.

- **Cross County Center**: Landlord's construction work of the 132,000 sf Target space is now complete, and the tenant is expected to complete its own buildout and open for business late 2022/early 2023. Cosmetic enhancements of the parking lot and landscaping improvements will occur contemporaneously with Target's delivery.

Review of Core Properties:

MNP has varying interest in 44 properties in 9 states and District of Columbia. The following six real estate holdings represent almost 80% of MNP's direct and indirect gross rental income.

Cross County Center – Yonkers, NY (MNP – 37.62% Interest) – (crosscountycenter.com) - Excluding a part of the old Sears building, the occupancy rate at the CCC stands at 99%. As mentioned earlier, 172,000 sf of the old Sears building has now been leased to Target and Westchester Community College. We signed 158,000 sf of leases in 2021 and so far 47,000 sf of leases in 2022 with another 42,000 sf of leases currently being negotiated. Demand remains strong at the property and most stores perform among the top performers of their brands in the region and/or country. We have been in discussions with some very exciting brands that we hope to announce throughout the year. These new stores will continue to enhance the reputation of the Center and help the performance of other retailers.

10 Grand Central, 155 East 44th Street (formerly 708 Third Avenue), New York, NY (MNP – 35.71% Interest) - (10grandcentral.com) – The renovation of 10 Grand Central 3.5 years ago is driving leasing momentum. Today's office tenants desire hospitality-infused spaces with outdoor areas, conference and collaboration hubs and thoughtfully designed offices. We recently signed over 35,000 sf of leases and have leases being negotiated for another 11,000 sf of space with proposals out for another 39,000 sf. Two legacy tenants with lease expirations at the end of 2021 had rental rates well below market and we anticipate on leasing these spaces at about $25-$30 psf higher rental rates than the prior rent, which will provide significant upside for the property.

430 Park Avenue, New York, NY – (MNP – 8.22% Interest in the master leasehold) - This property, managed by Oestreicher, 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 May 2021, the ground lease, which was set to expire in March 2027, was extended for another 43-years through April 2070. Subsequent to the extension of the ground lease, in August 2021, a new $31 million mortgage was placed on the property. This mortgage matures in 2023 with two one-year options through August 2025. Part of the loan proceeds was used to retire the then outstanding mortgage on the property and the general partner loans, the ground lease extension costs and the rest to fund the initial costs relating to the planned renovations work at the property.

545 Madison Avenue, New York, NY – (MNP - 23.33% Interest) - The 17-story office building with ground floor retail 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., Inc.) took back possession of this 140,000 sf building. Since taking over the management of this property on January 1, 2020, Marx has completed the renovation of the lobby floor and pre-built spaces on two floors of the building. Over the past year, approximately 18,000 sf of office space has been leased at strong rental rates. We recently signed a lease for the 18th floor and have a lease out on the partial 8th floor, as well as proposals out on the 12th and 14th floors. We also have final renewal proposals out for floors 4-6 of the building.

605 West 181st Street, New York, NY – (MNP – 100% Interest) – This property is occupied by Foot Locker under a 10-year lease. Foot Locker opened a "Power Store" at this location in August 2019. In addition to selling its customary merchandise, this new Foot Locker store features a barbershop, sneaker cleaning, and gaming zones. The tenants continues to perform well at the site. The property is encumbered with a 10-year $8.625M loan with an attractive interest rate of 3.39%.

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 Merchants' website (http://www.merchantsnationalproperties.com or http://www.mnppre.com).

Securities Portfolio:

The MNP portfolio of marketable securities was valued at approximately $75.2 million as of December 31, 2021, with a cost basis of under $1 million. For the year, the portfolio value increased by $17.5 million or 30.2%. As of May 4, 2022, the portfolio was valued at $63 million.

Bank Line of Credit:

In February 2021, MNP secured a $40 million term note with Valley National Bank which is secured by a pledge of MNP's portfolio of marketable securities and carries interest at LIBOR plus 1.25% with a maturity date of February 29, 2024.

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, 2021, there was no outstanding balance on this line.

Board Attendance and Compensation Practices:

Non-Executive Board Members (excluding the Chairman) received $3,000 for attending each scheduled meeting. In 2021, MNP's board met in person four times, and the total board compensation was $158,000.

In addition to the in-person/Zoom meetings, the board spent (collectively) many hours in attendance at teleconferences, interviews and negotiations. Of the $158,000 paid in 2021, 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.

We look forward to seeing you at our virtual Annual General Meeting.

Respectfully submitted,

Craig M. Deitelzweig
President and Chief Executive Officer

James M. Better
Chairman

Schedule A

Property	CITY	Building Type	Land (Acres) - Approx.	Building (square ft) - Approx.	MNP Interest [1]	Occupancy %	% VACANT	SF LEASED	SF VACANT	# of In-place Tenants	Primary Tenants
ALABAMA											
1301 N MEMORIAL PKWY, HUNTSVILLE	HUNTSVILLE	RETAIL/BILLBOARD SIGN	1.4	10,832	53.4%	100.00%	0.00%	10,832	-	2	Bridgestone, Lamar Advt.
CALIFORNIA											
17220-230 S. LAKEWOOD, BELLFLOWER	BELLFLOWER	SHOPPING CENTER	11.1	131,884	17.4%	98.86%	1.14%	130,384	1,500	6	Kimco Realty, Denny's, Granny's Donuts, Star Dental, Sunrise Beauty, LA Pro Nail
CONNECTICUT											
1381 EAST PUTNAM AVENUE, GREENWICH	GREENWICH	MIXED-USE	0.7	10,200	92.8%	100.00%	0.00%	10,200	-	6	Belly & Body, Estate Treasures + 4 Residential units
98,102, 108 GREENWICH AVENUE	GREENWICH	MIXED-USE		18,489	57.9%	100.00%	0.00%	18,489	-	6	Sweet Green, Eleventy, Karp Reilly, Altus Power, Night Owl, Resi Penthouse
DISTRICT OF COLUMBIA											
2200 P STREET NW, DC	WASHINGTON, DC	RETAIL/GAS STATION	0.4	2,100	100.0%	100.00%	0.00%	2,100	-	1	Consolidated Petroleum
819 7TH ST., NW, WASHINGTON, DC	WASHINGTON, DC	RETAIL/OFFICE		7,857	90.7%	100.00%	0.00%	7,857	-	2	Nando's Restaurant Group
819 7TH ST., NW, WASHINGTON, DC	WASHINGTON, DC	OFFICE		5,115	66.5%	100.00%	0.00%	5,115	-	1	Color of Change
1307 NEW YORK AVE NW, WASH., DC	WASHINGTON, DC	OFFICE		117,166	28.5%	19.02%	80.98%	22,287	94,879	4	CCGN, Barbara Bush Fdn., Scott Circle, EIG
2121 WISCONSIN AVE, NW, WASH., DC	WASHINGTON, DC	OFFICE		106,263	72.2%	67.92%	32.08%	72,175	34,088	7	Nexstar Media, Balance Gym, CommuniKids, George Sexton, Liles Parker, Wine Rack
GEORGIA											
207-211 PEACHTREE STREET, ATLANTA	ATLANTA	1-4 STORY+1-1 STORY BLDG	0.4	42,451	26.8%	59.25%	40.75%	25,151	17,300	3	Hooters, Red Phone Booth, Saito Sushi Bar
KENTUCKY											
3408 PRESTON HWY, LOUISVILLE [5]	LOUISVILLE	RESTAURANT	0.3	1,950	49.3%	100.00%	0.00%	1,950	-	1	Taco Bell
MASSACHUSETTS											
349-365 WASHINGTON STREET, BOSTON [2]	BOSTON	4 BUILDING ASSEMBLAGE MIXED USE	0.5	70,085	31.8%	9.87%	90.13%	6,916	63,169	9	KQ Jewelry, JTC Jewelry, Golden Jewelry, Watch World, Cingular, Onegig
BROMFIELD & BOSWORTH ST, BOSTON [2]	BOSTON	3 BUILDING ASSEMBLAGE MIXED USE	0.1	36,088	29.7%	87.10%	12.90%	31,431	4,657	14	Marliave, Colonial Trading, Breather, Neighborschools, Drinkmaster, Clothing from Italy, Instatrac, Empatica
NEW JERSEY											
460 WEST ROUTE 70, MARLTON	MARLTON	RETAIL	1.4	9,000	34.9%	100.00%	0.00%	9,000	-	1	Enterprise Car Rental
240 WEST PWY, PEQUANNOCK	POMPTON PLAINS	WAREHOUSE	6.9	127,800	22.6%	100.00%	0.00%	127,800	-	1	Strong Man Building Products
1218 HOOPER AVE (& BEY AVE)	TOMS RIVER	RETAIL + VACANT LAND	27.2		30.1%	100.00%	0.00%	-	-	3	Target, Chili's, Exxon (All ground-leased)
1232 HOOPER, TOMS RIVER	TOMS RIVER	SHOPPING CENTER	14.1	79,186	11.6%	57.11%	42.89%	45,226	33,960	8	PetSmart, DXL, Encore Dental, Vitamin Shoppe, Wells Fargo
3607 BERGENLINE, UNION CITY	UNION CITY	RETAIL	0.3	26,647	100.0%	100.00%	0.00%	26,647	-	1	ABC Bargain Stores
2125 FLETCHER AVENUE, FORT LEE [2]	FORT LEE	RETAIL	2.1	32,725	30.0%	100.00%	0.00%	32,725	-	1	Metropolitan Plant Exchange
NEW YORK											
KNOLLS COOP SOCIETY, BRONX [5]	BRONX	RESIDENTIAL			100.0%	100.00%	0.00%			1	Knolls Cooperative Section No. 1
3965 HEMPSTEAD BLVD., BETHPAGE [5]	BETHPAGE	RETAIL/GAS STATION	1.3	6,929	95.7%	100.00%	0.00%	6,929	-	1	Quick Check Corp.
89-17/23 QUEENS BLVD., ELMHURST	ELMHURST	RETAIL	0.3	8,625	12.7%	100.00%	0.00%	8,625	-	3	JP Morgan Chase, Japanese/Asian Food, Liquor Store
222 ELMIRA RD, ITHACA	ITHACA	SHOPPING CENTER	6.9	46,460	21.0%	100.00%	0.00%	46,460	-	14	Wild vines, 5 Guys, Taco Bell, DiBellas Sub
201 EAST 57TH STREET, NYC [1]	NEW YORK	SHOW ROOM	0.2	29,617	23.3%	100.00%	0.00%	29,617	-	4	TD Bank, Design Within Reach, Mansour Rugs
532 MADISON AVENUE, NYC	NEW YORK	RETAIL/OFFICE	0.04	15,347	10.4%	57.45%	42.55%	8,817	6,530	3	Smilers, Less is More, Sprint
545 MADISON AVENUE, NYC [1]	NEW YORK	RETAIL/OFFICE	-	139,540	23.3%	83.44%	16.56%	116,436	23,104	12	Wells Fargo, Maman, Oscar Blandi, Ogden Capital, HSN, Strike Holding, Ice Data, Truarc Partners
605-9 WEST 181st STREET, NYC	NEW YORK	RETAIL	0.2	23,897	100.0%	100.00%	0.00%	23,897	-	1	Foot Locker
712 THIRD AVENUE, NYC	NEW YORK	RETAIL/OFFICE BUILDING	0.1	9,869	17.9%	100.00%	0.00%	9,869	-	3	Wendy's, Dunkin Donuts, Haufbrau
140 7TH AVE S PARCEL, NYC	NEW YORK	21sf LAND PARCEL			100.0%	100.00%	0.00%	-	-	1	Ark Seventh Ave South
135 BOWERY ST., NYC	NEW YORK	RETAIL/OFFICE BUILDING		21,308	46.5%	53.93%	46.07%	11,491	9,817	4	Hiyake Japanese BBQ, Park & Diamond, Tradewinds
3639 MERRICK RD. SEAFORD	SEAFORD	FREESTANDING BUILDING	0.3	4,620	22.7%	100.00%	0.00%	4,620	-	1	Funstuff
2800 HYLAN BLVD., STATEN ISLAND [5]	STATEN ISLAND	BANK BLDG/FAST FOOD RESTAURANT	1.3	7,147	0.7%	100.00%	0.00%	7,147	-	2	Burger King, Bank of America
79-83 MAMARONECK AVE. W.PLAINS	WHITE PLAINS	1 STORY + PARTIAL BSMT	0.1	4,449	94.6%	100.00%	0.00%	4,449	-	2	Salon, US Army
10 GRAND CENTRAL, 155 E 44TH STREET	NEW YORK	RETAIL/OFFICE BUILDING	0.4	410,035	35.7%	68.93%	31.07%	282,655	127,380	44	ANA, Benenson, UNOPS, Wheelock, Mass Mutual, Crux, Little Collins, Sweetgreen, Cava, Montieth, Itochu, The Week, Liv Golf
CROSS COUNTY SHOPPING CTR. [3]	YONKERS	SHOPPING CENTER	71.3	1,141,688	37.6%	96.35%	3.65%	1,100,048	41,640	82	Macy's, Target, Westchester Comm College, Stop&Shop, Zara, H&M, Hyatt, Victoria's Secret, Gap, Blink, Old Navy, Ulta, Multiplex, Olive Garden, TGIF, XXI Forever,
92 PRINCE STREET, NEW YORK [2]	NEW YORK	RETAIL	0.1	5,200	19.7%	100.00%	0.00%	5,200	-	1	Nespresso
85 NORTH 3RD ST. WILLIAMSBURGH, BKLYN [2]	BROOKLYN	RETAIL		27,111	40.6%	100.00%	0.00%	27,111	-	12	Sola Salon, Ralph Lauren, Crème Design, Kula Yoga, Aesop, Slowear, Hotovelli, Tailgate Clothing
478 W. BROADWAY, NEW YORK [2]	NEW YORK	RETAIL		2,900	19.7%	100.00%	0.00%	2,900	-	1	Avenso Photo Art
430 PARK AVENUE, NEW YORK [2, 4]	NEW YORK	OFFICE BUILDING	0.3	295,900	8.2%	99.02%	0.98%	292,994	2,906	22	WeWork, TD, Cellini, Wainwright, Withers, Molo, Engel & Volkers, Savanna, TIAA, Midwood, Oestreicher, Joe & Juice
124 HUDSON STREET, NEW YORK	RETAIL	RETAIL/OFFICE		11,892	19.4%	100.00%	0.00%	11,892	-	3	Tribeca School, Little Gym, Warburg Realty
2320 OCEAN AVENUE, FARMINGVILLE [2]	FARMINGVILLE	SHOPPING CENTER	40.6	288,552	12.3%	73.14%	26.86%	211,034	77,518	23	Stop&Shop, JPM, TGIF, BK, GNC, LA Fitness, City Practice, Star Bucks, Burlington Coat, Primo Pizza, Sally Beauty, Chic-Fil-A
VIRGINIA											
7717 RICHMOND HWY, ALEXANDRIA	ALEXANDRIA	VACANT LAND	0.1	-	42.6%	0.00%	0.00%	-	-	-	Vacant, available for lease or sale
7704 RICHMOND HWY, ALEXANDRIA	ALEXANDRIA	SHOPPING CENTER	2.8	13,330	42.6%	100.00%	0.00%	13,330	-	5	Verizon, Vitamin Shoppe, Pollo Campero, Dunkin Donuts
7508 RICHMOND HWY, ALEXANDRIA	ALEXANDRIA	RETAIL	1.1	7,920	7.9%	100.00%	0.00%	7,920	-	2	Sherwin Williams, End of the Roll
5025 WELLINGTON RD, GAINESVILLE	GAINESVILLE	FREESTANDING BUILDING	0.7	2,126	49.0%	100.00%	0.00%	2,126	-	1	Chipotle
			195.04	3,360,300		83.98%	16.02%	2,821,853	538,448		

[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.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

AND

INDEPENDENT AUDITORS' REPORT

MERCHANTS' NATIONAL PROPERTIES, INC. AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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, 2021 and 2020, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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, 2021 and 2020, and the results of their consolidated operations and their consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Dollar Land Associates, LLC, a joint venture, the investment in which, as discussed in Note 5 to the consolidated financial statements, is accounted for by the equity method of accounting. The investment in Dollar Land Associates, LLC was $35,048,226 and $34,341,463 as of December 31, 2021 and 2020, respectively, and the equity in its net income was $6,795,885 and $5,241,828, respectively, for the years then ended. The financial statements of Dollar Land Associates, LLC 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Merchants' National Properties, Inc. and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Merchants' National Properties, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

(Continued)

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Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Merchants' National Properties, Inc. and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Merchants' National Properties, Inc. and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Friedman LLP

April 15, 2022

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

	December 31, 2021	December 31, 2020
ASSETS		
Rental properties, net	$ 56,468,474	$ 100,651,592
Marketable securities	75,208,951	57,764,270
Investments in real estate ventures	119,818,866	109,293,139
Intangible asset available for sale	753,219	749,986
Cash and cash equivalents	17,398,949	23,564,429
Restricted cash	1,747,272	1,519,570
Receivables:		
Loans, real estate venture	1,800,000	1,725,000
Affiliated real estate ventures	775,972	924,754
Employees	1,385,019	1,935,238
Related parties	4,006,002	1,905,533
Tax refund	37,554	1,584,686
Deferred rent	2,086,310	1,961,020
Other	841,629	780,492
Tenant security deposits in escrow	479,263	435,566
Prepaid expenses and other assets	1,993,706	2,071,621
Prepaid income taxes	1,296,589	2,576,560
Deferred tax assets	2,480,332	3,061,423
Total assets	**$ 288,578,107**	**$ 312,504,879**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Accounts payable and accrued expenses	$ 2,265,969	$ 2,538,237
Income taxes payable	197,425	92,854
Security deposits	592,263	548,651
Interest rate swaps	496,632	1,313,675
Loan payable, Paycheck Protection Program	-	578,297
Mortgages payable, less unamortized debt issuance costs of $336,882 and $1,502,361 in 2021 and 2020, respectively	28,398,545	54,792,500
Line of credit	-	21,500,000
Deferred tax liabilities	34,449,836	28,335,060
Total liabilities	**66,400,670**	**109,699,274**
Commitments and Contingencies		
Stockholders' Equity		
Common stock, $1 par value; 187,000 shares authorized, 105,199 shares issued (shares outstanding, 91,637 and 91,637 in 2021 and 2020, respectively)	105,199	105,199
Additional paid-in capital	1,146,317	1,146,317
Retained earnings	227,336,665	207,325,200
Treasury stock, at cost (13,562 and 13,562 shares in 2021 and 2020, respectively)	(15,395,875)	(15,395,875)
Total stockholders' equity	**213,192,306**	**193,180,841**
Noncontrolling interests	8,985,131	9,624,764
	222,177,437	**202,805,605**
Total liabilities and stockholders' equity	**$ 288,578,107**	**$ 312,504,879**

See notes to consolidated financial statements.

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

	Year Ended December 31, 2021	Year Ended December 31, 2020
Revenues		
Rental revenues	$ 5,914,255	$ 6,887,843
Management fees	2,446,088	1,664,896
Leasing commissions	1,367,368	1,483,658
Asset acquisition/disposition fees	307,000	131,000
Development and buildout fees	799,087	670,627
Other revenues	3,688,497	3,395,477
Total revenues	**14,522,295**	**14,233,501**
Operating Expenses		
Real estate taxes	1,229,377	1,674,030
Depreciation and amortization	1,876,834	2,132,488
Other operating expenses	654,689	1,248,249
Financing expenses	1,426,760	2,864,419
Total operating expenses	**5,187,660**	**7,919,186**
Net revenues from rentals and other income	**9,334,635**	**6,314,315**
Equity in earnings from real estate ventures, net	10,926,899	6,521,723
Investment income	1,065,461	1,277,697
Unrealized gain on marketable securities	17,508,676	7,562,005
Gain on sale of marketable securities	2,179,123	-
Unrealized gain (loss) on interest rate swaps	817,043	(1,313,675)
Write off of unused tenant improvements	(3,848,599)	-
Gain on sale of rental property	5,174,486	83,698
Net income before general and administrative expenses and other costs and income tax expense	**43,157,724**	**20,445,763**
General and administrative expenses and other costs		
Professional fees	504,464	505,915
Salaries and other general expenses	8,399,585	8,166,949
Total general and administrative expenses and other costs	**8,904,049**	**8,672,864**
Net income before income tax expense	**34,253,675**	**11,772,899**
Income tax expense	8,341,166	2,295,448
Net income	**25,912,509**	**9,477,451**
Noncontrolling interests in loss of consolidated subsidiaries	66,359	424,051
Net income attributable to Merchants' National Properties, Inc.	**$ 25,978,868**	**$ 9,901,502**
Basic and diluted earnings per share	$ 283.50	$ 107.93
Weighted average number of common shares outstanding		
Basic and diluted	91,637	91,737

See notes to consolidated financial statements.

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

	Common Stock		Additional Paid-In	Retained	Treasury Stock		Non-Controlling	Total
	Shares	Amount	Capital	Earnings	Shares	Amount	Interests	Equity
Balance, January 1, 2020	**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**
Net income (loss)	-	-	-	25,978,868	-	-	(66,359)	25,912,509
De-consolidation of Herald**	-	-	-	-	-	-	(679,062)	(679,062)
Dividends paid	-	-	-	(5,967,403)	-	-	-	(5,967,403)
Capital contributions	-	-	-	-	-	-	322,438	322,438
Capital distributions	-	-	-	-	-	-	(216,650)	(216,650)
Balance, December 31, 2021	**105,199**	**$ 105,199**	**$ 1,146,317**	**$ 227,336,665**	**13,562**	**$ (15,395,875)**	**$ 8,985,131**	**$ 222,177,437**

* See Note 1 for description of the transaction

** See Note 1 for 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, 2021	Year Ended December 31, 2020
Cash flows from operating activities		
Net income	$ 25,912,509	$ 9,477,451
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation and amortization	1,617,345	1,926,640
Amortiztion of deferred leasing costs	259,489	205,848
Amortization of debt issuance costs included in financing expenses	141,379	462,648
Provision for deferred taxes	6,695,867	1,671,152
Accrued interest on loans receivable, real estate venture	(75,000)	(75,000)
Equity in earnings of investments in real estate ventures, net	(10,926,899)	(6,521,723)
Unrealized (gain) loss on interest rate swaps	(817,043)	1,313,675
Write off of unused tenant improvements	3,848,599	-
Gain on sale of rental property	(5,174,486)	(83,698)
Realized gain on marketable securities	(2,179,123)	-
Unrealized gain on marketable securities	(17,508,676)	(7,562,005)
Forgiveness of loan payable, Paycheck Protection Program	(578,297)	-
Changes in assets and liabilities		
Receivables - affiliated real estate ventures	148,782	30,236
Receivables - employees	550,219	(1,011,254)
Receivables - related parties	(2,100,469)	792,189
Receivables - tax refund	1,547,132	(1,563,035)
Receivables - deferred rent	(125,290)	(549,982)
Receivables - other	14,167	75,433
Prepaid expenses and other assets	(209,609)	(634,438)
Prepaid income taxes	1,279,971	(48,238)
Accounts payable and accrued expenses	2,467,315	944,265
Income taxes payable	104,571	92,854
Security deposits	43,612	70,147
Net cash provided by (used in) operating activities	**4,936,065**	**(986,835)**
Cash flows from investing activities		
Contributions to investments in real estate ventures	(3,833,461)	(939,436)
Distributions from investments in real estate ventures	9,684,109	12,514,907
Purchase of rental properties	(2,331,415)	(43,570,971)
Intangible asset available for sale	(3,233)	(950)
Proceeds from sale of rental properties	11,661,400	114,958
Proceeds from sale of marketable securities	2,243,118	-
Net cash provided by (used in) investing activities	**17,420,518**	**(31,881,492)**
Cash flows from financing activities		
Purchase of treasury stock	-	(936,298)
Payment of dividends	(5,967,403)	(5,230,609)
Payment of dividends to noncontrolling interests	-	(164,400)
Proceeds from loan payable, Paycheck Protection Program	-	578,297
(Payments of) proceeds from line of credit	(21,500,000)	20,000,000
Capital contributions from noncontrolling interests	322,438	1,978,848
Capital distributions from noncontrolling interests	(216,650)	(268,897)
Principal payments of mortgages payable	(775,336)	(651,166)
Proceeds from mortgage payable	-	26,703,997
Debt issuance costs	(113,713)	(1,566,749)
Net cash (used in) provided by financing activities	**(28,250,664)**	**40,443,023**
Net (decrease) increase in cash and cash equivalents, restricted cash and tenant security deposits in escrow	**(5,894,081)**	**7,574,696**
Cash and cash equivalents, restricted cash and tenant security deposits in escrow, beginning of year	25,519,565	17,944,869
Cash and cash equivalents, restricted cash and tenant security deposits in escrow, end of year	**$ 19,625,484**	**$ 25,519,565**

See notes to consolidated financial statements.

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

	Year Ended December 31, 2021	Year Ended December 31, 2020
Reconciliation of cash and cash equivalents, restricted cash and tenant security deposits in escrow, beginning 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, beginning of year	**$ 25,519,565**	**$ 17,944,869**
Reconciliation of cash and cash equivalents, restricted cash and tenant security deposits in escrow, end of year		
Cash and cash equivalents	$ 17,398,949	$ 23,564,429
Restricted cash	1,747,272	1,519,570
Tenant security deposits in escrow	479,263	435,566
Cash and cash equivalents, restricted cash and tenant security deposits in escrow, end of year	**$ 19,625,484**	**$ 25,519,565**
Supplemental cash flow disclosures		
Interest paid	$ 1,172,479	$ 2,389,540
Income taxes paid - net of refunds of $2,200 and $36,832, respectively	354,852	2,371,213
Supplemental non-cash investing and financing activities		
Capital improvements included in accounts payable and accrued expenses	59,800	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
Reclassification of assets, liabilities, noncontrolling interests and equity due to de-consolidation of investment in joint venture		
Rental properties, net of accumulated depreciation of $362,322	(41,048,589)	-
Investments in real estate ventures	5,449,476	-
Receivables - other	75,304	-
Prepaid expenses and other assets	(28,035)	-
Accounts payable and accrued expenses	2,739,583	-
Mortgage payable, net of unamortized debt issuance costs of $437,621	25,646,285	-
Noncontrolling interests	679,062	-

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"), 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, 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 had a 95.01% ownership interest. In February 2021, Merchants entered into a joint venture with Herald Member LLC (the "Investor"), an affiliate of Iowa Public Employee's Retirement System ("IPERS"), managed by Invesco Advisors, Inc., whereby the Investor acquired a 70% equity interest in Herald. The gain that was recognized on the retained interest in Herald by the Company was $5,174,486. This gain is comprised of $3,536,154 related to the gain on the sale

1 - ORGANIZATION (Continued)

of the Company's 70% interest in Herald and $1,638,332 related to the gain on the write-up of Herald to fair value. The Company estimated the fair value of its retained 28.5% interest in Herald based on the fair value of the sale of the 70% interest to IPERS.

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 previously Herald, a 95.01% owned limited liability company. In view of Investor's acquisition of 70% equity interest in Herald, effective February 26, 2021, Herald is no longer being consolidated by Merchants and it is accounted for on the equity method of accounting (Note 5). 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. In addition, the Company may utilize third party valuation specialists. These components typically include buildings, land and intangibles related to in-

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Purchase Accounting (continued)

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
- 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 repositioning the building after its acquisition, the market value of in-place leases or the value of costs to obtain tenants was not deemed necessary considerations in deriving the relative fair value of the building or improvements.

Marketable Securities
Marketable securities, which consist of equity securities, are carried at fair value in the consolidated financial statements. 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 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. No impairment of the recoverability of the carrying amount of its investments has occurred as of December 31, 2021 or 2020.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. No impairment provision was necessary at December 31, 2021 or 2020.

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. No impairment was noted at December 31, 2021 or 2020.

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.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2021 and 2020, amortization of deferred financing costs was $141,379 and $462,648, respectively. These amounts are included in financing expenses on the consolidated statements of operations.

Income Taxes
The Company files a combined income tax return for New Jersey, 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 and Bell 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 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.

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, 2021 or 2020.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (continued)

Management fees and development fees 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.

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.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (continued)

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

December 31, 2021				
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Marketable securities	$ 75,208,951	$ -	$ -	$ 75,208,951

December 31, 2020				
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Marketable securities	$ 57,764,270	$ -	$ -	$ 57,764,270

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.

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.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements – Not Yet Adopted (continued)

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 (Note 9). The interest rate swap agreement was effective as of October 1, 2015, matures on October 1, 2025, and had an original notional amount of $9,000,000 with a notional amount of $7,527,167 and $7,791,343 at December 31, 2021 and 2020, 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 (Note 9). The interest rate swap agreement was effective as of August 13, 2019, matures on September 4, 2029, and had an original notional amount of $8,625,000 with a notional amount of $8,327,962 and $8,566,596 at December 31, 2021 and 2020, 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 interest rate swaps were not designated as cash flow hedges and, accordingly, changes in fair value are recognized in earnings. As of December 31, 2021 and 2020, the Company recorded a gain of $817,043 and a loss of $1,313,675, respectively, in the fair value of the interest rate swap agreements.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 15, 2022. Management has evaluated subsequent events through this date.

3 - RENTAL PROPERTIES, NET

Rental properties consist of the following:

	December 31,	
	2021	2020
Land	$ 23,087,855	$ 44,456,441
Buildings and improvements	42,178,631	64,369,854
Furniture and fixtures	1,103,901	1,105,701
Equipment	240,588	208,805
Impairment of land and building	(1,337,269)	(1,337,269)
	65,273,706	108,803,532
Less: accumulated depreciation	8,805,232	8,151,940
	$ 56,468,474	$ 100,651,592

Depreciation expense for the years ended December 30, 2021 and 2020 was $1,617,345 and $1,926,640, respectively.

4 - MARKETABLE SECURITIES

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

	December 31,	
	2021	2020
Cost	$ 897,173	$ 961,168
Fair value	75,208,951	57,764,270
Net unrealized gain	$ 74,311,778	$ 56,803,102

During the year ended December 31, 2021, there were sales of marketable securities of $2,243,118, with a net realized gain of $2,179,123. 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, 2021 and 2020, respectively are as follows:

	Year Ended December 31,	
	2021	2020
Balance, beginning of year	$ 109,293,139	$ 122,715,988
Contributions	3,833,461	939,436
Distributions	(9,684,109)	(12,514,907)
De-consolidation of Herald *	5,449,476	-
Athens and Bell Blvd investments **	-	(8,369,101)
Equity in earnings, net	10,926,899	6,521,723
Net investments, end of period	$ 119,818,866	$ 109,293,139

* Represents the reclassification of rental properties, net to investments in real estate ventures because of the de-consolidation of Herald from the Company's consolidated financial statements effective February 2021 (Note 1).

As a result of the de-consolidation of Herald from the Company's consolidated financial statements effective February 26, 2021, the current year balance sheet no longer includes the assets and liabilities related to Herald. The current year consolidated statement of operations no longer includes revenues and expenses related to Herald subsequent to February 26, 2021. The prior year consolidated balance sheet and consolidated statement of operations included Herald's assets, liabilities, revenues and expenses.

5 - INVESTMENTS IN REAL ESTATE VENTURES (Continued)

** 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 (Note 1).

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,	
	2021 (Unaudited)	2020 (Unaudited)
Assets, net of accumulated depreciation and amortization of $245,797,623 and $212,618,641, respectively	$ 585,356,959	$ 567,965,840
Liabilities	348,704,822	344,613,063
Equity	$ 236,652,137	$ 223,352,777

	Year Ended December 31,	
	2021 (Unaudited)	2020 (Unaudited)
Rental and other revenues	$ 131,225,062	$ 129,639,393
Net gains on disposal of rental property	11,384,423	4,337,926
Total income	142,609,485	133,977,319
Direct operating expenses	69,790,396	60,131,612
Financing expenses	14,038,653	14,046,355
Depreciation and amortization expense	26,110,399	26,726,181
Write-off of capital expenditures	-	4,627,426
Income taxes	777,026	4,487,207
Total expenses	110,716,474	110,018,781
Net income	$ 31,893,011	$ 23,958,538

The investments in real estate ventures on the accompanying consolidated balance sheets are accounted for by the Company using the equity method. The above amounts, which are maintained on the historical cost basis and represent 100% of the assets (net of accumulated amortization and depreciation where applicable), liabilities, equity, revenues and expenses of the real estate joint ventures, have not been audited, except one of the investments as noted in the independent auditors' report. The assets and liabilities of this investment in real estate venture are approximately 34% and 34%, respectively, of the total assets and liabilities above at December 31, 2021 and 34% and 35%, respectively, at December 31, 2020. The net income of this investment in real estate venture is approximately 56% and 57% of the total net income above for the years ended December 31, 2021 and 2020, respectively.

5 - INVESTMENTS IN REAL ESTATE VENTURES (Continued)

Investments in real estate ventures consist of the following:

	% Of Ownership (a)	
Investee	December 31, 2021	December 31, 2020
135 Bowery	9.0000%	9.0000%
430 Park Avenue Syndicate (b)	7.0828	7.0828
532 Madison Syndicate	10.4099	10.4099
708 Third Avenue Holdings, LLC (c)	35.7135	35.7135
Arlington Joint Venture	18.1875	18.1875
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	17.4167
Bey Lea Joint Venture (b)	9.1366	9.1366
Boston Syndicate (d)	31.4393	25.0000
Dollar Land Associates, LLC	37.6214	37.6214
East Rutherford Joint Venture	0.7500	0.7500
Farmingville Associates (b)	10.6223	10.6223
Fort Lee Joint Venture	30.0000	30.0000
Herald Owners, LLC (e)	28.5030	N/A
Ithaca Joint Venture	21.0000	21.0000
Joseph E. Marx Co. Inc. ("JEM")	23.3330	23.3330
Knights Road Shopping Center LP (b)	11.4044	11.4044
LM of Greenwich (f)	0.0000	16.9125
Louisville Syndicate	49.3097	49.3097
Marlton Joint Venture	34.9167	34.9167
Newbury Street Partners (b)	18.7084	18.7084
Ocean County Ventures (b)	30.0981	30.0981
Orange Syndicate (b)	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

(a) % of Company's beneficial interest in the underlying investment.
(b) Excludes indirect interest through JEM.
(c) Represents 35.7135% of 10 Grand Central (formerly known as 708 Third Avenue) and 17.85675% of 712 Third Avenue.
(d) See Note 5, page 20.
(e) On February 26, 2021, the Investor purchased a 70% ownership in Herald. As a result, the Company's previous 95.01% equity interest in The Herald Owners, LLC was reduced to 28.503%. Previously, Herald was a consolidated entity and not reflected in the table above.
(f) Property owned by this Investee was sold in 2019 and the Investee was liquidated in 2020.

5 - INVESTMENTS IN REAL ESTATE VENTURES (Continued)

On May 1, 2021, the ground lease for one of the properties in which the Company has an indirect ownership interest, located at 430 Park Avenue in New York City, was extended for 28 years from April 2042 to April 2070.

Effective July 1, 2021, the Company increased its ownership interest in Boston Syndicate from 25% to 31.4393% by acquiring additional ownership interest from other Boston Syndicate members. who tendered their interest at a cost equal to their total cash investment in Boston Syndicate of $117,708 per 1% interest.

On August 5, 2021, a new $31 million two-year (with two additional one-year extension options) mortgage was placed on the 430 Park Avenue property to replace an existing $11.4 million mortgage which was set to mature in April 2022.

The Miami Beach property owned by Orange Syndicate was sold on August 17, 2021 for $15,350,000. The Company's share of the gain on the sale of this property was approximately $5.5 million and is included in equity in earnings of real estate ventures (Note 16).

6 - LOANS RECEIVABLE, REAL ESTATE VENTURE

Loans receivable from one real estate venture affiliate in the amount of $1,800,000 and $1,725,000 as of December 31, 2021 and 2020, respectively, are due on demand and bear interest at 5.0%. As of December 31, 2021 and 2020, accrued interest of $300,000 and $225,000, 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, 2021 and 2020.

7 - LINE OF CREDIT

Merchants had a $30,000,000 credit facility (the "Facility") with Capital One Bank, which expired on May 1, 2021. The Facility was 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 was LIBOR plus 1.35% (1.50% at December 31, 2020). The Facility was subject to certain covenants, as described in the facility agreement, and allowed Merchants to request that the bank issue standby letters of credit on its behalf.

In March 2021, Merchants obtained 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 up to $10 million on its behalf. Soon after closing the New Facility, the Company paid off the entire outstanding balance of $21.5 million on the Facility.

7 - LINE OF CREDIT (Continued)

As of December 31, 2020, the Company had $21,500,000 of outstanding borrowings under the Facility. No amounts were outstanding under the New Facility as of December 31, 2021.

Interest expense for the years ended December 31, 2021 and 2020 was $59,020 and $405,879, 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 Act"), enacted on March 27, 2020. Under the terms of the SBA PPP loan, up to 100% of the principal and accrued interest could be forgiven if certain criteria were met and the loan proceeds were used for qualifying expenses such as payroll costs, benefits, rent and utilities as described in the CARES Act. The loan accrued interest at a rate of 1% and any portion of the principal and accrued interest that was not forgiven was required to be repaid by April 20, 2022. Interest expense for the years ended December 31, 2021 and 2020 was not considered significant to the Company's consolidated financial statements. The loan was forgiven on August 6, 2021 and is included in other revenues on the accompanying consolidated statements of operations. The SBA reserves the right to audit loan forgiveness for six years from the date forgiveness was granted.

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.

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, 2021 and 2020, interest expense was $299,792 and $286,600, respectively. The mortgage payable balance at December 31, 2021 and 2020 was $8,327,962 and $8,566,596, respectively. The loan is subject to a debt service coverage ratio of 1.10. Beginning January 1, 2020, the debt service ratio requires quarterly testing.

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 allow for borrowings up 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

9 - MORTGAGES PAYABLE (Continued)

Index not to exceed 4.35%. Merchants is a limited guarantor of this loan. Interest expense was $200,041 and $205,570 for the years ended December 31, 2021 and 2020, respectively. The mortgage payable balances at December 31, 2021 and 2020 were $4,475,093 and $4,589,106, 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; 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, 2021 and 2020, interest expense was $164,903 and $168,540, respectively. The mortgage payable balance at December 31, 2021 and 2020 was $4,079,703 and $4,172,295, 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; 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 in the aggregate of $47,291, including interest equal to LIBOR plus 1.625% (1.72% and 2.61% at December 31, 2021 and 2020, respectively), and has a maturity date of September 11, 2025. Merchants is the guarantor of this loan. 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; however, University is current in its debt service payments.

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, 2021 and 2020, interest expense was $302,429 and $313,550, respectively. The mortgage payable balance at December 31, 2021 and 2020 was $7,527,167 and $7,791,343, 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 years ended December 31, 2021 and 2020, interest expense was $156,363 and $161,854, respectively. The mortgage payable balance at December 31, 2021 and 2020 was $4,325,502 and $4,471,524, respectively. The loan is subject to a debt service ratio of 1.25, which shall be tested annually.

9 - MORTGAGES PAYABLE (Continued)

In April 2020, Herald obtained a mortgage payable of up to $49,844,000, 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 Interest, Carry and Rebalancing Guaranty (the "ICR Guaranty"), Deferred Equity and Completion guarantees and an Environmental Indemnity Agreement. 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 footage. The mortgage payable matures in April 2023, requires monthly interest only payments at the rate of 4.5% and contains two 12-month extension options, subject to Merchants meeting certain conditions. For the year ended December 31, 2021 and 2020, interest expense was $102,834 and $859,778, respectively. The mortgage payable balance at December 31, 2020 was $26,703,997. Due to the de-consolidation of Herald (Note 1), the mortgage balance at December 31, 2021 was zero on the Company's consolidated balance sheet.

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

Year Ending December 31,		
2022	$	890,464
2023		4,940,181
2024		794,812
2025		7,187,785
2026		537,915
Thereafter		14,384,270
		28,735,427
Less: unamortized debt issuance costs		336,882
	$	28,398,545

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, 2021 are approximately as follows:

Year Ending December 31,		
2022	$	5,275,000
2023		4,767,000
2024		4,074,000
2025		3,749,000
2026		3,760,000
Thereafter		18,991,000
	$	40,616,000

10 - LEASE ARRANGEMENTS (Continued)

Common area maintenance and real estate tax escalation charges included in rental income were $447,668 and $589,539 for the years ended December 31, 2021 and 2020, respectively.

For the years ended December 31, 2021 and 2020, one tenant represented approximately 24% and 17% of rental income, respectively

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 consists of the following:

	Year Ended December 31,	
	2021	2020
Current		
Federal	$ 1,084,761	$ (271,266)
State	560,538	895,562
	1,645,299	624,296
Deferred		
Federal	5,439,209	2,048,033
State	1,256,658	(376,881)
	6,695,867	1,671,152
Income tax provision per consolidated statements of operations	$ 8,341,166	$ 2,295,448

11 - INCOME TAXES (Continued)

Components of deferred tax assets and liabilities are as follows:

	December 31, 2021		December 31, 2020	
	Components	Tax Effect	Components	Tax Effect
Deferred tax assets				
Bad debt expense	$ 132,315	$ 38,480	$ 278,685	$ 80,541
Depreciation - state	15,870,068	1,623,509	15,889,735	1,588,973
Impairment loss	1,308,732	380,602	2,142,649	619,226
Unrealized loss on interest rate swap	411,062	119,544	1,029,377	297,490
Prepaid rent	1,094,151	318,197	1,644,268	475,193
	18,816,328	2,480,332	20,984,714	3,061,423
Deferred tax liabilities				
Amortization	1,846,229	536,914	1,846,229	533,560
Depreciation - federal and tangible property regulation (263a)	14,301,220	3,980,103	14,437,224	3,933,518
Deferred gain on disposal of rental property	33,371,588	9,705,025	26,174,368	7,564,392
Straight line rent adjustment	8,130,443	2,364,471	9,298,410	2,687,240
Other	5,164,432	1,501,904	3,829,886	1,106,840
Unrealized gain on marketable securities	74,370,087	16,361,419	56,861,411	12,509,510
	137,183,999	34,449,836	112,447,528	28,335,060
Net deferred tax liability	$ 118,367,671	$31,969,504	$ 91,462,814	$25,273,637

The above components of deferred tax assets and liabilities also include GAAP to tax differences from investment 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 fees and other revenues earned from related parties for the years ended December 31, 2021 and 2020 were $7,237,155 and $6,979,993, respectively.

As of December 31, 2021 and 2020, the amount due from related parties for management fees, leasing commissions, supervisory fees and other charges was $4,006,002 and $1,905,533, 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 $1,385,019 and $1,935,238 at December 31, 2021 and 2020, respectively, are included in receivables from employees on the 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 $5,800 per year. The Company's matching contributions for the years ended December 31, 2021 and 2020 were $83,858 and $70,198, respectively.

14 - COMMITMENTS AND CONTINGENCIES

Guarantees and Indemnification

In April 2020, Herald obtained a mortgage payable of up to $49,844,000, with a mortgage balance outstanding at September 30, 2021 in the amount of $32,424,549 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 Deferred Equity and Completion guarantees, an Environmental Indemnity Agreement and an Interest, Carry and Rebalancing Guaranty (the "Guaranty"). Among other requirements, the Guaranty will terminate upon the completion of construction work and achievement of an occupancy rate of 88% of net rentable square footage. In January 2022, the construction was completed. Management believes that there is no liability under the Guaranty at December 31, 2021 and 2020. The mortgage payable matures in April 2023, requires monthly interest only payments at the rate of 4.5% and contains two 12-month extension options, subject to Merchants meeting certain conditions.

14 - COMMITMENTS AND CONTINGENCIES (Continued)

Guarantees and Indemnification (continued)

In addition, the Company has signed limited suretyship and guarantee agreements with the mortgagees of three investees at December 31, 2021 and two investees at December 31, 2020, which own rental real properties with mortgages outstanding of approximately $18,944,000 and $19,118,000 at December 31, 2021 and 2020, 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, 2021 and 2020.

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, 2021 and 2020, rent expense, including real estate tax and operating expense escalations, was $240,673 and $239,504, respectively.

Minimum rental expense under this lease as of December 31, 2021 is as follows:

Year Ending December 31,	
2022	$ 204,746
2023	204,746
2024	217,273
2025	218,099
2026	218,099
Thereafter	449,683
	$ 1,512,646

Employment Agreement

In August 2017, the Company granted its Chief Executive Officer (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 three 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, 2021 and 2020, $750,000 was vested and is included in accounts payable and accrued expenses. In January 2022, this vested and accrued amount was paid to the CEO.

In April 2020, the Company amended and restated the original 2017 employee agreement with the CEO ending August 2024, with an automatic extension of one year, pursuant to which the Company agreed 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 also became eligible for an annual performance bonus award providing a target bonus opportunity of 75% of the current base salary. The Company also 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 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, 2021, $275,000 was accrued and included in accounts payable and accrued expenses.

14 - COMMITMENTS AND CONTINGENCIES (Continued)

Employment Agreement (continued)

In addition, when the Company enters into new investments, as defined in the CEO's 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, 2021 and 2020, the loan balance, including accrued interest, was $1,238,381 and $1,681,193, respectively. These amounts are included in receivables from employees on the accompanying consolidated balance sheets.

For the year ended December 31, 2021, the CEO's total compensation was $1,473,187, which consisted of $646,787 for base salary, a $561,400 bonus and a $275,000 New LT Cash Incentive. 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.

In April 2021, the Company entered into a restricted stock agreement pursuant to which the CEO was granted 100 shares of common stock of the Company (the "Shares"). In December 2021, the CEO was granted an additional 100 shares of common stock of the Company. The Shares will become fully vested on August 10, 2024, provided the CEO remains employed by the Company at that date. Unless and until this agreement is rescinded, the CEO shall have all voting rights and receive all dividends paid with respect to the Shares.

The Company follows the provisions of ASC Topic 718, "Compensation - Stock Compensation", which covers a wide range of share-based compensation arrangements and provides guidance for recognition of compensation cost related to these types of transactions. Compensation will be measured based on the fair value of the equity instrument when they are earned. The fair value of the Company's stock awards will be determined based on Level 2 inputs.

Capital Calls and Investment Funding

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

14 - COMMITMENTS AND CONTINGENCIES (Continued)

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 continues to cause significant volatility in the 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 2022, Arlington Joint Venture, one of the Investees referred to in Note 5, sold its interest in the property located in Arlington, TX for $3.5 million. The Company's share of the gain on the sale and the share of sales proceeds are approximately $800,000 and $1.3 million, respectively.

In February 2022, Orange Syndicate, another Investee referred to in Note 5, together with MNP 2121 Wisconsin Ave LLC, a newly formed limited liability company, acquired a new property at 2121 Wisconsin Avenue, NW in Washington, DC for $27.7 million. The acquisition was financed with a $16.6 million mortgage and cash.

As part of this acquisition, Orange Syndicate acquired an 82% tenancy-in-common ("TIC") interest 2121 Wisconsin Avenue NW, Washington, DC property as part of an IRC Section 1031-Exchange with the proceeds from the sale of its South Beach, Miami property in August 2021. As part of the transaction, the Company increased its equity interest in the Wisconsin Avenue property to 69.96% by purchasing some of the then existing Orange Syndicate members' interests and acquiring a 52.25% interest in the remaining 18% TIC interest in the Wisconsin Avenue property.