

Globalstar, Inc.
Form 10-Q
August 06, 2010

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

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2010

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 001-33117

GLOBALSTAR, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

41-2116508
(I.R.S. Employer Identification No.)

461 South Milpitas Blvd.
Milpitas, California 95035
(Address of principal executive offices and zip code)

(408) 933-4000
Registrant's telephone number, including area code

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

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

Edgar Filing: Globalstar, Inc. - Form 10-Q

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

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

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐

Smaller reporting company ☒

(Do not check if a smaller reporting company)

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

As of July 30, 2010, 286,185,885 shares of voting common stock and 19,275,750 shares of nonvoting common stock were outstanding. Unless the context otherwise requires, references to common stock in this Report mean Registrant's voting common stock.

TABLE OF CONTENTS

	Page
PART I - Financial Information	3
Item 1. Financial Statements	3
Consolidated Statements of Operations for the three and six months ended June 30, 2010 and 2009 (unaudited)	3
Consolidated Balance Sheets as of June 30, 2010 and December 31, 2009 (unaudited)	4
Consolidated Statements of Cash Flows for the six months ended June 30, 2010 and 2009 (unaudited)	5
Notes to Unaudited Interim Consolidated Financial Statements	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	26
Item 3. Quantitative and Qualitative Disclosures about Market Risk	39
Item 4. Controls and Procedures	40
PART II - Other Information	40
Item 1. Legal Proceedings	40
Item 1A. Risk Factors	40
Item 6. Exhibits	41
Signatures	42

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

GLOBALSTAR, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,	June 30,	June 30,	June 30,
	2010	2009	2010	2009
		As Adjusted –		As Adjusted –
		Note 1		Note 1
Revenue:				
Service revenue	\$ 12,908	\$ 12,562	\$ 25,362	\$ 23,693
Subscriber equipment sales	4,714	3,154	7,831	7,186
Total revenue	17,622	15,716	33,193	30,879
Operating expenses:				
Cost of services (exclusive of depreciation and amortization shown separately below)	6,974	7,961	14,592	18,369
Cost of subscriber equipment sales:				
Cost of subscriber equipment sales	3,477	2,832	5,989	5,827
Cost of subscriber equipment sales — Impairment of assets	60	648	60	648
Total cost of subscriber equipment sales	3,537	3,480	6,049	6,475
Marketing, general, and administrative	10,122	11,408	18,334	25,385
Depreciation and amortization	5,973	5,468	11,863	10,892
Total operating expenses	26,606	28,317	50,838	61,121
Operating loss	(8,984)	(12,601)	(17,645)	(30,242)
Other income (expense):				
Interest income	157	56	339	184
Interest expense	(1,182)	(3,141)	(2,592)	(3,381)
Derivative loss, net	(8,073)	(797)	(33,035)	(797)
Other	(1,132)	2,529	(1,859)	(1,446)
Total other income (expense)	(10,230)	(1,353)	(37,147)	(5,440)
Loss before income taxes	(19,214)	(13,954)	(54,792)	(35,682)
Income tax expense (benefit)	35	(192)	99	(162)
Net loss	\$ (19,249)	\$ (13,762)	\$ (54,891)	\$ (35,520)
Loss per common share:				
Basic	\$ (0.07)	\$ (0.12)	\$ (0.20)	\$ (0.31)
Diluted	(0.07)	(0.12)	(0.20)	(0.31)
Weighted-average shares outstanding:				
Basic	282,080	116,580	278,752	113,959
Diluted	282,080	116,580	278,752	113,959

See accompanying notes to unaudited interim consolidated financial statements.

GLOBALSTAR, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except par value and share data)
(Unaudited)

	June 30, 2010	December 31, 2009 As Adjusted – Note 1
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 87,188	\$ 67,881
Accounts receivable, net of allowance of \$5,263 (2010) and \$5,735 (2009)	10,773	9,392
Inventory	59,366	61,719
Advances for inventory	9,332	9,332
Prepaid expenses and other current assets	4,396	5,404
Total current assets	171,055	153,728
Property and equipment, net	1,029,725	964,921
Other assets:		
Restricted cash	38,409	40,473
Deferred financing costs	68,419	69,647
Other assets, net	32,640	37,871
Total assets	\$ 1,340,248	\$ 1,266,640
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 8,420	\$ 76,661
Accrued expenses	26,529	30,520
Payables to affiliates	696	541
Deferred revenue	17,261	19,911
Current portion of long term debt	—	2,259
Total current liabilities	52,906	129,892
Long term debt	620,787	463,551
Employee benefit obligations	4,483	4,499
Derivative liabilities	66,618	49,755
Other non-current liabilities	27,787	23,151
Total non-current liabilities	719,675	540,956
Stockholders' equity:		
Preferred Stock, \$0.0001 par value; 100,000,000 shares authorized and none issued and outstanding:		
Series A Preferred Convertible Stock, \$0.0001 par value: one share authorized and none issued and outstanding	—	—
Voting Common Stock, \$0.0001 par value; 865,000,000 shares authorized at June 30, 2010 and December 31, 2009, 285,483,000 shares issued and outstanding at June 30, 2010; 274,384,000 shares issued and outstanding at December 31, 2009	29	27
	2	2

Edgar Filing: Globalstar, Inc. - Form 10-Q

Nonvoting Common Stock, \$0.0001 par value; 135,000,000 shares authorized at June 30, 2010 and December 31, 2009, 19,276,000 shares issued and outstanding at June 30, 2010; 16,750,000 shares issued and outstanding at December 31, 2009

Additional paid-in capital	727,146	700,814
Accumulated other comprehensive loss	(1,286)	(1,718)
Retained deficit	(158,224)	(103,333)
Total stockholders' equity	567,667	595,792
Total liabilities and stockholders' equity	\$ 1,340,248	\$ 1,266,640

See accompanying notes to unaudited interim consolidated financial statements.

GLOBALSTAR, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

Six Months Ended
June 30, 2010 June 30, 2009

Cash flows from operating activities:

Net loss	\$ (54,891)	\$ (35,520)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation and amortization	11,863	10,892
Change in fair value of derivative instruments and derivative liabilities	33,035	797
Stock-based compensation expense (benefit)	(810)	5,432
Loss on disposal of fixed assets	4	53
Provision for bad debts	(276)	334
Interest income on restricted cash	—	(115)
Contribution of services	84	253
Cost of subscriber equipment sales - impairment of assets	60	648
Amortization of deferred financing costs	1,649	2,563
Loss on debt to equity conversion	—	305
Loss in equity method investee	723	321
Changes in operating assets and liabilities, net of acquisition:		
Accounts receivable	(1,489)	1,983
Inventory	2,731	2,295
Prepaid expenses and other current assets	35	559
Other assets	(714)	608
Accounts payable	(358)	5,790
Payables to affiliates	155	617
Accrued expenses and employee benefit obligations	390	14,481
Other non-current liabilities	817	(1,686)
Deferred revenue	760	2,458
Net cash from operating activities	(6,232)	13,068
Cash flows from investing activities:		
Spare and second-generation satellites and launch costs	(117,322)	(78,444)
Second-generation ground	(11,294)	(11)
Property and equipment additions	(3,117)	(1,367)
Investment in businesses	(1,108)	(144)
Restricted cash	2,064	31,436
Net cash from investing activities	(130,777)	(48,530)
Cash flows from financing activities:		
Borrowings from revolving credit loan	—	7,750
Borrowings from \$55M Senior Convertible Notes	—	55,000
Borrowings under subordinated loan agreement	—	5,000
Borrowings under short term loan	—	2,260
Proceeds from equity contributions	—	1,000
Proceeds from exercise of warrants	4,385	—
Borrowings from facility agreement	151,024	—

Deferred financing cost payments	—	(21,166)
Payments for the interest rate cap instrument	—	(12,425)
Net cash from financing activities	155,409	37,419
Effect of exchange rate changes on cash	907	1,723
Net increase in cash and cash equivalents	19,307	3,680
Cash and cash equivalents, beginning of period	67,881	12,357
Cash and cash equivalents, end of period	\$ 87,188	\$ 16,037
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	\$ 8,769	\$ 6,228
Income taxes	\$ 85	\$ 45
Supplemental disclosure of non-cash financing and investing activities:		
Conversion of debt to Series A Convertible Preferred Stock	\$ —	\$ 180,177
Accrued launch costs and second-generation satellites costs	\$ 1,213	\$ 21,900
Capitalization of accrued interest for spare and second-generation satellites and launch costs	\$ 14,245	\$ 12,032
Vendor financing of second-generation satellites	\$ —	\$ 11,977
Subordinated loan	\$ —	\$ 10,000
Conversion of debt to Common Stock	\$ 4,239	\$ 7,500
Amortization and accrual of deferred financing costs	\$ 8,088	\$ 42,522

See accompanying notes to unaudited interim consolidated financial statements.

GLOBALSTAR, INC.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. The Company and Summary of Significant Accounting Policies

Nature of Operations

Globalstar, Inc. (“Globalstar” or the “Company”) was formed as a Delaware limited liability company in November 2003, and was converted into a Delaware corporation on March 17, 2006.

Globalstar is a leading provider of mobile voice and data communications services via satellite. Globalstar’s network, originally owned by Globalstar, L.P. (“Old Globalstar”), was designed, built and launched in the late 1990s by a technology partnership led by Loral Space and Communications (“Loral”) and QUALCOMM Incorporated (“QUALCOMM”). On February 15, 2002, Old Globalstar and three of its subsidiaries filed voluntary petitions under Chapter 11 of the United States Bankruptcy Code. In 2004, Thermo Capital Partners L.L.C., together with its affiliates (“Thermo”), became Globalstar’s principal owner, and Globalstar completed the acquisition of the business and assets of Old Globalstar. Thermo remains Globalstar’s largest stockholder. Globalstar’s Chairman controls Thermo and its affiliates. Two other members of Globalstar’s Board of Directors are also directors, officers or minority equity owners of various Thermo entities.

Globalstar offers satellite services to commercial and recreational users in more than 120 countries around the world. The Company’s voice and data products include mobile and fixed satellite telephones, Simplex and duplex satellite data modems and flexible service packages. Many land based and maritime industries benefit from Globalstar with increased productivity from remote areas beyond cellular and landline service. Globalstar’s customers include those in the following industries: oil and gas, government, mining, forestry, commercial fishing, utilities, military, transportation, heavy construction, emergency preparedness, and business continuity, as well as individual recreational users.

Basis of Presentation

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) for interim financial information. These unaudited interim consolidated financial statements include the accounts of Globalstar and its majority owned or otherwise controlled subsidiaries. All significant intercompany transactions and balances have been eliminated in the consolidation. In the opinion of management, such information includes all adjustments, consisting of normal recurring adjustments, that are necessary for a fair presentation of the Company’s consolidated financial position, results of operations, and cash flows for the periods presented. The results of operations for the three and six months ended June 30, 2010 are not necessarily indicative of the results that may be expected for the full year or any future period.

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company evaluates its estimates on an ongoing basis, including those related to revenue recognition, allowance for doubtful accounts, inventory valuation, deferred tax assets, property and equipment, derivatives, warranty obligations, contingencies and litigation. Actual results could differ from these estimates.

These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes included in the Company's Form 10-K for the year ended December 31, 2009, as amended by Form 8-K filed June 17, 2010. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted. Certain reclassifications have been made to prior year consolidated financial statements to conform to current year presentation.

Globalstar operates in one segment, providing voice and data communication services via satellite.

Issued Accounting Pronouncements Recently Adopted

Accounting for Own-Share Lending Arrangements in Contemplation of Convertible Debt Issuance

Effective January 1, 2010, the Company adopted the Financial Accounting Standards Board's ("FASB's") updated guidance on accounting for share loan facilities. This guidance requires that share-lending arrangements be measured at fair value at the date of issuance and recognized as debt issuance cost with an offset to paid-in-capital. The issuance cost is required to be amortized as interest expense over the life of the financing arrangement. Per Company policy, this amortized debt issuance cost was capitalized as construction in process related to our second generation satellite constellation and, therefore, included in property and equipment, net on the Company's Consolidated Balance Sheets. The standard also requires additional disclosures including a description of the terms of the arrangement and the reason for entering into the arrangement. As described more fully in Note 13, Globalstar was obligated to lend up to 36.1 million shares of its common stock in conjunction with its 2008 \$150.0 million convertible debt issuance that is subject to the provisions of this updated guidance.

The Company has retrospectively revised the Consolidated Statement of Operations for the three and six months ended June 30, 2009 and the Consolidated Balance Sheet as of December 31, 2009 to reflect the adoption of this updated guidance. In addition, the Company revised Notes 2, 4, and 13 to reflect the retrospective adoption.

The following table illustrates the impact of this adoption on the Company's Consolidated Balance Sheet as of December 31, 2009 and the Consolidated Statement of Operations for the three and six months ended June 30, 2009:

	As of December 31, 2009		
	As Originally Reported	Effect of Change (In thousands)	As Revised
Property and equipment, net	\$ 961,768	\$ 3,153	\$ 964,921
Deferred financing costs	\$ 64,156	\$ 5,491	\$ 69,647
Additional paid-in capital	\$ 684,539	\$ 16,275	\$ 700,814
Retained deficit	\$ (95,702)	\$ (7,631)	\$ (103,333)

	Three Months Ended June 30, 2009		
	As Originally Reported	Effect of Change (In thousands)	As Revised
Weighted average shares outstanding – basic	133,880	(17,300)	116,580
Weighted average shares outstanding – diluted	133,880	(17,300)	116,580
Basic loss per share	\$ (0.10)	\$ (0.02)	\$ (0.12)
Diluted loss per share	\$ (0.10)	\$ (0.02)	\$ (0.12)

	Six Months Ended June 30, 2009		
	As Originally Reported	Effect of Change (In thousands)	As Revised
Weighted average shares outstanding – basic	131,259	(17,300)	113,959
Weighted average shares outstanding – diluted	131,259	(17,300)	113,959
Basic loss per share	\$ (0.27)	\$ (0.04)	\$ (0.31)
Diluted loss per share	\$ (0.27)	\$ (0.04)	\$ (0.31)

Subsequent Events

Effective April 1, 2009, the Company adopted the FASB's updated guidance related to subsequent events, which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The updated guidance initially required the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date — that is, whether that date represents the date the financial statements were issued or were available to be issued. However, in February 2010, the FASB amended the guidance to remove the requirement to disclose the date through which subsequent events were evaluated. Adoption of the updated guidance did not have a material impact on the Company's consolidated results of operations or financial condition.

Fair Value Measurements and Disclosures

Effective January 1, 2010, the Company adopted the FASB's updated guidance related to fair value measurements and disclosures, which requires a reporting entity to disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and to describe the reasons for the transfers. In addition, in the reconciliation for fair value measurements using significant unobservable inputs, or Level 3, a reporting entity should disclose separately information about purchases, sales, issuances and settlements (that is, on a gross basis rather than one net number). The updated guidance also requires that an entity should provide fair value measurement disclosures for each class of assets and liabilities and disclosures about the valuation techniques and inputs used to measure fair value for both recurring and non-recurring fair value measurements for Level 2 and Level 3 fair value measurements. The guidance is effective for interim or annual financial reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward activity in Level 3 fair value measurements, which are effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. Therefore, the Company has not yet adopted the guidance with respect to the roll forward activity in Level 3 fair value measurements. Adoption of the updated guidance did not have an impact on the Company's consolidated results of operations or financial condition.

Issued Accounting Pronouncements Not Yet Adopted

In October 2009, the FASB issued new guidance for the accounting for certain revenue arrangements that include software elements. These new standards amend the scope of pre-existing software revenue guidance by removing from the guidance non-software components of tangible products and certain software components of tangible products. These new standards are effective for Globalstar beginning in the first quarter of fiscal year 2011, however early adoption is permitted. The Company does not expect these new standards to materially impact its Consolidated Financial Statements.

In October 2009, the FASB issued updated guidance which eliminates the use of the residual method and incorporates the use of an estimated selling price to allocate arrangement consideration. In addition, the revenue recognition guidance amends the scope to exclude tangible products that contain software and non-software components that function together to deliver the product's essential functionality. The amendments to the accounting standards related to revenue recognition are effective for fiscal years beginning after June 15, 2010. Upon adoption, the Company may apply the guidance retrospectively or prospectively for new or materially modified arrangements. The Company is currently evaluating the financial impact that this accounting standard will have on its Consolidated Financial Statements.

2. Basic and Diluted Loss Per Share

The Company is required to present basic and diluted earnings per share. Basic earnings per share is computed based on the weighted-average number of common shares outstanding during the period. Common stock equivalents are included in the calculation of diluted earnings per share only when the effect of their inclusion would be dilutive.

The following table sets forth the computations of basic and diluted loss per share (in thousands, except per share data):

Three Months Ended June 30, 2010			Six Months Ended June 30, 2010		
Weighted Average Shares			Weighted Average Shares		
Income (Numerator)	Outstanding (Denominator)	Per-Share Amount	Income (Numerator)	Outstanding (Denominator)	Per-Share Amount

Basic and Dilutive loss per common share							
Net loss	\$	(19,249)	282,080	\$	(0.07)	\$	(0.20)

Three Months Ended June 30, 2009 (As Adjusted – Note 1) Six Months Ended June 30, 2009 (As Adjusted – Note 1)

	Three Months Ended June 30, 2009 (As Adjusted – Note 1)			Six Months Ended June 30, 2009 (As Adjusted – Note 1)		
	Income (Numerator)	Weighted Average Shares Outstanding (Denominator)	Per-Share Amount	Income (Numerator)	Weighted Average Shares Outstanding (Denominator)	Per-Share Amount
Basic and Dilutive loss per common share						
Net loss	\$ (13,762)	116,580	\$ (0.12)	\$ (35,520)	113,959	\$ (0.31)

For the three and six month periods ended June 30, 2010 and 2009, diluted net loss per share of Common Stock is the same as basic net loss per share of Common Stock, because the effects of potentially dilutive securities are anti-dilutive. See Note 13 for information on potentially dilutive shares.

At June 30, 2010 and 2009, 17.3 million Borrowed Shares related to the Company's Share Lending Agreement (See Note 13) remained outstanding. The Company does not consider the Borrowed Shares outstanding for the purposes of computing and reporting its earnings per share.

3. Acquisition

On December 18, 2009, Globalstar entered into an agreement with Axonn L.L.C. ("Axonn") pursuant to which one of the Company's wholly-owned subsidiaries acquired certain assets and assumed certain liabilities of Axonn in exchange for payment at closing of \$1.5 million in cash, subject to a working capital adjustment, and \$5.5 million in shares of the Company's voting common stock. Of these amounts, \$500,000 in cash was held in an escrow account to cover expenses related to the voluntary replacement of first production models of the Company's second-generation SPOT satellite GPS messenger devices. Additionally, 2,750,000 shares of stock are held in escrow for any pre-acquisition contingencies not disclosed during the transaction. Globalstar is also obligated to pay up to an additional \$10.8 million for earnout payments based on sales of existing and new products over a five-year earnout period. As of December 31, 2009, the Company's best estimate of the total earnout was 100% or \$10.8 million; consequently, the Company accrued the fair value of that expected earnout or approximately \$6.0 million. This estimate has not changed and nothing has been paid as of June 30, 2010. Earnout payments will be made principally in stock (not to exceed 10% of the Company's pre-transaction outstanding common stock), but may be paid in cash after 13 million shares have been issued at Globalstar's option. Prior to the acquisition, Axonn was the principal supplier of the SPOT satellite GPS messenger products.

In connection with the transaction described above, the Company issued 6,298,058 shares of voting common stock to Axonn and certain of its lenders under Section 4(2) of the Securities Act of 1933 as a transaction not involving a public offering. The recipients may not sell any of these shares until the first anniversary of the closing.

The following table summarizes the Company's initial allocation of the purchase price to the assets acquired and liabilities assumed in the acquisition (in thousands):

	December 18, 2009
Accounts receivable	\$ 1,176
Inventory	2,897
Property and equipment	931
Intangible assets and goodwill	10,303
Total assets acquired	\$ 15,307
Accounts payable and other accrued liabilities	2,311
Total liabilities assumed	\$ 2,311
Net assets acquired	\$ 12,996

The Company is accounting for the acquisition using the purchase method of accounting. The Company allocated the total estimated purchase prices to net tangible assets and identifiable intangible assets based on their fair values as of the date of the acquisition, recording the excess of the purchase price over those fair values as goodwill. The Company estimates that a portion of the final purchase price will be allocated to goodwill because of the synergies within the marketing organizations and the manufacturing expertise of Axonn. This allocation is preliminary due to being unable to complete the valuation of the earnout and certain assets prior to this Report's filing date. This allocation will be finalized within one year from the acquisition date.

The Company has included the results of operations of Axonn in its consolidated financial statements from the date of acquisition. The results of Axonn prior to the acquisition are not material.

4. Property and Equipment

Property and equipment consist of the following (in thousands):

	June 30, 2010	December 31, 2009 As Adjusted – Note 1
Globalstar System:		
Space component	\$ 132,982	\$ 132,982
Ground component	30,991	31,623
Construction in progress:		
Second-generation satellites, ground and related launch costs	924,315	852,466
Other	3,016	1,223
Furniture and office equipment	22,035	20,316
Land and buildings	4,214	4,308
Leasehold improvements	830	823
	1,118,383	1,043,741
Accumulated depreciation	(88,658)	(78,820)
	\$ 1,029,725	\$ 964,921

Property and equipment consists of an in-orbit satellite constellation (including eight spare satellites launched in 2007), ground equipment, second-generation satellites under construction and related launch costs, second-generation ground component and support equipment located in various countries around the world.

In June 2009, Globalstar and Thales Alenia Space entered into an amended and restated contract for the construction of second-generation low-earth orbit satellites to incorporate prior amendments and acceleration requests and to make other non-material changes to the contract entered into in November 2006. The total contract price, including subsequent additions, is approximately €678.9 million. Upon closing of the Facility Agreement (See Note 13 “Borrowings”), amounts in the escrow account became unrestricted and were reclassified to cash and cash equivalents.

In March 2007, the Company and Thales Alenia Space entered into an agreement for the construction of the Satellite Operations Control Centers, Telemetry Command Units and In Orbit Test Equipment (collectively, the Control Network Facility) for the Company’s second-generation satellite constellation. The total contract price for the construction and associated services is €9.8 million, consisting primarily of €4.1 million for the Satellite Operations Control Centers, €3.6 million for the Telemetry Command Units and €2.1 million for the In Orbit Test Equipment, with payments to be made on a quarterly basis through completion of the Control Network Facility. The completion of the facility is now scheduled to occur during the third quarter of 2010.

In September 2007, the Company and Arianespace (the Launch Provider) entered into an agreement for the launch of the Company’s second-generation satellites and certain pre and post-launch services. Pursuant to the agreement, the Launch Provider agreed to make four launches of six satellites each, and the Company had the option to require the Launch Provider to make four additional launches of six satellites each. The total contract price for the first four launches is approximately \$216.1 million. In July 2008, the Company amended its agreement with the Launch Provider for the launch of the Company’s second-generation satellites and certain pre and post-launch services. Under the amended terms, the Company could defer payment on up to 75% of certain amounts due to the Launch Provider. The deferred payments incurred annual interest at 8.5% to 12% and became payable one month from the corresponding launch date. As of June 30, 2010 and December 31, 2009, the Company had no deferred payments outstanding to the Launch Provider. In June 2009, the Company and the Launch Provider again amended their agreement reducing the number of optional launches from four to one and modifying the agreement in certain other respects including terminating the deferred payment provisions. Notwithstanding the one optional launch, the

Company is free to contract separately with the Launch Provider or another provider of launch services after the Launch Provider's firm launch commitments are fulfilled.

In May 2008, the Company and Hughes Network Systems, LLC (Hughes) entered into an agreement under which Hughes will design, supply and implement (a) the Radio Access Network (RAN) ground network equipment and software upgrades for installation at a number of the Company's satellite gateway ground stations and (b) satellite interface chips to be a part of the User Terminal Subsystem (UTS) in various next-generation Globalstar devices. In January 2010, the Company issued an authorization to proceed on \$2.7 million of new features which will result in a revised total contract purchase price of approximately \$103.5 million, payable in various increments over a period of 57 months. The Company has the option to purchase additional RANs and other software and hardware improvements at pre-negotiated prices. In August 2009, the Company and Hughes amended their agreement extending the performance schedule by 15 months and revising certain payment milestones. Capitalization of costs has begun based upon reaching technological feasibility of the project. As of June 30, 2010, the Company had made payments of \$42.6 million under this contract and expensed \$5.5 million of these payments, capitalized \$32.1 million under second-generation satellites, ground and related launch costs and \$5.0 million is classified as a prepayment in other assets, net.

In October 2008, the Company signed an agreement with Ericsson Federal Inc., a leading global provider of technology and services to telecom operators. In December 2009, the Company amended this contract to increase its obligations by \$5.1 million for additional deliverables and features. According to the \$27.8 million contract, Ericsson will work with the Company to develop, implement and maintain a ground interface, or core network, system that will be installed at the Company's satellite gateway ground stations.

As of June 30, 2010 and December 31, 2009, capitalized interest recorded was \$97.2 million and \$75.1 million, respectively. Interest capitalized during the three months ended June 30, 2010 and 2009 was \$11.9 million and \$6.8 million, respectively. Interest capitalized during the six months ended June 30, 2010 and 2009 was \$23.1 million and \$13.5 million, respectively.

Depreciation and amortization expense for the three months ended June 30, 2010 and 2009 was \$6.0 million and \$5.5 million, respectively. Depreciation and amortization expense for the six months ended June 30, 2010 and 2009 was \$11.9 million and \$10.9 million, respectively.

5. Payables to Affiliates

Payables to affiliates relate to normal purchase transactions, excluding interest, and were \$0.7 million and \$0.5 million at June 30, 2010 and December 31, 2009, respectively.

Thermo incurs certain general and administrative expenses on behalf of the Company, which are charged to the Company. For the three months ended June 30, 2010 and 2009, total expenses were approximately \$30,000 and \$44,000, respectively. For the six months ended June 30, 2010 and 2009, total expenses were approximately \$81,000 and \$87,000, respectively. For the three and six months ended June 30, 2010, the Company also recorded \$42,000 and \$84,000, respectively, of non-cash expenses related to services provided by an executive officer of Thermo (who is also a Director of the Company) who received no cash compensation from the Company, which was accounted for as a contribution to capital. For the six months ended June 30, 2009, the Company also recorded \$253,000 of non-cash expenses related to services provided by two executive officers of Thermo (who are also Directors of the Company) who receive no cash compensation from the Company, which were accounted for as a contribution to capital. The Thermo expense charges are based on actual amounts incurred or upon allocated employee time. Management believes the allocations are reasonable.

6. Other Related Party Transactions

Since 2005, Globalstar has issued separate purchase orders for additional phone equipment and accessories under the terms of previously executed commercial agreements with Qualcomm. Within the terms of the commercial agreements, the Company paid Qualcomm approximately 7.5% to 25% of the total order as advances for inventory. As of June 30, 2010 and December 31, 2009, total advances to Qualcomm for inventory were \$9.2 million. As of June 30, 2010 and December 31, 2009, the Company had outstanding commitment balances of approximately \$48.9 million and \$49.4 million, respectively. On February 12, 2010, the Company amended its agreement with Qualcomm to extend the term and defer delivery of mobile phones and related equipment until June 2011 through February 2013.

On August 16, 2006, the Company entered into an amended and restated credit agreement with Wachovia Investment Holdings, LLC, as administrative agent and swingline lender, and Wachovia Bank, National Association, as issuing lender, which was subsequently amended on September 29 and October 26, 2006. On December 17, 2007, Thermo was assigned all the rights (except indemnification rights) and assumed all the obligations of the administrative agent and the lenders under the amended and restated credit agreement, and the credit agreement was again amended and restated. In connection with fulfilling the conditions precedent to funding under the Company's Facility Agreement, in June 2009, Thermo converted the loans outstanding under the credit agreement into equity and terminated the credit agreement. In addition, Thermo and its affiliates deposited \$60.0 million in a contingent equity account to fulfill a condition precedent for borrowing under the Facility Agreement, purchased \$11.4 million of the Company's 8% Notes, provided a \$2.3 million short-term loan to the Company (which was subsequently converted to nonvoting common stock), and loaned \$25.0 million to the Company to fund its debt service reserve account (See Note 13 "Borrowings").

During the three months ended June 30, 2010 and 2009, the Company purchased approximately \$0.6 million and \$0.7 million, respectively, of services and equipment from a company whose non-executive chairman serves as a member of the Company's board of directors. Corresponding purchases made during the six month periods ended June 30, 2010 and 2009 were approximately \$1.3 million and \$2.2 million, respectively.

7. Income Taxes

On January 1, 2009, the Company adopted FASB ASC 470-20, which was effective retrospectively. Prior to this adoption, the Company had recorded the net tax effect of the conversions and exchanges of the Company's 5.75% Notes (See Note 13) during the fourth quarter of 2008 against additional-paid-in-capital and reduced its deferred tax assets at December 31, 2008. This adoption resulted in the Company recording a gain from the exchanges and conversions of the Notes and reversing the charge taken to additional-paid-in-capital and deferred tax assets.

For the period ending December 31, 2009, the net deferred tax assets were \$0. For the period ended June 30, 2010, the deferred tax assets continue to be fully reserved.

The Internal Revenue Service ("IRS") previously notified the Company that the Company (formerly known as Globalstar LLC), one of its subsidiaries, and its predecessor, Globalstar L.P., were under audit for the taxable years ending December 31, 2005, December 31, 2004, and June 29, 2004, respectively. During the taxable years at issue, the Company, its predecessor, and its subsidiary were treated as partnerships for U.S. income tax purposes. In December 2009, the IRS issued Notices of Final Partnership Administrative Adjustments related to each of the taxable years at issue. The Company disagrees with the proposed adjustments and is pursuing the matter through applicable IRS and judicial procedures as appropriate.

During April 2010, the Company received notification from the IRS that the Company's 2007 and 2008 returns were selected for examination. The field work for this audit has commenced. The Company is not aware of any taxes that it may be required to pay as a result of the examination.

Except for the IRS audits noted above, neither the Company nor any of its subsidiaries is currently under audit by the IRS or by any state jurisdiction in the United States. But, the Company's corporate U.S. tax return for 2006 and subsequent years and its U.S. partnership tax returns filed for years prior to 2006 remain open and subject to examination by tax authorities. State income tax returns are generally subject to examination for a period of three to five years after filing of the respective return.

In the Company's international tax jurisdictions, numerous tax years remain subject to examination by tax authorities, including tax returns for 2001 and subsequent years.

Except for the matters noted above, the Company is not aware of any audits or other pending tax matters.

8. Comprehensive Loss

Comprehensive loss includes all changes in equity during a period from non-owner sources. The change in accumulated other comprehensive income for all periods presented resulted from foreign currency translation adjustments.

The components of comprehensive loss were as follows (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Net loss	\$ (19,249)	\$ (13,762)	\$ (54,891)	\$ (35,520)
Other comprehensive income (loss):				
Foreign currency translation adjustments	(635)	LY: times new roman">		
Interest Rate Products	\$ (184,000)	Interest expense	Other expense	\$ -
Derivatives Not Designated as Hedging Instruments Under SFAS 133		Location of Gain/(Loss) in Income on Derivative	Amount of Gain/(Loss) in Income on Derivative	
Interest Rate Products		Interest expense		\$46,000

One Liberty Properties, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
(Continued)

Note 12 – Assets and Liabilities Measured at Fair Value (Continued)

The Company did not have any derivative instruments during the three months ended March 31, 2008.

The Company has agreements with each of its derivative counterparties that contain a provision that provides that if the Company either defaults or is capable of being declared in default on any of its indebtedness, then the Company could also be declared in default on its derivative obligations.

As of March 31, 2009, the fair value of derivatives in a liability position related to these agreements was \$788,000. As of March 31, 2009, the Company has not posted any collateral related to these agreements. If the Company breached any of these provisions it would be required to settle its obligations under the agreements at their termination value of \$894,000.

Note 13 - New Accounting Pronouncements

In December 2007, the FASB issued Statement No. 141 (R), “Business Combinations - a replacement of FASB Statement No. 141” (“SFAS No. 141 (R)”), which applies to all transactions or events in which an entity obtains control of one or more businesses. SFAS No. 141 (R) (i) establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed, (ii) requires expensing of most transaction costs, and (iii) requires the acquirer to disclose to investors and other users of the information needed to evaluate and understand the nature and financial effect of the business combination. The principal impact of the adoption of SFAS No. 141 (R) on the Company’s consolidated financial statements will be the requirement that the Company expense most of its transaction costs relating to its acquisition activities. The Company adopted SFAS No. 141 (R) on January 1, 2009 and has determined that it has no effect on its consolidated financial statements.

In December 2007, the FASB issued Statement No. 160, “Non-controlling Interests in Consolidated Financial Statements an amendment of ARB No 51” (“SFAS No. 160”). SFAS No. 160 requires non-controlling interests in consolidated subsidiaries to be displayed in the statement of financial position as a separate component of equity. Earnings and losses attributable to non-controlling interests are no longer reported as part of consolidated earnings, rather they are disclosed on the face of the income statement. The Company adopted SFAS No. 160 on January 1, 2009 and due to the current 100% ownership of the Company’s consolidated subsidiaries, SFAS No. 160 has no impact on the Company’s consolidated financial statements.

In June 2008, the FASB issued FSP No. EITF 03-6-1, “Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities,” (“FSP EITF 03-6-1”). FSP EITF 03-6-1 states that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share. The Company adopted FSP EITF 03-6-1 on January 1, 2009 and the adoption had no impact on the Company as the unvested restricted stock awards were previously included in the per share amounts for both basic and diluted earnings per share.

Item 2. Management's Discussion And Analysis Of Financial Condition And Results Of Operations

Forward-Looking Statements

With the exception of historical information, this quarterly report on Form 10-Q contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Act of 1934, as amended. We intend such forward-looking statements to be covered by the safe harbor provision for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and include this statement for purposes of complying with these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words "may," "will," "could," "believe," "expect," "intend," "anticipate," "estimate," "project," or similar expressions or variations thereof. Forward-looking statements should not be relied on since they involve known and unknown risks, uncertainties and other factors which are, in some cases, beyond our control and which could materially affect actual results, performance or achievements. Investors are cautioned not to place undue reliance on any forward-looking statements.

Overview

We are a self-administered and self-managed real estate investment trust, or REIT, and we primarily own real estate that we net lease to tenants. As of March 31, 2009 we own 78 properties, including a 50% tenancy in common interest in one property and participate in five joint ventures which own a total of five properties. These 83 properties are located in 29 states.

We have elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended. To qualify as a REIT, we must meet a number of organizational and operational requirements, including a requirement that we distribute currently at least 90% of ordinary taxable income to our stockholders. We intend to comply with these requirements and to maintain our REIT status.

Our growth strategy relies, to a large extent, on the acquisition of additional properties that are subject to long-term net leases and that have locations, demographics and other investment attributes that we believe to be attractive. In order to fund these acquisitions, we typically use funds borrowed under our credit facility and then seek mortgage indebtedness for the purchased properties on a non-recourse basis, repaying any funds borrowed under the credit facility. Institutions have significantly curtailed their lending activities and it has been challenging to secure mortgage indebtedness. In addition, we are monitoring our cash needs, our liquidity and the status of our portfolio to preserve cash. As a result of this and until the economy stabilizes, we have adopted a conservative property acquisition strategy.

Results of Operations

Comparison of Three Months Ended March 31, 2009 and 2008

Revenues

Rental income increased by \$1 million, or 10.6%, to \$10.7 million for the three months ended March 31, 2009 from \$9.7 million for the three months ended March 31, 2008. The increase in rental income is primarily due to rental revenues of \$1.2 million earned on twelve properties acquired by us during 2008. The increase in rental income was offset primarily by a decrease of \$260,000 in rental income from Circuit City, which formerly leased five of our properties. Circuit City, which filed for protection under the federal bankruptcy laws in November 2008, rejected two of its leases on our properties in December 2008 and three of its leases on our properties in March 2009.

Operating Expenses

Depreciation and amortization expense increased by \$319,000, or 15.7%, to \$2.4 million for the three months ended March 31, 2009. The increase was primarily due to depreciation and amortization of \$238,000 taken on eleven properties acquired during 2008. The increase was also due to a \$59,000 increase in depreciation in the three months ended March 31, 2009 on a property which had been classified as “held for sale” with no depreciation taken during the three months ended March 31, 2008.

General and administrative expenses increased by \$53,000, or 3.3%, to \$1.6 million for the three months ended March 31, 2009, substantially due to an increase in accounting and legal fees in connection with our year end audit and filings with the Securities and Exchange Commission.

Real estate expenses increased by \$225,000, or 375%, to \$285,000 for the three months ended March 31, 2009, resulting primarily from real estate taxes and utilities for the five properties formerly leased by Circuit City and another vacant property.

Other Income and Expenses

We recognized a net gain of \$297,000 on the sale by a joint venture of a vacant property in the three months ended March 31, 2008. There was no comparable gain in the three months ended March 31, 2009.

Interest and other income decreased by \$181,000, or 86.6%, to \$28,000 for the three months ended March 31, 2009. Since we applied available cash to the purchase of nine properties in September 2008, we had less cash available for investment in short-term cash equivalents. To a lesser extent, the decrease results from declining interest rates over the past several quarters.

Interest expense increased by \$178,000, or 4.9%, to \$3.8 million for the three months ended March 31, 2009. The increase results primarily from an increase of \$180,000 of interest expense related to our line of credit as we drew down funds for the purchase of eight properties in September 2008. Additionally, the increase was due to interest expense on fixed rate mortgages placed on three properties between September 2008 and November 2008. These increases were offset in part from the payoff in full of a loan payable, as well as from the monthly principal amortization of mortgages.

Amortization of deferred financing costs increased by \$123,000 or 77.8%, to \$281,000 for the three months ended March 31, 2009 resulting primarily from \$118,000 of accelerated amortization of deferred financing costs relating to a mortgage loan that was refinanced during the current quarter.

Discontinued Operations

Income from discontinued operations was \$472,000 for the three months ended March 31, 2009 resulting substantially from a \$400,000 lease termination payment by a retail tenant of a Texas property that had been paying its rent on a current basis, but had vacated the property in 2006. On March 5, 2009, we sold this property to an unrelated party and recorded an impairment charge of \$229,000 to recognize the loss. This is in addition to an impairment charge of \$752,000 taken during the quarter ended June 30, 2008. For the three months ended March 31, 2008, income from operations of this property amounted to \$43,000.

Liquidity and Capital Resources

We require capital to fund our operations. Our capital sources include income from operating activities, borrowings under our revolving credit facility and mortgage loans secured by our properties. Our available liquidity at March 31, 2009 includes approximately \$15.9 million of cash and cash equivalents and \$35.5 million under our revolving credit facility, which can be used to pay off existing mortgages, to fund the acquisition of additional properties or to invest in joint ventures. With the tightening of liquidity by lending institutions, it has been difficult to secure mortgage indebtedness and as a result, our ability to make new property acquisitions or increase liquidity will continue to be limited until mortgage loans become more readily available.

We expect to meet our short-term liquidity requirements generally through our cash and cash equivalents and cash provided by operating activities. The most significant source available to us for a new property acquisition is our revolving credit facility. All of our requests for draw downs under our credit facility have been satisfied to date. However, in view of the current uncertainties in the economy and our limited ability to secure mortgage indebtedness, we have adopted a conservative acquisition strategy and will likely make few, if any, acquisitions in the near term.

We expect to meet our long term liquidity requirements through existing cash resources, proceeds from debt, including under a credit facility, and mortgage financings on our properties (including refinances), and if required, the liquidation of properties. We believe that the value of our real estate portfolio is, and will continue to be, sufficient to allow us to refinance the existing mortgage debt at maturity and repay all indebtedness we owe under our credit facility. In addition, in order to increase our cash position, we have reduced our quarterly dividend by 38.8% and in connection with our most recent quarterly dividend paid in April 2009, took advantage of a recently adopted IRS revenue ruling which allows us to satisfy our REIT dividend requirement by paying our quarterly dividend in cash and shares of our common stock, providing the cash portion of the dividend is at least 10% of the aggregate amount.

Our current credit facility matures on March 31, 2010. The growth of our business through acquisitions is dependent on securing an extension of our credit facility or securing a new credit facility. Any decision by our lenders (or potential lenders) to provide us with financing will depend upon a number of factors, such as the continuation of the current economic recession, our compliance with the terms of our existing credit facility, our financial performance, industry and market trends, the general availability of and rates applicable to financing transactions, such lenders' resources and policies concerning the terms under which they make capital commitments and the relative attractiveness of alternative investment or lending opportunities. Given the current environment, we expect that the terms of a new facility will be less favorable than our existing facility.

At March 31, 2009, excluding mortgages payable of our unconsolidated joint ventures, we had 40 outstanding mortgages payable covering 61 properties, aggregating approximately \$226.5 million in principal amount, all of which are secured by first liens on individual real estate investments with an aggregate carrying value of approximately \$359 million, before accumulated depreciation. The mortgages bear interest at fixed rates ranging from 5.44% to 8.8%, and mature between 2009 and 2037. During the period April 1, 2009 through December 31, 2009, \$3.2 million of our mortgage debt will mature. We believe we will be able to refinance the mortgage indebtedness which becomes due in 2009 but in the event that we are unable to do so, our present and anticipated cash position is sufficient to repay this mortgage debt.

We have not made any payments since December 1, 2008 on an \$8.7 million non-recourse mortgage secured by our five properties formerly leased to Circuit City and received a letter of default on March 16, 2009. We are currently in discussions with representatives of the mortgagee.

Credit Facility

We are a party to a credit agreement, as amended, with VNB New York Corp., Bank Leumi, USA, Manufacturers and Traders Trust Company and Israel Discount Bank of New York which provides for a \$62.5 million revolving credit facility. The credit facility is available to us to pay off existing mortgages, to fund the acquisition of additional properties or to invest in joint ventures. The facility matures on March 31, 2010. Borrowings under the facility bear interest at the lower of LIBOR plus 2.15% or the bank's prime rate and there is an unused facility fee of ¼% per annum. Net proceeds received from the sale or refinancing of properties are required to be used to repay amounts outstanding under the facility if proceeds from the facility were used to purchase or refinance the property. The facility is guaranteed by our subsidiaries that own unencumbered properties and is secured by the outstanding stock of subsidiary entities. In September 2008, we borrowed \$34 million under our line of credit to facilitate the purchase of eight properties, of which \$7 million was repaid in November 2008 with a portion of the proceeds from a mortgage financing of one of our properties. As of March 31, 2009, there was \$27 million outstanding under the facility.

At March 31, 2009, we had no outstanding contingent commitments, such as guarantees of indebtedness, or any other contractual cash obligations, other than mortgage payable debt, interest rate swaps and the amount outstanding under our line of credit.

Distribution Policy

We have elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended. To qualify as a REIT, we must meet a number of organizational and operational requirements, including a requirement that we distribute currently at least 90% of our ordinary taxable income to our stockholders. It is our current intention to comply with these requirements and maintain our REIT status. As a REIT, we generally will not be subject to corporate federal, state or local income taxes on taxable income we distribute currently (in accordance with the Internal Revenue Code and applicable regulations) to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal, state and local income taxes at regular corporate rates and may not be able to qualify as a REIT for four subsequent tax years. Even if we qualify as a REIT for federal taxation purposes, we may be subject to certain state and local taxes on our income and to federal income and/or excise taxes on our undistributed taxable income (i.e., taxable income not distributed in the amounts and in the time frames prescribed by the Internal Revenue Code and applicable regulations thereunder).

With respect to the quarterly dividend we have historically paid in April, we took advantage of a recently adopted IRS revenue ruling which allows us to satisfy the distribution requirement by paying the dividend in cash and our common stock, provided the cash component represents at least 10% of the aggregate distribution. Accordingly, the dividend paid on April 27, 2009, aggregating \$2,229,000, consisted of \$223,000 in cash and 529,000 shares of our common stock.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our primary market risk exposure is the effect of changes in interest rates on the interest cost of draws on our revolving variable rate credit facility and the effect of changes in the fair value of our interest rate swap agreements. Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control.

As of March 31, 2009, we had two interest rate swap agreements outstanding which have an aggregate notional value of \$20.6 million. The fair market value of the interest rate swap is dependent upon existing market interest rates and swap spreads, which change over time. As of March 31, 2009, if there had been a 50 basis point increase in forward interest rates, the fair market value of the interest rate swaps would have increased by approximately \$451,000. If there were a 50 basis point decrease in forward interest rates, the fair market value of the interest rate swap would have decreased by approximately \$463,000.

We utilize interest rate swaps to limit interest rate risk. Derivatives are used for hedging purposes rather than speculation. We do not enter into financial instruments for trading purposes.

In connection with our long-term mortgage debt, which bears interest at fixed rates or is subject to an interest rate swap, and accordingly, the effect of changes in interest rates would not impact the amount of interest expense that we incur under these mortgages. Our credit facility is a revolving variable rate facility which is sensitive to interest rates. Under current market conditions, we do not believe that our risk of material potential losses in future earnings, fair values and/or cash flows from near-term changes in market rates that we consider reasonably possible is material.

We assessed the market risk for our revolving variable rate credit facility and believe that a 1% increase in interest rates would cause a decrease in annual net income of \$270,000 and a 1% decrease would cause an increase in annual net income of \$270,000 based on the \$27 million outstanding on our credit facility at March 31, 2009.

Item 4. Controls and Procedures

As required under Rules 13a-15 (e) and 15d-15 (e) under the Securities Exchange Act of 1934, as amended, we carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of March 31, 2009 are effective.

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) during the three months ended March 31, 2009 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On November 6, 2008, we announced that our board of directors authorized a program for us to repurchase up to 500,000 shares of our common stock in the open market from time to time, which may continue for up to twelve months. Set forth below is a table which provides the purchases we made in the three months ended March 31, 2009:

Issuer Purchases of Equity Securities

Period	Total Number of Shares (or Units) Purchased)	Average Price Paid per Share (or Unit)	Maximum Number (or Approximate Dollar Value) of Shares (or Units) Purchased Under the Plans or Programs	
			Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	that May Yet Be Purchased Under the Plans or Programs
January 1, 2009- January 31, 2009	-	-	-	467,836 shares
February 1, 2009- February 28, 2009	-	-	-	467,836 shares
March 1, 2009- March 31, 2009	44,133 shares	\$ 3.24	44,133 shares	423,703 shares

Item 6.

Exhibits

- Exhibit 31.1 Certification of President and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (Filed with this Form 10-Q.)
- Exhibit 31.2 Certification of Senior Vice President and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (Filed with this Form 10-Q.)
- Exhibit 32.1 Certification of President and Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (Filed with this Form 10-Q.)
- Exhibit 32.2 Certification of Senior Vice President and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (Filed with this Form 10-Q.)

ONE LIBERTY PROPERTIES, INC.
SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

One Liberty Properties, Inc.
(Registrant)

May 7, 2009	/s/ Patrick J. Callan, Jr.
Date	Patrick J. Callan, Jr. President and Chief Executive Officer (principal executive officer)

May 7, 2009	/s/ David W. Kalish
Date	David W. Kalish Senior Vice President and Chief Financial Officer (principal financial officer)