

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 September 30, 2020

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: 001-38903

POSTAL REALTY TRUST, INC.
(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of
incorporation or organization)

83-2586114

(I.R.S. Employer
Identification No.)

75 Columbia Avenue
Cedarhurst, NY 11516

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (516) 295-7820

Former name, former address and former fiscal year, if changed since last report: Not applicable.

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Class A Common Stock, par value \$0.01 per share	PSTL	New York Stock Exchange

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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 November 11, 2020, the registrant had 9,449,352 shares of Class A common stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

POSTAL REALTY TRUST, INC. CONSOLIDATED BALANCE SHEETS

	September 30, 2020 (Unaudited)	December 31, 2019
Assets		
Investments:		
Real estate properties, at cost:		
Land	\$ 38,603,504	\$ 25,147,732
Building and improvements	144,763,204	92,873,637
Tenant improvements	3,227,454	2,562,293
Total real estate properties, at cost	186,594,162	120,583,662
Less: Accumulated depreciation	(11,875,852)	(8,813,579)
Total real estate properties, net	174,718,310	111,770,083
Investment in financing lease, net	516,164	—
Total investments	175,234,474	111,770,083
Cash	7,786,677	12,475,537
Rent and other receivables	2,728,818	1,710,314
Prepaid expenses and other assets, net	3,669,503	2,752,862
Escrow and reserves	694,910	708,066
Deferred rent receivable	145,690	33,344
In-place lease intangibles, net	9,349,264	7,315,867
Above market leases, net	54,667	22,124
Total Assets	\$ 199,664,003	\$ 136,788,197
Liabilities and Equity		
Liabilities:		
Secured borrowings, net	\$ 16,599,366	\$ 3,211,004
Revolving credit facility	49,000,000	54,000,000
Accounts payable, accrued expenses and other	4,537,644	3,152,799
Below market leases, net	8,379,874	6,601,119
Total Liabilities	78,516,884	66,964,922
Commitments and Contingencies		
Equity:		
Class A common stock, par value \$0.01 per share; 500,000,000 shares authorized, 9,449,352 and 5,285,904 shares issued and outstanding as of September 30, 2020 and December 31, 2019, respectively	94,494	52,859
Class B common stock, par value \$0.01 per share; 27,206 shares authorized: 27,206 shares issued and outstanding as of September 30, 2020 and December 31, 2019	272	272
Additional paid-in capital	101,303,229	51,396,226
Accumulated deficit	(8,246,422)	(2,575,754)
Total Stockholders' Equity	93,151,573	48,873,603
Operating Partnership unitholders' non-controlling interests	27,995,546	20,949,672
Total Equity	121,147,119	69,823,275
Total Liabilities and Equity	\$ 199,664,003	\$ 136,788,197

The accompanying notes are an integral part of these unaudited consolidated financial statements.

POSTAL REALTY TRUST, INC.
CONSOLIDATED AND COMBINED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenues:				
Rental income	\$ 5,270,143	\$ 2,387,082	\$ 14,211,317	\$ 5,735,896
Tenant reimbursements	743,622	342,419	1,997,716	852,504
Fee and other income	282,703	278,846	890,008	842,097
Total revenues	6,296,468	3,008,347	17,099,041	7,430,497
Operating expenses:				
Real estate taxes	797,996	353,663	2,136,805	880,117
Property operating expenses	460,033	332,892	1,261,515	821,839
General and administrative	2,027,284	1,601,727	6,245,732	2,970,101
Depreciation and amortization	2,394,332	1,066,338	6,590,982	2,314,553
Total operating expenses	5,679,645	3,354,620	16,235,034	6,986,610
Income (loss) from operations	616,823	(346,273)	864,007	443,887
Interest expense, net:				
Contractual interest expense	(484,272)	(48,916)	(1,757,413)	(635,423)
Write-off and amortization of deferred financing fees	(123,650)	(4,523)	(343,511)	(9,558)
Loss on early extinguishment of predecessor debt	—	—	—	(185,586)
Interest income	668	1,136	2,155	3,394
Total interest expense, net	(607,254)	(52,303)	(2,098,769)	(827,173)
Income (loss) before income tax expense	9,569	(398,576)	(1,234,762)	(383,286)
Income tax (expense) benefit	(29,754)	6,259	(44,876)	(39,749)
Net loss	(20,185)	(392,317)	(1,279,638)	(423,035)
Net income attributable to non-controlling interest in properties	—	—	—	(4,336)
Net income attributable to Predecessor	—	—	—	(463,414)
Net (income) loss attributable to Operating Partnership unitholders' non-controlling interests	5,001	84,348	436,149	191,020
Net loss attributable to common stockholders	\$ (15,184)	\$ (307,969)	\$ (843,489)	\$ (699,765)
Net loss per share:				
Basic and Diluted	\$ (0.01)	\$ (0.06)	\$ (0.18)	\$ (0.14)
Weighted average common shares outstanding:				
Basic and Diluted	8,425,708	5,164,264	6,276,145	5,164,264

The accompanying notes are an integral part of these unaudited consolidated and combined consolidated financial statements.

POSTAL REALTY TRUST, INC.
CONSOLIDATED AND COMBINED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(DEFICIT)
(UNAUDITED)

	Number of shares of Common Stock	Common Stock	Additional Paid-in Capital	Accumulated Equity (Deficit)	Member's Equity (Deficit)	Total Stockholders' & Predecessor equity	Operating Partnership unitholders' non- controlling interests	Non- controlling interests in properties	Total Equity
Balance -									
December 31, 2018		\$ 4,000,200	\$ 3,441,493	\$ (11,003,876)	\$ (2,095,823)	\$ (5,658,006)	\$ -	\$ 44,593	\$ (5,613,413)
Capital contributions	-	-	397,121	-	1,377,758	1,774,879	-	-	1,774,879
Distributions and dividends	-	-	(150,000)	-	(1,067,515)	(1,217,515)	-	(521)	(1,218,036)
Net income (loss)	-	-	-	(173,554)	427,787	254,233	-	2,843	257,076
Balance - March 31, 2019		<u>\$ 4,000,200</u>	<u>\$ 3,688,614</u>	<u>\$ (11,177,430)</u>	<u>\$ (1,357,793)</u>	<u>\$ (4,846,409)</u>	<u>\$ -</u>	<u>\$ 46,915</u>	<u>\$ (4,799,494)</u>
Capital contributions	-	-	-	-	293,373	293,373	-	-	293,373
Distributions and dividends	-	-	(549,191)	-	(310,174)	(859,365)	-	(5,667)	(865,032)
Net income (loss)	-	-	-	3,210	205,971	209,181	-	1,493	210,674
Balance - May 16, 2019		<u>\$ 4,000,200</u>	<u>\$ 3,139,423</u>	<u>\$ (11,174,220)</u>	<u>\$ (1,168,623)</u>	<u>\$ (5,203,220)</u>	<u>\$ -</u>	<u>\$ 42,741</u>	<u>\$ (5,160,479)</u>
Net proceeds from sale of Common Stock	4,500,000	45,000	64,665,261	-	-	64,710,261	-	-	64,710,261
Formation transactions	664,264	(3,993,557)	(31,798,499)	11,174,220	1,168,623	(23,449,213)	22,662,907	(42,741)	(829,047)
Issuance and amortization of equity-based compensation	148,529	1,485	126,755	-	-	128,240	62,103	-	190,343
Dividends declared	-	-	-	(334,706)	-	(334,706)	(91,213)	-	(425,919)
Net income (loss)	-	-	-	(391,796)	-	(391,796)	(106,672)	-	(498,468)
Reallocation of non- controlling interest	-	-	10,117,974	-	-	10,117,974	(10,117,974)	-	-
Balance - June 30, 2019	<u>5,312,793</u>	<u>\$ 53,128</u>	<u>\$ 46,250,914</u>	<u>\$ (726,502)</u>	<u>\$ -</u>	<u>\$ 45,577,540</u>	<u>\$ 12,409,152</u>	<u>\$ -</u>	<u>\$ 57,986,692</u>
Issuance and amortization of equity-based compensation	317	3	262,181	-	-	262,184	132,346	-	394,530
Net income (loss)	-	-	-	(307,969)	-	(307,969)	(84,348)	-	(392,317)
Reallocation of non- controlling interest	-	-	(10,465)	-	-	(10,465)	10,465	-	-
Balance - September 30, 2019	<u>5,313,110</u>	<u>\$ 53,131</u>	<u>\$ 46,502,630</u>	<u>\$ (1,034,471)</u>	<u>\$ -</u>	<u>\$ 45,521,290</u>	<u>\$ 12,467,615</u>	<u>\$ -</u>	<u>\$ 57,988,905</u>
Balance -									
December 31, 2019	5,313,110	\$ 53,131	\$ 51,396,226	\$ (2,575,754)	\$ -	\$ 48,873,603	\$ 20,949,672	\$ -	\$ 69,823,275
Issuance of OP Units in connection with transaction	-	-	-	-	-	-	7,921,828	-	7,921,828
Issuance and amortization of equity-based compensation	103,463	1,035	519,215	-	-	520,250	185,015	-	705,265
Issuance and amortization under the Employee Stock Purchase Plan ("ESPP")	3,538	35	53,160	-	-	53,195	-	-	53,195
Dividends declared (\$0.17 per share)	-	-	-	(923,348)	-	(923,348)	(478,385)	-	(1,401,733)
Net loss	-	-	-	(677,755)	-	(677,755)	(352,071)	-	(1,029,826)

Reallocation of non-controlling interest	-	-	2,218,990	-	-	2,218,990	(2,218,990)	-	-
Balance – March 31, 2020	<u>5,420,111</u>	<u>\$ 54,201</u>	<u>\$ 54,187,591</u>	<u>\$ (4,176,857)</u>	<u>\$ -</u>	<u>\$ 50,064,935</u>	<u>\$ 26,007,069</u>	<u>\$ -</u>	<u>\$ 76,072,004</u>
Issuance and amortization of equity-based compensation	42,297	423	351,248	-	-	351,671	181,352	-	533,023
Amortization under ESPP	-	-	1,557	-	-	1,557	-	-	1,557
Restricted stock withholding	(11,342)	(113)	(182,402)	-	-	(182,515)	-	-	(182,515)
Dividends declared (\$0.20 per share)	-	-	-	(1,088,706)	-	(1,088,706)	(565,547)	-	(1,654,253)
Net loss	-	-	-	(150,550)	-	(150,550)	(79,077)	-	(229,627)
Reallocation of non-controlling interest	-	-	(6,049)	-	-	(6,049)	6,049	-	-
Balance – June 30, 2020	<u>5,451,066</u>	<u>\$ 54,511</u>	<u>\$ 54,351,945</u>	<u>\$ (5,416,113)</u>	<u>\$ -</u>	<u>\$ 48,990,343</u>	<u>\$ 25,549,846</u>	<u>\$ -</u>	<u>\$ 74,540,189</u>
Net proceeds from sale of common stock	4,021,840	40,218	49,368,086	(867,644)	-	48,540,660	-	-	48,540,660
Amortization of equity-based compensation	-	-	367,315	-	-	367,315	190,791	-	558,106
Issuance and amortization under ESPP	3,651	37	61,088	-	-	61,125	-	-	61,125
Dividends declared (\$0.205 per share)	-	-	-	(1,947,481)	-	(1,947,481)	(585,295)	-	(2,532,776)
Net loss	-	-	-	(15,184)	-	(15,184)	(5,001)	-	(20,185)
Reallocation of non-controlling interest	-	-	(2,845,205)	-	-	(2,845,205)	2,845,205	-	-
Balance – September 30, 2020	<u>9,476,557</u>	<u>\$ 94,766</u>	<u>\$ 101,303,229</u>	<u>\$ (8,246,422)</u>	<u>\$ -</u>	<u>\$ 93,151,573</u>	<u>\$ 27,995,546</u>	<u>\$ -</u>	<u>\$ 121,147,119</u>

The accompanying notes are an integral part of these unaudited consolidated and combined consolidated financial statements.

POSTAL REALTY TRUST, INC.
CONSOLIDATED AND COMBINED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the Nine Months Ended September 30,	
	2020	2019
Cash flows from operating activities:		
Net loss	\$ (1,279,638)	\$ (423,035)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	3,151,376	1,074,793
Amortization of in-place intangibles	3,439,606	1,239,760
Write-off and amortization of deferred financing costs	343,511	9,558
Amortization of above/below market leases	(932,250)	(326,776)
Amortization of intangible liability	(6,686)	-
Equity based compensation	1,818,291	584,873
Loss on extinguishment debt	-	185,586
Deferred rent receivable	(112,346)	(17,627)
Deferred rent expense payable	13,305	(41,374)
Deferred tax liability	-	(65,895)
Changes in assets and liabilities:		
Rent and other receivables	(1,018,504)	(802,618)
Prepaid expenses and other assets	(284,602)	(260,038)
Due to affiliates	-	8,569
Accounts payable, accrued expenses and other	821,287	935,122
Net cash provided by operating activities	5,953,350	2,100,898
Cash flows from investing activities:		
Acquisition of real estate	(60,144,554)	(38,925,771)
Investment in financing lease, net	(516,164)	-
Escrows for acquisition and construction deposits	(330,951)	(410,000)
Capital improvements	(549,019)	(105,116)
Other investing activities	(22,300)	-
Net cash used in investing activities	(61,562,988)	(39,440,887)
Cash flows from financing activities:		
Proceeds from secured borrowings	13,674,311	445,000
Repayments of secured borrowings	(81,645)	(32,191,238)
Proceeds from revolving credit facility	43,500,000	17,000,000
Repayments of revolving credit facility	(48,500,000)	-
Proceeds from other financing activity	557,000	-
Repayments from other financing activity	(347,290)	-
Net proceeds from issuance of shares	48,567,985	66,624,167
Other formation transactions	-	(2,007,417)
Debt issuance costs	(767,990)	(1,371,931)
Proceeds from issuance of ESPP shares	93,867	-
Shares withheld for payment of taxes on restricted share vesting	(182,402)	-
Contributions from partners and members	-	2,068,252
Distributions and dividends	(5,588,761)	(2,508,962)
Other financing activities	(17,453)	-
Net cash provided by financing activities	50,907,622	48,057,871
Net (decrease) increase in Cash and Escrows and Reserves	(4,702,016)	10,717,882
Cash and Escrows and Reserves at the beginning of period	13,183,603	861,875
Cash and Escrow and Reserves at the end of period	\$ 8,481,587	\$ 11,579,757

The accompanying notes are an integral part of these unaudited consolidated and combined consolidated financial statements.

POSTAL REALTY TRUST, INC.
NOTES TO CONSOLIDATED AND COMBINED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 1. Organization and Description of Business

Postal Realty Trust, Inc. (the “Company” “we”, “us”, or “our”) was organized in the state of Maryland on November 19, 2018. On May 17, 2019, the Company completed its initial public offering (“IPO”) of the Company’s Class A common stock, par value \$0.01 per share (our “Class A common stock”). The Company contributed the net proceeds from the IPO to Postal Realty LP, a Delaware limited partnership (the “Operating Partnership”), in exchange for common units of limited partnership interest in the Operating Partnership (each, an “OP Unit,” and collectively, the “OP Units”). Both the Company and the Operating Partnership commenced operations upon completion of the IPO and certain related formation transactions (the “Formation Transactions”). Prior to the completion of the IPO and the Formation Transactions, the Company had no operations.

The Company’s interest in the Operating Partnership entitles the Company to share in distributions from, and allocations of profits and losses of, the Operating Partnership in proportion to the Company’s percentage ownership of OP Units. As the sole general partner of the Operating Partnership, the Company has the exclusive power under the partnership agreement to manage and conduct the Operating Partnership’s business, subject to limited approval and voting rights of the limited partners. As of September 30, 2020, the Company held an approximately 76.9% interest in the Operating Partnership. As the sole general partner and the majority interest holder, the Company consolidates the financial position and results of operations of the Operating Partnership. The Operating Partnership is considered a variable interest entity (“VIE”) in which we are the primary beneficiary.

Our Predecessor (the “Predecessor”) is a combination of limited liability companies (the “LLCs”), one C-Corporation (“UPH”), one S-Corporation (“NPM”) and one limited partnership. The entities that comprise the Predecessor were majority owned and controlled by Mr. Andrew Spodek and his affiliates and were acquired by contribution to, or merger with, the Company and the Operating Partnership.

The Predecessor does not represent a legal entity. The Predecessor and its related assets and liabilities were under common control and were contributed to the Operating Partnership in connection with the Company’s IPO.

For the periods prior to May 17, 2019, the Predecessor, through the LLCs, UPH and the limited partnership, owned 190 post office properties in 33 states.

NPM was formed on November 17, 2004, for the purpose of managing commercial real estate properties.

As of September 30, 2020, the Company owned a portfolio of 691 postal properties located in 47 states. Our properties were leased to a single tenant, the United States Postal Service (the “USPS”).

In addition, through its taxable REIT subsidiary (“TRS”), Postal Realty Management TRS, LLC (“PRM”), the Company provides fee-based third party property management services for an additional 400 postal properties, which are owned by Mr. Spodek and his affiliates, his family members and their partners.

The Company, until May 15, 2019, was authorized to issue up to 600,000,000 shares of common stock, par value \$0.01 per share. On May 15, 2019, in connection with the IPO, the Company amended its articles of incorporation such that the Company is currently authorized to issue up to 500,000,000 shares of Class A common stock, 27,206 shares of Class B common stock, \$0.01 par value per share (our “Class B common stock” or “Voting Equivalency stock”), and up to 100,000,000 shares of preferred stock.

POSTAL REALTY TRUST, INC.
NOTES TO CONSOLIDATED AND COMBINED CONSOLIDATED FINANCIAL STATEMENTS
UNAUDITED (CONTINUED)

The Company believes it has been organized in conformity with, and has operated in a manner that has enabled it to meet, the requirements or qualification as a real estate investment trust (“REIT”) under the Code, and the Company elected to be taxed as a REIT under the Code beginning with its short taxable year ended December 31, 2019. As a REIT, the Company generally will not be subject to federal income tax to the extent that it distributes its REIT taxable income for each tax year to its stockholders. REITs are subject to a number of organizational and operational requirements.

Pursuant to the Jumpstart Our Business Startups Act (the “JOBS Act”), the Company qualifies as an emerging growth company (“EGC”). An EGC may choose, as we have done, to take advantage of the extended private company transition period provided for complying with new or revised accounting standards that may be issued by the Financial Accounting Standards Board (“FASB”) or the Securities and Exchange Commission (the “SEC”).

Note 2. The Company’s IPO and Formation Transactions

Both the Company and the Operating Partnership commenced operations upon completion of the IPO and the Formation Transactions on May 17, 2019. The Company’s operations are carried out primarily through the Operating Partnership and the wholly owned subsidiaries of the Operating Partnership.

On May 17, 2019, the Company completed its IPO, pursuant to which it sold 4,500,000 shares of its Class A common stock at a public offering price of \$17.00 per share. The Company raised \$76.5 million in gross proceeds, resulting in net proceeds of approximately \$71.1 million after deducting approximately \$5.4 million in underwriting discounts and before giving effect to \$6.4 million in other expenses relating to the IPO. The Company’s Class A common stock began trading on the New York Stock Exchange under the symbol “PSTL” on May 15, 2019.

In connection with the IPO and Formation Transactions, the Company, through its Operating Partnership, used a portion of the net proceeds to repay approximately \$31.7 million of outstanding indebtedness related to the Predecessor.

Pursuant to the Formation Transactions, the Company, directly or through the Operating Partnership, acquired the entities that comprise the Predecessor. The initial properties and other interests were contributed in exchange for 1,333,112 OP Units, 637,058 shares of Class A common stock, 27,206 shares of Voting Equivalency stock and \$1.9 million of cash. In addition, the Operating Partnership purchased 81 post office properties (the “Acquisition Properties”) in exchange for \$26.9 million in cash, including approximately \$1.0 million paid to Mr. Spodek, the Company’s chief executive officer and a director for his non-controlling ownership in nine of the Acquisition Properties.

The Company’s results of operations for the three and nine months ended September 30, 2019 reflect the results of operations of the Predecessor together with the Company, while the financial condition as of December 31, 2019 and September 30, 2020 reflects solely the Company. References in these notes to consolidated financial statements to “Postal Realty Trust, Inc.” signify the Company for the period after the completion of the IPO and the Formation Transactions and the Predecessor for all prior periods.

The following is a summary of the Predecessor Statement of Operations for the period from January 1, 2019 through May 16, 2019, and the Company’s Statement of Operations for the period from May 17, 2019 through September 30, 2019. These amounts are included in the Consolidated and Combined Consolidated Statement of Operations herein for the nine months ended September 30, 2019.

POSTAL REALTY TRUST, INC.
NOTES TO CONSOLIDATED AND COMBINED CONSOLIDATED FINANCIAL STATEMENTS
UNAUDITED (CONTINUED)

	Predecessor	Postal Realty Trust, Inc.
	January 1, 2019 through May 16, 2019	May 17, 2019 through September 30, 2019
Revenues:		
Rental income	\$ 2,249,355	\$ 3,486,541
Tenant reimbursements	348,075	504,429
Fee and other income	427,959	414,138
Total revenues	3,025,389	4,405,108
Operating Expenses:		
Real estate taxes	358,693	521,424
Property operating expenses	357,779	464,060
General and administrative	501,204	2,468,897
Depreciation and amortization	725,756	1,588,797
Total operating expenses	1,943,432	5,043,178
Income (loss) from operations	1,081,957	(638,070)
Interest expense, net:		
Contractual interest expense	(570,819)	(64,604)
Amortization of deferred financing costs	(4,773)	(4,785)
Loss on early extinguishment of Predecessor debt	-	(185,586)
Interest income	1,134	2,260
Total interest expense, net	(574,458)	(252,715)
Income (loss) before income tax expense	507,499	(890,785)
Income tax expense	(39,749)	-
Net income (loss)	467,750	(890,785)
Less:		
Net income attributable to noncontrolling interest in properties	(4,336)	-
Net income attributable to Predecessor	\$ 463,414	-
Net loss attributable to Operating Partnership unitholders' noncontrolling interests		191,020
Net loss attributable to common stockholders		\$ (699,765)

POSTAL REALTY TRUST, INC.
NOTES TO CONSOLIDATED AND COMBINED CONSOLIDATED FINANCIAL STATEMENTS
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Note 3. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited Consolidated and Combined Consolidated Financial Statements include the financial position and results of operations of the Company and its Predecessor, the Operating Partnership and its wholly owned subsidiaries. The Company did not have any operations from the date of formation to May 17, 2019. The Predecessor represents a combination of certain entities holding interests in real estate that were commonly controlled prior to the Formation Transactions. Due to their common control, the financial statements of the separate Predecessor entities which owned the properties and the management company are presented on a combined consolidated basis. The effects of all significant intercompany balances and transactions have been eliminated.

The Company consolidates the Operating Partnership, a VIE in which the Company is considered the primary beneficiary. The primary beneficiary is the entity that has (i) the power to direct the activities that most significantly impact the entity's economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could be significant to the VIE.

A non-controlling interest is defined as the portion of the equity in an entity not attributable, directly or indirectly, to the Company. Non-controlling interests are required to be presented as a separate component of equity in the Consolidated Balance Sheets. Accordingly, the presentation of net income (loss) reflects the income attributed to controlling and non-controlling interests.

The accompanying consolidated and combined consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements.

This interim financial information should be read in conjunction with the consolidated and combined consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019. Management believes that all adjustments of a normal, recurring nature considered necessary for a fair presentation have been included. This interim financial information does not necessarily represent or indicate what the operating results will be for the year ending December 31, 2020. All material intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Although management believes its estimates are reasonable, actual results could differ from those estimates.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period's presentation.

POSTAL REALTY TRUST, INC.
NOTES TO CONSOLIDATED AND COMBINED CONSOLIDATED FINANCIAL STATEMENTS
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Cash and Escrows and Reserves

Cash includes unrestricted cash with a maturity of three months or less. Escrows and reserves consist of restricted cash. The following table provides a reconciliation of cash and escrows and reserves reported within the Company's Consolidated Balance Sheets and Consolidated and Combined Consolidated Statements of Cash Flows:

	As of	
	September 30, 2020	December 31, 2019
Cash	\$ 7,786,677	\$ 12,475,537
Escrows and reserves:		
Maintenance reserve	665,494	663,339
ESPP reserve	29,416	44,727
Cash and escrows and reserves	<u>\$ 8,481,587</u>	<u>\$ 13,183,603</u>

Revenue Recognition

The Company has operating lease agreements with tenants, some of which contain provisions for future rental increases. Rental income is recognized on a straight-line basis over the term of the lease. In addition, certain lease agreements provide for reimbursements from tenants for real estate taxes and other recoverable costs, which are recorded on an accrual basis as "Tenant reimbursement revenue" on the Company's Consolidated and Combined Consolidated Statement of Operations.

Fee and other income primarily consist of property management fees. These fees arise from contractual agreements with entities that are affiliated with the Company's CEO. Management fee income is recognized as earned under the respective agreements.

The Company carries liability insurance to mitigate its exposure to certain losses, including those relating to property damage and business interruption. The Company records the estimated amount of expected insurance proceeds for property damage and other losses incurred as an asset (typically a receivable from the insurer) and income up to the amount of the losses incurred when receipt of insurance proceeds is deemed probable. Any amount of insurance recovery in excess of the amount of the losses incurred is considered a gain contingency and is not recorded in fee and other income until the proceeds are received. Insurance recoveries for business interruption for lost revenue or profit are accounted for as gain contingencies in their entirety, and therefore are not recorded in income until the proceeds are received.

Revenue from direct financing leases is recognized over the lease term using the effective interest rate method. At lease inception, we record an asset within investments on the Company's consolidated balance sheets, which represents the Company's net investment in the direct financing lease. This initial net investment is determined by aggregating the total future minimum lease payments attributable to the direct financing lease and the estimated residual value of the property, if any, less unearned income. Over the lease term, the investment in the direct financing lease is reduced and income is recognized as revenue in "Fee and other income" on the Company's Consolidated and Combined Consolidated Statement of Operations and produces a constant periodic rate of return on the investment in direct financing lease, net.

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Fair Value of Financial Instruments

The following disclosure of estimated fair value was determined by management using available market information and appropriate valuation methodologies. However, considerable judgment is necessary to interpret market data and develop estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize on disposition of the assets and liabilities as of September 30, 2020 and December 31, 2019. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts. Cash, escrows and reserves, receivables, prepaid expenses, accounts payable and accrued expenses are carried at amounts which reasonably approximate their fair values as of September 30, 2020 and December 31, 2019 due to their short maturities.

As of September 30, 2020, the Company had an investment in a direct financing lease with a carrying value of \$0.5 million and an effective interest rate of 7.89%. The carrying value of the investment in a direct financing lease approximated the fair market value as of September 30, 2020. The fair value of the Company's debt was categorized as a Level 3 basis (as provided by ASC 820, Fair Value Measurements and Disclosures).

The fair value of the Company's borrowings under its Credit Facility approximates carrying value. The fair value of the Company's secured borrowings aggregated approximately \$16.9 million and \$3.2 million as compared to the principal balance of \$16.8 million and \$3.2 million as of September 30, 2020 and December 31, 2019, respectively. The fair value of the Company's debt was categorized as a Level 3 basis (as provided by ASC 820, Fair Value Measurements and Disclosures). The fair value of these financial instruments was determined by using a discounted cash flow analysis based on the borrowing rates currently available to the Company for loans with similar terms and maturities. The fair value of the mortgage debt was determined by discounting the future contractual interest and principal payments by a market rate.

Disclosure about fair value of assets and liabilities is based on pertinent information available to management as of September 30, 2020 and December 31, 2019. Although management is not aware of any factors that would significantly affect the fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since September 30, 2020 and current estimates of fair value may differ significantly from the amounts presented herein.

Impairment

The carrying value of real estate investments and related intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment exists when the carrying amount of an asset exceeds the aggregate projected future cash flows over the anticipated holding period on an undiscounted basis. An impairment loss is measured based on the excess of the asset's carrying amount over its estimated fair value. Impairment analyses will be based on current plans, intended holding periods and available market information at the time the analyses are prepared. If estimates of the projected future cash flows, anticipated holding periods or market conditions change, the evaluation of impairment losses may be different and such differences may be material. The evaluation of anticipated cash flows is subjective and is based, in part, on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results. No impairments were recorded during the three and nine months ended September 30, 2020 and 2019.

Concentration of Credit Risks

As of September 30, 2020, the Company's properties were leased to a single tenant, the USPS. For the nine months ended September 30, 2020, no state had a concentration of rental income over 10% as a percentage of total rental income. For the nine months ended September 30, 2019, our total rental income of \$5.7 million was concentrated in the following states: Texas (11.5%), Massachusetts (11.1%) and Pennsylvania (10.7%). The ability of the USPS to honor the terms of their leases is dependent upon regulatory, economic, environmental or competitive conditions in any of these areas and could have an effect on our overall business results.

The Company has deposited cash and maintains its bank deposits with large financial institutions in amounts that exceed federally insured limits. The Company has not experienced any losses in such accounts.

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NOTES TO CONSOLIDATED AND COMBINED CONSOLIDATED FINANCIAL STATEMENTS
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Equity Based Compensation

The Company accounts for equity-based compensation in accordance with ASC Topic 718 Compensation – Stock Compensation, which requires the Company to recognize an expense for the grant date fair value of equity-based awards. Equity-classified stock awards granted to employees and non-employees that have a service condition and/or a market condition are measured at fair value at date of grant and remeasured at fair value only upon a modification of the award. The Company will record forfeitures as they occur.

The Company recognizes compensation expense on a straight-line basis over the requisite service period of each award, with the amount of compensation expense recognized at the end of a reporting period at least equal the portion of fair value of the respective award at grant date or modification date, as applicable, that has vested through that date. For awards with a market condition, compensation cost is not reversed if a market condition is not met so long as the requisite service has been rendered, as a market condition does not represent a vesting condition.

See Note 11. Stockholder's Equity for further details.

Earnings per Share

The Company calculates net loss per share based upon the weighted average shares outstanding less issued and outstanding non-vested shares of Class A common stock for the period beginning May 17, 2019. Diluted earnings per share is calculated after giving effect to all potential dilutive shares outstanding during the period. There were 2,855,102 potentially dilutive shares outstanding related to the issuance of OP Units and LTIP Units held by non-controlling interests as of September 30, 2020.

Future Application of Accounting Standards

In February 2016, the FASB issued ASU 2016-02, Leases; in July 2018, the FASB issued ASU 2018-10, Codification Improvements to Topic 842, Leases, and ASU 2018-11, Leases — Targeted Improvements; and in December 2018, the FASB issued ASU 2018-20, Narrow-Scope Improvements for Lessors. This group of ASUs is collectively referred to as Topic 842. Topic 842 supersedes the existing standards for lease accounting (Topic 840, Leases). Topic 842 will be effective for the Company on January 1, 2021 as a result of its classification as an emerging growth company.

The Company expects to elect the practical expedients provided by Topic 842, including: the package of practical expedients that allows an entity not to reassess upon adoption (i) whether an expired or existing contract contains a lease, (ii) whether a lease classification related to expired or existing lease arrangements, and (iii) whether costs incurred on expired or existing leases qualify as initial direct costs, and as a lessor, the practical expedient not to separate certain non-lease components, such as common area maintenance, from the lease component if the timing and pattern of transfer are the same for the non-lease component and associated lease component, and the lease component would be classified as an operating lease if accounted for separately.

Topic 842 requires lessees to record most leases on their balance sheet through a right-of-use ("ROU") model, in which a lessee records a ROU asset and a lease liability on their balance sheet. Leases that are less than 12 months do not need to be accounted for under the ROU model. Lessees will account for leases as financing or operating leases, with the classification affecting the timing and pattern of expense recognition in the income statement. Lease expense will be recognized based on the effective interest method for leases accounted for as finance leases and on a straight-line basis over the term of the lease for leases accounted for as operating leases. As of September 30, 2020, the Company was the lessee under one office lease and two ground leases that would require accounting under the ROU model.

The accounting by a lessor under Topic 842 is largely unchanged from that of Topic 840. Under Topic 842, lessors will continue to account for leases as a sales-type, direct-financing, or operating. A lease will be treated as a sale if it is considered to transfer control of the underlying asset to the lessee. A lease will be classified as direct-financing if risks and rewards are conveyed without the transfer of control. Otherwise, the lease is treated as an operating lease. Topic 842 requires accounting for a transaction as a financing in a sale leaseback in certain circumstances, including when the seller-lessee is provided an option to purchase the property from the landlord at the tenant's option. The Company expects that this provision could change the accounting for these types of leases in the future. Topic 842 also includes the concept of separating lease and non-lease components. Under Topic 842, non-lease components, such as common area maintenance, would be accounted for under Topic 606 and separated from the lease payments. However, the Company will elect the lessor practical expedient allowing the Company to not separate these components when certain conditions are met. Upon adoption of Topic 842, the Company expects to combine tenant reimbursements with rental income on its consolidated statements of operations.

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In September 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses* (Topic 326): Measurement of Credit Losses on Financial Instruments and in November 2018 issued ASU No. 2018-19, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses*. The guidance changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The guidance replaces the current ‘incurred loss’ model with an ‘expected loss’ approach. The Company will also be required to disclose information about how it developed the allowances, including changes in the factors that influenced the Company’s estimate of expected credit losses and the reasons for those changes. ASU No. 2018-19 excludes operating lease receivables from the scope of this guidance. This guidance will be effective for the Company on January 1, 2023 as a result of its classification as an emerging growth company. The Company is currently in the process of evaluating the impact the adoption of the guidance will have on its consolidated financial statements.

Note 4. Real Estate Acquisitions

The following tables summarizes the Company’s acquisitions for the nine months ended September 30, 2020. The purchase prices including transaction costs were allocated to the separately identifiable tangible and intangible assets and liabilities based on their relative fair values at the date of acquisition. The total purchase price including transaction costs was allocated as follows:

Three Months Ended	Number of Properties	Land	Building and Improvements	Tenant Improvements	In-place lease intangibles	Above- market leases	Below- market leases	Other ⁽¹⁾	Total ⁽²⁾
March 31, 2020⁽³⁾⁽⁴⁾⁽⁵⁾	83	\$ 4,825,507	\$ 24,572,597	\$ 293,726	\$ 2,477,174	\$ 7,148	\$ (1,616,080)	\$ (34,098)	\$ 30,525,974
June 30, 2020⁽⁶⁾	19	2,555,428	7,344,021	54,894	692,705	-	(38,934)	-	10,608,114
September 30, 2020 ⁽⁷⁾	122	6,074,837	19,426,255	316,541	2,300,575	37,290	(1,067,886)	(33,386)	27,054,226
	224	\$ 13,455,772	\$ 51,342,873	\$ 665,161	\$ 5,470,454	\$ 44,438	\$ (2,722,900)	\$ (67,484)	\$ 68,188,314

Explanatory Notes:

- (1) Includes an intangible liability related to unfavorable operating leases on three properties that is included in “Accounts Payable, accrued expenses and other” on the Company’s Consolidated Balance Sheets.
- (2) Includes acquisition costs of \$0.3 million for the three months ended March 31, 2020, \$0.2 million for the three months ended June 30, 2020 and \$0.8 million for the three months ended September 30, 2020.
- (3) Includes the acquisition of a 21-building portfolio leased to the USPS. The contract purchase price for the portfolio was \$13.8 million, exclusive of closing costs, and giving effect to 483,333 OP Units issued to the sellers at a value of \$17.00 per unit. The closing price of the Company’s common stock on January 10, 2020 was \$16.39; therefore, total consideration at closing, including closing costs, was approximately \$13.6 million of which \$7.9 million represented the non-cash consideration (the value of the OP Units) issued to the sellers.
- (4) Includes the acquisition of a 42-building portfolio leased to the USPS. The aggregate purchase price of such portfolio was approximately \$8.8 million, including closing costs, which was funded with borrowings under our Credit Facility.
- (5) Includes the acquisition of 20 postal properties in individual or smaller portfolio transactions for approximately \$8.1 million, including closing costs.
- (6) Includes the acquisition of a 13-building portfolio leased to the USPS in various states for approximately \$7.2 million, including closing costs. In addition, the Company purchased six postal properties in individual or smaller portfolio transactions for approximately \$3.4 million, including closing costs.
- (7) Includes the acquisition of 122 postal properties in various states in individual or portfolio transactions for approximately \$27.1 million, including closing costs, which was funded with borrowings under our Credit Facility. In addition, the Company closed on one postal property which is a direct financing lease and is included in “Investment in financing lease, net” on the Company’s Consolidated Balance Sheets.

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NOTES TO CONSOLIDATED AND COMBINED CONSOLIDATED FINANCIAL STATEMENTS
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Note 5. Intangible Assets and Liabilities

The following table summarizes our intangible assets and liabilities as a result of the application of acquisition accounting:

As of	Gross Asset (Liability)	Accumulated (Amortization)/ Accretion	Net Carrying Amount
September 30, 2020:			
In-place lease intangibles	\$ 19,261,027	\$ (9,911,763)	\$ 9,349,264
Above-market leases	85,058	(30,391)	54,667
Below-market leases	(11,395,201)	3,015,327	(8,379,874)
December 31, 2019:			
In-place lease intangibles	\$ 13,788,024	\$ (6,472,157)	\$ 7,315,867
Above-market leases	40,620	(18,496)	22,124
Below-market leases	(8,672,301)	2,071,182	(6,601,119)

Amortization of in-place lease intangibles was \$1.2 million and \$3.4 million for the three and nine months ended September 30, 2020, respectively and \$0.6 million and \$1.2 million for the three and nine months ended September 30, 2019, respectively. This amortization is included in “Depreciation and amortization” on the Company’s Consolidated and Combined Consolidated Statements of Operations.

Amortization of acquired above market leases was \$5,213 and \$11,895 for the three and nine months ended September 30, 2020, respectively, and \$2,865 and \$7,851 for the three and nine months ended September 30, 2019, respectively and is included in “Rental income” on the Company’s Consolidated and Combined Consolidated Statements of Operations. Amortization of acquired below market leases was \$0.3 million and \$0.9 million for the three and nine months ended September 30, 2020, respectively, and \$0.1 million and \$0.3 million for the three and nine months ended September 30, 2019, respectively, and is included in “Rental income” on the Company’s Consolidated and Combined Consolidated Statements of Operations.

Future amortization/accretion of these intangibles is below:

Year Ending December 31,	In-place lease intangibles	Above-market leases	Below-market leases
2020 – Remaining	\$ 1,097,772	\$ 4,549	\$ (326,537)
2021	3,687,350	15,544	(1,291,010)
2022	2,099,279	13,260	(1,147,910)
2023	1,273,981	10,626	(1,021,341)
2024	649,954	7,889	(857,151)
Thereafter	540,928	2,799	(3,735,925)
Total	\$ 9,349,264	\$ 54,667	\$ (8,379,874)

Note 6. Debt

The following table summarizes the Company’s indebtedness as of September 30, 2020 and December 31, 2019:

	Outstanding Balance as of September 30, 2020	Outstanding Balance as of December 31, 2019	Interest Rate at September 30, 2020	Maturity Date
Revolving Credit Facility ⁽¹⁾	\$ 49,000,000	\$ 54,000,000	LIBOR+170bps ⁽²⁾	September 2023
Vision Bank ⁽³⁾	1,474,909	1,522,672	4.00%	September 2036
First Oklahoma Bank ⁽⁴⁾	367,618	378,005	4.50%	December 2037
Vision Bank – 2018 ⁽⁵⁾	876,890	900,385	5.00%	January 2038
Seller Financing ⁽⁶⁾	445,000	445,000	6.00%	January 2025
First Oklahoma Bank – April 2020 ⁽⁷⁾	4,522,311	-	4.25%	April 2040
First Oklahoma Bank – June 2020 ⁽⁸⁾	9,152,000	-	4.25%	June 2040
Total Principal	65,838,728	57,246,062		
Unamortized deferred financing costs	(239,362)	(35,058)		
Total Debt	\$ 65,599,366	\$ 57,211,004		

POSTAL REALTY TRUST, INC.
NOTES TO CONSOLIDATED AND COMBINED CONSOLIDATED FINANCIAL STATEMENTS
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Explanatory Notes:

- (1) On September 27, 2019, the Company entered into a credit agreement (as amended, the “Credit Agreement”) with People’s United Bank, National Association, individually and as administrative agent, BMO Capital Markets Corp., as syndication agent, and certain other lenders. The Credit Agreement provides for revolving commitments in an aggregate principal amount of \$100.0 million with an accordion feature (“the Accordion Feature”) that permits the Company to borrow up to an additional \$100.0 million for an aggregate total of \$200.0 million, subject to customary terms and conditions, and a maturity date of September 27, 2023. On January 30, 2020, the Company amended the Credit Agreement in order to exercise a portion of the Accordion Feature to increase the maximum amount available under the Credit Facility to \$150.0 million, subject to the borrowing base properties identified therein remaining unencumbered and subject to an enforceable lease. On June 25, 2020, the Company further amended the Credit Agreement to revise, among other items, certain definitions and borrowing base calculations to increase available capacity, as well as the restrictive covenant pertaining to Consolidated Tangible Net Worth (as defined in such amendment).

The interest rates applicable to loans under the Credit Facility are, at our option, equal to either a base rate plus a margin ranging from 0.7% to 1.4% per annum or LIBOR plus a margin ranging from 1.7% to 2.4% per annum, each based on a consolidated leverage ratio. In addition, the Company will pay, for the period through and including the calendar quarter ended March 31, 2020, an unused facility fee on the revolving commitments under the Credit Facility of 0.75% per annum for the first \$100 million and 0.25% per annum for the portion of revolving commitments exceeding \$100.0 million, and for the period thereafter, an unused facility fee of 0.25% per annum for the aggregate unused revolving commitments, with both periods utilizing calculations of daily unused commitments under the Credit Facility.

During the three and nine months ended September 30, 2020, the Company incurred \$0.1 million and \$0.3 million, respectively, of unused fees related to the Credit Facility. The Company’s ability to borrow under the Credit Facility is subject to ongoing compliance with a number of customary affirmative and negative covenants. As of September 30, 2020, the Company was in compliance with all of the Credit Facility’s debt covenants.

- (2) As of September 30, 2020, the one-month LIBOR rate was 0.15%.
- (3) Five properties are collateralized under this loan as of September 30, 2020 with Mr. Spodek as the guarantor. On September 8, 2021 and every five years thereafter, the interest rate will reset at a variable annual rate of Wall Street Journal Prime Rate (“Prime”) + 0.5%.
- (4) The loan is collateralized by first mortgage liens on four properties and a personal guarantee of payment by Mr. Spodek. Interest rate resets on December 31, 2022 to Prime + 0.25%.
- (5) The loan is collateralized by first mortgage liens on one property and a personal guarantee of payment by Mr. Spodek. Interest rate resets on January 31, 2023 to Prime + 0.5%.
- (6) In connection with the acquisition of a property, we obtained seller financing secured by the property in the amount of \$0.4 million requiring five annual payments of principal and interest of \$105,661 with the first installment due on January 2, 2021 based on a 6.0% interest rate per annum through January 2, 2025.
- (7) In connection with the purchase of a 13-building portfolio, the Company obtained \$4.5 million of mortgage financing, at a fixed interest rate of 4.25% with interest only for the first 18 months, which resets in November 2026 to the greater of Prime or 4.25%.
- (8) The loan is collateralized by first mortgage liens on 22 properties. Interest rates resets in January 2027 to the greater of Prime or 4.25%.

The weighted average maturity date for our secured borrowing as of September 30, 2020 and December 31, 2019 was 18.8 years and 15.7 years, respectively.

The scheduled principal repayments of indebtedness as of September 30, 2020 are as follows:

Year Ending December 31,	Amount
2020 – Remaining	\$ 28,073
2021	220,497
2022	701,228
2023	49,735,838
2024	767,608
Thereafter	14,385,484
Total	\$ 65,838,728

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Note 7. Leases

As of September 30, 2020, all of our rental income is paid by a single tenant, the USPS. Certain leases have expired and the balance expire at various dates through November 30, 2029.

Future minimum lease payments to be received as of September 30, 2020 under non-cancellable operating leases for the next five years and thereafter are as follows: ⁽¹⁾

Year Ending December 31,	Amount
2020 – Remaining ⁽²⁾	\$ 4,394,175
2021 ⁽³⁾	16,938,459
2022	13,371,159
2023	10,679,959
2024	7,734,855
Thereafter	10,165,377
Total	\$ 63,283,984

Explanatory Notes:

- (1) The above minimum lease payments to be received do not include reimbursements from the USPS for real estate taxes.
- (2) As of September 30, 2020, the leases at 58 of our properties were expired, and the USPS was occupying such properties as a holdover tenant. In addition, the lease at one of our properties is a month to month lease. Holdover rent is typically paid as the greater of estimated market rent or the rent amount due under the expired lease.
- (3) The Company has received notice on one property which the USPS intends to vacate in August 2021.

Direct Financing Lease

As of September 30, 2020, the Company has one direct financing lease agreement related to one of its postal properties. The components of the Company's net investment in financing lease as of September 30, 2020 are summarized in the table below:

	As of September 30, 2020
Total minimum lease payment receivable	\$ 1,021,466
Less: unearned income	(505,302)
Investment in financing lease, net	\$ 516,164

Future lease payments to be received under the Company's direct financing lease as of September 30, 2020 for the next five years and thereafter are as follows:

Year Ending December 31,	Amount
2020 – Remaining	\$ 11,375
2021	45,500
2022	45,500
2023	45,500
2024	45,500
Thereafter	828,091
Total	\$ 1,021,466

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Ground Lease

During the nine months ended September 30, 2020, the Company assumed an operating ground lease at two acquired properties which includes rent escalations throughout the lease term (including renewal options). Ground lease expense is included in “Property Operating Expenses” on the Company’s Consolidated and Combined Consolidated Statements of Operations.

The table below presents the future minimum ground lease payments as of September 30, 2020.

Year Ending December 31,	Amount
2020 – Remaining	\$ 5,904
2021	23,600
2022	23,600
2023	23,600
2024	24,160
Thereafter	1,175,290
Total	<u>\$ 1,276,154</u>

Impact of COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. The resulting restrictions on travel and quarantines imposed have had a negative impact on the U.S. economy and business activity globally, the full impact of which is not yet known and may result in an adverse impact to the Company’s tenant and operating results.

Note 8. Income Taxes

Income tax expense related to UPH for the three and nine months ended September 30, 2019 was \$0 and \$39,749 at an effective tax rate of 13.4%. The effective tax rate for the three months and nine months ended September 30, 2019 differs from the statutory rate of 21% due to certain entities included in the combined consolidated financial statements that are not subject to tax at the entity level, state taxes and interest and penalties from unrecognized tax benefits primarily related to the utilization of loss carryforwards. During the three and nine months ended September 30, 2020, the Company recorded a benefit of \$0 and \$0.01 million, respectively, due to finalizing certain state taxes filings of UPH.

In connection with the IPO, the Company and PRM jointly elected to treat PRM as a TRS. PRM performs management services, including for properties the Company does not own. PRM generates income, resulting in federal and state corporate income tax liability for PRM. For the three and nine months ended September 30, 2020, income tax expense related to PRM was \$0.02 million and \$0.05 million, respectively.

During the three and nine months ended September 30, 2020, the Company recorded income tax expense of \$0.01 million related to certain state taxes.

The Company has unrecognized tax benefits as of September 30, 2020 of \$0.4 million which is inclusive of interest and penalties and a corresponding indemnification asset which is recorded in prepaid expenses and other assets on the consolidated balance sheet. During the three months ended September 30, 2020, the Company reversed \$0.1 million of unrecognized tax benefits and the corresponding indemnification asset due to the expiration of statute of limitations.

In connection with the IPO, the indirect sole shareholder of UPH agreed to reimburse the Company for unrecognized tax benefits primarily related to the utilization of certain loss carryforwards at UPH. The Company recorded an indemnification asset in the same amount as the unrecognized tax benefits. The indirect sole shareholder of UPH will be responsible for all tax related matters related to UPH.

On March 27, 2020, the President signed into law the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). The CARES Act was enacted to provide economic relief to companies and individuals in response to the COVID-19 pandemic. Included in the CARES Act are tax provisions which increase allowable interest expense deductions for 2019 and 2020 and increase the ability for taxpayers to use net operating losses. While we do not expect these provisions to have a material impact on the Company’s taxable income or tax liabilities, we will continue to analyze the provisions of the CARES Act and related guidance as it is published.

POSTAL REALTY TRUST, INC.
NOTES TO CONSOLIDATED AND COMBINED CONSOLIDATED FINANCIAL STATEMENTS
UNAUDITED (CONTINUED)

Note 9. Related Party Transactions

Management Fee Income

PRM recognized management fee income of \$0.3 million and \$0.8 million for the three and nine months ended September 30, 2020, respectively and the Predecessor recognized management fee income of \$0.4 million for the nine months ended September 30, 2019 from various properties which were affiliated with Mr. Spodek. Following the IPO, PRM recognized management fee income of \$0.2 million and \$0.4 million for the three and nine months ended September 30, 2019, respectively from various properties which are affiliated with the Company's CEO. These amounts are included in "Fee and other income" on the Company's Consolidated and Combined Consolidated Statements of Operations. Accrued management fees receivable of \$0.3 million and \$0.08 million as of September 30, 2020 and December 31, 2019, respectively, are included in "Rents and other receivables" on the Company's Consolidated Balance Sheets.

Related Party Lease

On October 1, 2018, the Predecessor entered into a lease for office space in Cedarhurst, New York with an entity affiliated with the Predecessor (the "Office Lease"). Pursuant to the Office Lease, the monthly rent was \$15,000 subject to escalations. The term of the Office Lease was five years commencing on October 1, 2018 (with rent commencing on January 1, 2019) and was set to expire on September 30, 2023. In connection with the IPO, the Office Lease was terminated. On May 17, 2019, the Company entered into a new lease for office space in Cedarhurst, New York with an entity affiliated with the Company's CEO (the "New Lease"). Pursuant to the New Lease, the monthly rent is \$15,000 subject to escalations. The term of the New Lease is five years commencing on May 17, 2019 and will expire on May 16, 2024. Rental expenses associated with the office lease for the three and nine months ended September 30, 2020 was \$0.05 million and \$0.1 million, respectively, was recorded in "General and administrative expenses" on the Company's Consolidated and Combined Consolidated Statements of Operations.

The following table represents the Company's future rental payments related to the New Lease:

Year Ending December 31,	Amount
2020 – Remaining	\$ 46,350
2021	188,869
2022	194,535
2023	200,371
2024	76,244
Total	\$ 706,369

Transfer of Real Property

On May 28, 2020, the Company completed the separation of deed and transfer of the real property attributable to a de minimis non-postal tenant that shares space in a building leased to the USPS. At the time of the IPO a property located in Milwaukee, WI, a portion of which is leased to the USPS, was contributed to the Company. It was intended that the non-postal portion of the property would revert back to an entity affiliated with Mr. Spodek once a separation of the deed was completed. The portion of the property leased to the USPS remains owned by a wholly owned subsidiary of the Operating Partnership. The independent members of our Board of Directors ratified the no consideration transfer.

Guarantees

Mr. Spodek, our chief executive officer, has personally guaranteed our loans with First Oklahoma Bank that were obtained prior to 2020 and Vision Bank, totaling \$2.7 million. As a guarantor, Mr. Spodek's interests with respect to the debt he is guaranteeing (and the terms of any repayment or default) may not align with our interests and could result in a conflict of interest.

POSTAL REALTY TRUST, INC.
NOTES TO CONSOLIDATED AND COMBINED CONSOLIDATED FINANCIAL STATEMENTS
UNAUDITED (CONTINUED)

Note 10. Earnings Per Share

Earnings per share (“EPS”) is calculated by dividing net income (loss) attributable to common stockholders by the weighted average number of shares outstanding for the period. The following table presents a reconciliation of income (loss) from operations used in the basic and diluted EPS calculations.⁽¹⁾

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Numerator for earnings per share – basic and diluted:				
Net loss attributable to common stockholders	\$ (15,184)	\$ (307,969)	\$ (843,489)	\$ (699,765)
Less: Income attributable to participating securities	(105,829)	—	(266,680)	(16,715)
Numerator for earnings per share — basic and diluted	\$ (121,013)	\$ (307,969)	\$ (1,110,169)	\$ (716,480)
Denominator for earnings per share – basic and diluted				
	8,425,708	5,164,264	6,276,145	5,164,264
Basic and diluted earnings per share	\$ (0.01)	\$ (0.06)	\$ (0.18)	\$ (0.14)

Explanatory Note:

(1) The combined statements of operations prior to May 17, 2019 represents the activity of the Predecessor and EPS was not applicable.

Note 11. Stockholder’s Equity

The Company issued 4.5 million shares of Class A common stock in conjunction with the IPO resulting in net proceeds of approximately \$71.1 million after deducting approximately \$5.4 million in underwriting discounts and before giving effect to \$6.4 million in other expenses relating to the IPO. In addition, the Company issued 637,058 shares of Class A common stock and 27,206 shares of Voting Equivalency stock in connection with the Formation Transactions. Each outstanding share of Voting Equivalency stock entitles its holder to 50 votes on all matters on which Class A common stockholders are entitled to vote, including the election of directors, and holders of shares of Class A common stock and Voting Equivalency stock will vote together as a single class. Shares of Voting Equivalency stock are convertible into shares of Class A common stock, on a one-for-one basis, at the election of the holder at any time. Additionally, one share of Voting Equivalency stock will automatically convert into one share of Class A common stock for each 49 OP Units transferred (including by the exercise of redemption rights afforded with respect to OP Units) to a person other than a permitted transferee. This ratio is a function of the fact that each share of Voting Equivalency stock entitles its holder to 50 votes on all matters on which Class A common stockholders are entitled to vote and maintains the voting proportion of holders of Voting Equivalency stock with the holder’s economic interest in our Company.

On July 15, 2020, the Company priced a public offering of 3.5 million shares of its Class A Common Stock (the “Follow-on Offering”) at \$13.00 per share. On July 17, 2020, the underwriters purchased an additional 521,840 shares pursuant to a 30-day option to purchase up to an additional 525,000 shares at \$13.00 per share (the “Additional Shares”). The Follow-on Offering, including the Additional Shares, closed on July 20, 2020 resulting in \$52.2 million in gross proceeds, and approximately \$49.4 million in net proceeds after deducting approximately \$2.9 million in underwriting discounts and before giving effect to \$0.9 million in other estimated expenses relating to the Follow-on Offering.

Dividends

During the three and nine months ended September 30, 2020, the Board approved and the Company declared and paid dividends of \$2.5 million and \$5.6 million, respectively, to Class A common stockholders, Voting Equivalency stockholders, OP unitholders and LTIP unitholders, or \$0.575 per share as shown in the table below.

Declaration Date	Record Date	Date Paid	Amount Per Share
January 30, 2020	February 14, 2020	February 28, 2020	\$0.17
April 30, 2020	May 11, 2020	May 29, 2020	\$0.20
July 30, 2020	August 14, 2020	August 31, 2020	\$0.205

Non-controlling Interests

Non-controlling interests in the Company represent OP Units held by the Predecessor’s prior investors and certain sellers of properties to the Company and LTIP Units primarily issued to the Company’s CEO in connection with the IPO and in lieu of cash compensation. During the nine months ended September 30, 2020, the Company issued 483,333 OP Units in January 2020 in connection with a portfolio that the Company acquired, 53,230 LTIP Units in February 2020 to the Company’s CEO for his 2019 incentive bonus, 13,708 LTIP Units in March 2020 to the Company’s CEO and 27,365 LTIP Units in May 2020 to the Company’s CEO for his salary for the period of May 18, 2020 to December 31, 2020.

POSTAL REALTY TRUST, INC.
NOTES TO CONSOLIDATED AND COMBINED CONSOLIDATED FINANCIAL STATEMENTS
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As of September 30, 2020, and December 31, 2019, non-controlling interests consisted of 2,640,795 OP Units and 214,307 LTIP Units and 2,157,462 OP Units and 120,004 LTIP Units, respectively. This represented approximately 23.1% and 30.0% of the outstanding Operating Partnership units as of September 30, 2020 and December 31, 2019, respectively. Operating Partnership units and shares of common stock have essentially the same economic characteristics, as they share equally in the total net income or loss distributions of the Operating Partnership. Beginning on or after the date which is 12 months after the later of (i) the completion of the IPO or (ii) the date on which a person first became a holder of common units, each limited partner and assignees of limited partners will have the right, subject to the terms and conditions set forth in the partnership agreement to require the Operating Partnership to redeem all or a portion of the OP Units held by such limited partner or assignee in exchange for cash, or at the Company's sole discretion, in shares of the Company's Class A common stock, on a one-for-one basis determined in accordance with and subject to adjustment under the partnership agreement.

The Operating Partnership unitholders are entitled to share in cash distributions from the Operating Partnership in proportion to their percentage ownership of OP Units.

Restricted Stock and Other Awards

Pursuant to the Company's 2019 Equity Incentive Plan (the "Equity Incentive Plan" or the "Plan"), the Company may grant equity incentive awards to its directors, officers, employees and consultants. The maximum number of shares of Class A Common Stock that were authorized for issuance under the Plan were 541,584. On April 27, 2020, the Board of Directors amended the Equity Incentive Plan to increase the total number of shares of Class A common stock that may be issued under the Plan from 541,584 shares to 1,291,584 shares. The stockholders approved such amendment on June 26, 2020. As of September 30, 2020, the remaining shares available under the Plan for future issuance was 751,697. The Plan provides for grants of stock options, stock awards, stock appreciation rights, performance units, incentive awards, other equity-based awards (including LTIP units) and dividend equivalents in connection with the grant of performance units and other equity-based awards.

The following table presents a summary of restricted stock, LTIP Units and RSUs. The balance as of September 30, 2020 represents unvested shares of restricted stock and LTIP Units and RSUs that are outstanding, whether vested or not:

	Restricted Shares ⁽¹⁾⁽²⁾	LTIP Units ⁽³⁾	Restricted Stock Units ("RSUs") ⁽⁴⁾	Total Shares	Weighted Average Grant Date Fair Value
Outstanding, as of January 1, 2020	148,847	120,003	—	268,850	\$ 16.96
Granted	146,348	94,303	62,096	302,747	\$ 14.20
Vesting of restricted shares ⁽⁵⁾	(61,181)	—	—	(61,181)	\$ 17.00
Forfeited	(588)	—	—	(588)	\$ 17.00
Outstanding, as of September 30, 2020	233,426	214,306	62,096	509,828	\$ 15.35

Explanatory Notes:

- (1) Represents restricted shares awards included in common stock.
- (2) The time-based restricted share awards granted to our officers and employees typically vest in three annual installments or cliff vest at the end of eight years. The time-based restricted share awards granted to our directors' vest over one to three years.
- (3) LTIP units to our officers and employees typically vest over three to eight years. During the nine months ended September 30, 2020, 2,843 LTIPs issued to an employee vested as a result of a modification of the award and 13,708 LTIPs to the Company's CEO. In May 2020, pursuant to the Plan, the Company issued 27,365 LTIP Units to the Company's CEO in lieu of his salary payable for the period from the one-year anniversary of the IPO to December 31, 2020. LTIP Units issued to the Company's CEO in lieu of cash compensation cliff vest on the eighth anniversary of the date of grant.
- (4) Includes 38,672 RSUs granted to certain officers of the Company during the nine months ended September 30, 2020 subject to the achievement of a service condition and a market condition. Such RSUs are market-based awards and are subject to the achievement of hurdles relating to the Company's absolute total stockholder return and continued employment with the Company over the approximately three-year period from the grant date through December 31, 2022. The number of market-based RSUs is based on the number of shares issuable upon achievement of the market-based metric at target. Also, includes 13,253 time-based RSUs issued for 2019 incentive bonuses to certain employees that vested fully on February 14, 2020, the date of grant and 10,171 time-based RSUs granted to certain employees for their election to defer 2020 salary that vest on December 31, 2020. RSUs reflect the right to receive shares of Class A common stock, subject to the applicable vesting criteria.
- (5) Includes 49,839 of restricted shares that vested and 11,342 shares of restricted shares that were withheld to satisfy minimum statutory withholding requirements.

POSTAL REALTY TRUST, INC.
NOTES TO CONSOLIDATED AND COMBINED CONSOLIDATED FINANCIAL STATEMENTS
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During the three and nine months ended September 30, 2020, the Company recognized compensation expense of \$0.6 million and \$1.8 million, respectively, and during the three and nine months ended September 30, 2019 the Company recognized \$0.4 million and \$0.6 million, respectively, related to all awards.

The fair value of restricted shares that vested during the nine months ended September 30, 2020 was \$1.0 million. As of September 30, 2020, there was \$6.1 million of total unrecognized compensation cost related to unvested awards, which is expected to be recognized over a weighted average period of 4.0 years.

Employee Stock Purchase Plan

In connection with the IPO, the Company established the Postal Realty Trust, Inc. 2019 Qualified Employee Stock Purchase Plan ("ESPP"), which allows the Company's employees to purchase shares of the Company's Class A common stock at a discount. A total of 100,000 shares of Class A common stock will be reserved for sale and authorized for issuance under the ESPP. The Code permits us to provide up to a 15% discount on the lesser of the fair market value of such shares of stock at the beginning of the offering period and the close of the offering period. As of September 30, 2020, 7,189 shares have been issued under the ESPP since commencement. During the three and nine months ended September 30, 2020, the Company recognized compensation expense of \$11,795 and \$21,897.

Note 12. Commitments and Contingencies

As of September 30, 2020, the Company was not involved in any litigation nor to its knowledge is any litigation threatened against the Predecessor or the Company, as applicable, that, in management's opinion, would result in any material adverse effect on the Company's financial position, or which is not covered by insurance.

In the ordinary course of the Company's business, the Company enters into non-binding (except with regard to exclusivity and confidentiality) letters of intent indicating a willingness to negotiate for acquisitions. There can be no assurance that definitive contracts will be entered into with respect to any matter covered by letters of intent, that the Company will close the transactions contemplated by such contracts on time, or that the Company will consummate any transaction contemplated by any definitive contract.

Note 13. Subsequent Events

On October 30, 2020, the Company borrowed an additional \$3.0 million under the Credit Facility. As of the date of this report, the Company has \$52.0 million drawn on its Credit Facility.

On October 30, 2020, the Company's Board of Directors approved, and the Company declared a third quarter common stock dividend of \$0.215 per share which is payable on November 30, 2020 to stockholders of record as of November 16, 2020.

As of November 11, 2020, the Company closed on the acquisitions of 14 postal properties for approximately \$8.0 million during the period subsequent to September 30, 2020.

As of November 11, 2020, the Company had entered into agreements to acquire 12 postal properties for approximately \$10.1 million. The majority of these transactions are anticipated to close during the fourth quarter of 2020, subject to the satisfaction of customary closing conditions. Furthermore, the Company has signed a material agreement for an industrial building in Warrendale, Pennsylvania for \$47.0 million. The USPS occupies 73% of this property as a distribution facility. The Company is currently performing formal due diligence procedures customary for this transaction and cannot provide assurance as to the timing of when, or on what terms, the transaction will close, if at all.

Current Lease Renewal and Revised USPS Lease Form

As of November 11, 2020, we have executed 29 leases with respect to the total of all leases that have expired in 2019 or 2020, or will expire in 2020. As of the same date, the leases at 52 of our properties (consisting of one lease for which the lease expired in 2018 which we acquired in July 2020, 15 properties for which leases expired in 2019, including six leases that expired as of the date of our acquisition, and 36 properties for which leases expired in 2020) were expired and the USPS is occupying such properties as a holdover tenant, aggregating approximately \$2.5 million in annualized rental income. As of November 11, 2020, the USPS has not vacated any of these 52 properties. The Company has received all holdover rent on a month-to-month basis, with the USPS typically paying the greater of estimated market rent or the rent amount under the expired lease.

The USPS has adopted a revised form of our modified double-net lease, which transfers the responsibility for additional maintenance expenses and obligations to the landlord, including some components of plumbing and electrical systems. As of November 11, 2020, we have entered into 29 leases reflecting this revised form, including an addendum, as applicable, to its revised form of lease for leases acquiring annual rent in excess of \$25,000, pursuant to which documentation requirements are streamlined and some of the new responsibilities placed on the landlord by the USPS' revised form of our modified double-net lease would be mitigated for leases that expired in 2019 or 2020, or will expire in 2020.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis is based on, and should be read in conjunction with, the unaudited Consolidated and Combined Consolidated Financial Statements and the related notes thereto of Postal Realty Trust, Inc. contained in this Quarterly Report on Form 10-Q, our Annual Report on Form 10-K for the year ended December 31, 2019 and other reports filed with Securities and Exchange Commission.

As used in this section, unless the context otherwise requires, references to "we," "our," "us," and "our company" refer to Postal Realty Trust, Inc., a Maryland corporation, together with our consolidated subsidiaries, including Postal Realty LP, a Delaware limited partnership ("our Operating Partnership"), of which we are the sole general partner and which we refer to in this Quarterly Report as our Operating Partnership.

Prior to the closing of our initial public offering (our "IPO") on May 17, 2019, Andrew Spodek, our chief executive officer and a member of our board of directors (the "Board"), directly or indirectly controlled 190 properties owned by the Predecessor that were contributed as part of the Formation Transactions (as defined below). Of these 190 properties, 140 were held indirectly by the Predecessor through a series of holding companies, which we refer to collectively as "UPH." The remaining 50 properties were owned by Mr. Spodek through 12 limited liability companies and one limited partnership, which we refer to collectively as the "Spodek LLCs." References to our "Predecessor" consist of UPH, the Spodek LLCs and Nationwide Postal Management, Inc., a property management company whose management business we acquired in the Formation Transactions (as defined below), collectively.

Forward-Looking Statements

We make statements in this Quarterly Report that are forward-looking statements within the meaning of the federal securities laws. In particular, statements pertaining to our capital resources, property performance and results of operations contain forward-looking statements. Likewise, all of our statements regarding anticipated growth in our funds from operations and anticipated market conditions, demographics and results of operations are forward-looking statements. You can identify forward-looking statements by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "pro forma," "estimates" or "anticipates" or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

Forward-looking statements involve numerous risks and uncertainties and you should not rely on them as predictions of future events. Forward-looking statements depend on assumptions, data or methods which may be incorrect or imprecise and we may not be able to realize them. We do not guarantee that the transactions and events described will happen as described (or that they will happen at all). The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

- change in the status of the USPS as an independent agency of the executive branch of the U.S. federal government;
- change in the demand for postal services delivered by the USPS;
- our ability to come to an agreement with the USPS regarding new leases;
- the solvency and financial health of the USPS;
- defaults on, early terminations of or non-renewal of leases by the USPS;
- the competitive market in which we operate;
- changes in the availability of acquisition opportunities;
- our inability to successfully complete real estate acquisitions or dispositions on the terms and timing we expect, or at all;
- our failure to successfully operate developed and acquired properties;
- adverse economic or real estate developments, either nationally or in the markets in which our properties are located;

- decreased rental rates or increased vacancy rates;
- change in our business, financing or investment strategy or the markets in which we operate;
- fluctuations in mortgage rates and increased operating costs;
- changes in the method pursuant to which reference rates are determined and the phasing out of LIBOR after 2021;
- general economic conditions;
- financial market fluctuations;
- our failure to generate sufficient cash flows to service our outstanding indebtedness;
- our failure to obtain necessary outside financing on favorable terms or at all;
- failure to hedge effectively against interest rate changes;
- our reliance on key personnel whose continued service is not guaranteed;
- the outcome of claims and litigation involving or affecting us;
- changes in real estate, taxation, zoning laws and other legislation and government activity and changes to real property tax rates and the taxation of REITs in general;
- operations through joint ventures and reliance on or disputes with co-venturers;
- cybersecurity threats;
- environmental uncertainties and risks related to adverse weather conditions and natural disasters;
- governmental approvals, actions and initiatives, including the need for compliance with environmental requirements;
- lack or insufficient amounts of insurance;
- limitations imposed on our business in order to maintain our status as a REIT and our failure to maintain such status; and
- public health threats such as COVID-19.

While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. We disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, of new information, data or methods, future events or other changes after the date of this Quarterly Report on Form 10-Q, except as required by applicable law. You should not place undue reliance on any forward-looking statements that are based on information currently available to us or the third parties making the forward-looking statements. For a further discussion of these and other factors that could impact our future results, performance or transactions, you should carefully review and consider (i) the information contained under Item 1A titled “Risk Factors” herein, in our Annual Report on Form 10-K and in our quarterly reports on Form 10-Q and (ii) such similar information as may be contained in our other reports and filings that we make with the SEC.

Overview

Company

We were formed as a Maryland corporation on November 19, 2018 and commenced operations upon completion of our IPO on May 17, 2019 and the related formation transactions (the “Formation Transactions”). We conduct our business through a traditional UPREIT structure in which our properties are owned by our Operating Partnership directly or through limited partnerships, limited liability companies or other subsidiaries.

We elected to be treated as a REIT under the Code beginning with our short taxable year ended December 31, 2019. As long as we maintain our qualification as a REIT, we generally will not be subject to federal income tax to the extent that we distribute our taxable income for each tax year to our stockholders.

We are the sole general partner of our Operating Partnership through which our postal properties are directly or indirectly owned. As of September 30, 2020, we owned approximately 76.9% of the outstanding common units of limited partnership interest in the Operating Partnership (each, an “OP Unit,” and collectively, the “OP Units”) including long term incentive units of the Operating Partnership (each, an “LTIP Unit” and collectively, the “LTIP Units”). Our Board oversees our business and affairs.

Initial Public Offering

On May 17, 2019, we completed our IPO, pursuant to which we sold 4.5 million shares of our Class A common stock, par value \$0.01 per share (our “Class A common stock”), at a public offering price of \$17.00 per share. We raised \$76.5 million in gross proceeds, resulting in net proceeds to us of approximately \$71.1 million after deducting approximately \$5.4 million in underwriting discounts and before giving effect to \$6.4 million in other expenses relating to our IPO. Our Class A common stock began trading on the New York Stock Exchange (the “NYSE”) under the symbol “PSTL” on May 15, 2019. In connection with our IPO and the Formation Transactions, we also issued 1,333,112 OP Units, 637,058 shares of Class A common stock and 27,206 shares of Class B common stock, par value \$0.01 per share (our “Class B common stock” or “Voting Equivalency stock”), to Mr. Spodek and his affiliates in exchange for the Predecessor properties and interests.

Follow-on Offering

On July 15, 2020, we priced a public offering of 3.5 million shares of our Class A Common Stock (the “Follow-on Offering”) at \$13.00 per share. On July 17, 2020, the underwriters purchased an additional 521,840 shares pursuant to a 30-day option to purchase up to an additional 525,000 shares at \$13.00 per share (the “Additional Shares”). The Follow-on Offering, including the Additional Shares, closed on July 20, 2020 resulting in \$52.2 million in gross proceeds and approximately \$49.4 million in net proceeds after deducting approximately \$2.9 million in underwriting discounts and before giving effect to \$0.9 million in other estimated expenses relating to the Follow-on Offering.

Executive Overview

We are an internally managed REIT with a focus on acquiring and managing properties primarily leased to the USPS. We believe the overall opportunity for consolidation that exists in the sector is very attractive. We continue to execute our strategy to acquire and consolidate postal properties primarily leased to the USPS that we believe will generate strong earnings for our shareholders.

At the completion of our IPO and the Formation Transactions, we owned a portfolio of 271 postal properties located in 41 states comprising approximately of 872,000 net leasable interior square feet, all of which were leased to the USPS. As of September 30, 2020, our portfolio consisted of 691 owned postal properties (including properties accounted for as finance leases), located in 47 states and comprising approximately 2.1 million net leasable interior square feet.

Q32020 Highlights

Acquisitions

- *Closed on the acquisition of 123 postal properties in various states in individual or portfolio transactions for approximately \$27.6 million, including closing costs, which was funded with borrowings under our Credit Facility.*

Equity

- *Completed our Follow-on Offering on July 20, 2020 for 4.0 million shares priced at \$13.00 per share resulting in \$52.2 million in gross proceeds and approximately \$49.4 million in net proceeds after deducting \$2.9 million in underwriting discounts and before giving effect to \$0.9 million in other estimated expenses relating to the Follow-on Offering*
- *Our Board of Directors approved, and we declared a second quarter common stock dividend of \$0.205 per share which was paid on August 31, 2020 to stockholders of record on August 14, 2020.*

Emerging Growth Company

We are an “emerging growth company,” as defined in the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”) and we are eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies,” including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved.

In addition, the JOBS Act also provides that an “emerging growth company” can take advantage of the extended transition period provided in the Securities Act of 1933, as amended (the “Securities Act”), for complying with new or revised accounting standards. We have availed ourselves of these exemptions; although, subject to certain restrictions, we may elect to stop availing ourselves of these exemptions in the future even while we remain an “emerging growth company.”

We are also a “smaller reporting company” as defined in Regulation S-K under the Securities Act and have elected to take advantage of certain scaled disclosures available to smaller reporting companies. We may continue to be a smaller reporting company even after we are no longer an “emerging growth company.”

We will remain an “emerging growth company” until the earliest to occur of (i) the last day of the fiscal year during which our total annual revenue equals or exceeds \$1.07 billion (subject to adjustment for inflation), (ii) December 31, 2024, (iii) the date on which we have, during the previous three-year period, issued more than \$1.0 billion in non-convertible debt or (iv) the date on which we are deemed to be a “large accelerated filer” under the Exchange Act.

Factors That May Influence Future Results of Operations

COVID-19 Pandemic

The ongoing COVID-19 pandemic continues to present uncertainty and risk with respect to the Company’s operations and the operations of the USPS, which could adversely affect the Company and its financial performance. Although the Company has received all of its October rents and payments due from holdover tenants and has not received any request for rent concessions as of the date of this Quarterly Report, our ability to continue to collect rents as they become due is unclear and rent concessions may be forthcoming.

In addition, while the Company has maintained its operations during the pandemic and state-mandated lock-downs, some of the Company’s operations may be negatively impacted should the duration and effects of the pandemic or state-required lock-downs become longer or more severe. Specifically, should state imposed lock-downs be re-implemented in certain areas, the Company’s ability to identify and complete property and portfolio acquisitions may be delayed or disrupted.

The USPS

We are dependent on the USPS's financial and operational stability. The USPS is currently facing a variety of circumstances that are threatening its ability to fund its operations and other obligations as currently conducted without intervention by the federal government.

The USPS is constrained by laws and regulations that restrict revenue sources, mandate certain expenses and cap its borrowing capacity. As a result, the USPS is unable to fund its mandated expenses and continues to be subject to mandated payments to its retirement system and health benefits for current workers and retirees. The USPS has taken the position that productivity improvements and cost reduction measures alone without legislative and regulatory intervention will not be sufficient to maintain the ability to meet all of its existing obligations when due. Further, although the Coronavirus Aid, Relief, and Economic Security (CARES) Act includes a \$10 billion loan to the USPS, there can be no assurances that this financing will be approved or sufficient to sustain USPS operations in light of current shortfalls resulting from reduced mail volumes.

In relation thereto, the ongoing COVID-19 pandemic and measures being taken to prevent its spread has resulted in a reduction in foot traffic in many public places, including post office properties. A continued reduction in the use of in-person services may reduce the demand for post office properties by the USPS and our results of operations could decline as a result. The ongoing COVID-19 pandemic has also caused a decline in mail volume, particularly in advertising conducted through the mail, which may adversely affect the USPS's financial condition, and therefore the demand for post office properties. Continued reduction or permanent changes to mail volume could reduce demand for postal properties and materially adversely affect our result of operations.

Finally, as a result of (i) the proposed and executed operational, managerial and strategic changes within the USPS and (ii) the ongoing COVID-19 pandemic, which significantly increased the number of absentee ballots utilized for the 2020 presidential election, the USPS is the focal point of recent litigation. As of November 2020, twelve lawsuits have been filed against Mr. DeJoy, the USPS and President Donald Trump pertaining to operational changes at the USPS, mail delays and mail-in voting for the 2020 presidential election. If, as a result of any backlogs, political rhetoric or litigation, the USPS suffers reputational or financial harm or an increase in regulatory scrutiny, the demand for USPS services may decline, which may lead to reduced demand for USPS properties. The results of these changes or any future changes could lead to additional delays or financing shortfalls for the USPS.

Revenues

We derive revenues primarily from rent and tenant reimbursements under leases with the USPS for our properties, and fee and other income under the management agreements with respect to the postal properties owned by Mr. Spodek, his family members and their partners managed by PRM, our TRS. Rental income represents the lease revenue recognized under leases with the USPS. Tenant reimbursements represent payments made by the USPS under the leases to reimburse us for the majority of real estate taxes paid at each property. Fee and other income principally represent revenue PRM receives from postal properties owned by Mr. Spodek, his family members and their partners pursuant to the management agreements and typically is a percentage of the lease revenue for the managed property. As of September 30, 2020, all properties leased to the USPS had an average remaining lease term of 3.44 years. Factors that could affect our rental income, tenant reimbursement and fee and other income in the future include, but are not limited to: (i) our ability to renew or replace expiring leases and management agreements; (ii) local, regional or national economic conditions; (iii) an oversupply of, or a reduction in demand for, post office space; (iv) changes in market rental rates; (v) changes to the USPS's current property leasing program or form of lease; and (vi) our ability to provide adequate services and maintenance at our properties and managed properties.

Operating Expenses

We lease our properties to the USPS. The majority of our leases are modified double-net leases, whereby the USPS is responsible for utilities, routine maintenance and the reimbursement of property taxes and the landlord is responsible for insurance and roof and structure. Thus, an increase in costs related to the landlord's responsibilities under these leases could negatively influence our operating results. Refer to "Current Lease Renewal and Revised USPS Lease Form" for further discussion.

Operating expenses generally consist of real estate taxes, property operating expenses, which consist of insurance, repairs and maintenance (other than those for which the tenant is responsible), property maintenance-related payroll and depreciation and amortization. Factors that may affect our ability to control these operating costs include but are not limited to: the cost of periodic repair, renovation costs, the cost of re-leasing space and the potential for liability under applicable laws. Recoveries from the tenant are recognized as revenue on an accrual basis over the periods in which the related expenditures are incurred. Tenant reimbursements and operating expenses are recognized on a gross basis, because (i) generally, we are the primary obligor with respect to the real estate taxes and (ii) we bear the credit risk in the event the tenant does not reimburse the real estate taxes.

The expenses of owning and operating a property are not necessarily reduced when circumstances, such as market factors and competition, cause a reduction in income from the property. If revenues drop, we may not be able to reduce our expenses accordingly. Costs associated with real estate investments generally will not be materially reduced even if a property is not fully occupied or other circumstances cause our revenues to decrease. As a result, if revenues decrease in the future, static operating costs may adversely affect our future cash flow and results of operations.

General and Administrative

General and administrative expense represents personnel costs, professional fees, legal fees, insurance, consulting fees, portfolio servicing costs and other expenses related to corporate governance, filing reports with the United States Securities and Exchange Commission (the “SEC”) and the NYSE, and other compliance matters. Our Predecessor was privately owned and historically did not incur costs that we incur as a public company. In addition, while we expect that our general and administrative expenses will continue to rise as our portfolio grows, we expect that such expenses as a percentage of our revenues will decrease over time due to efficiencies and economies of scale.

Equity-Based Compensation Expense

All equity-based compensation expense is recognized in our consolidated statements of operations as components of general and administrative expense and property operating expenses. We issue share-based awards to align our employees’ interests with those of our investors.

Depreciation and Amortization

Depreciation and amortization expense relate primarily to depreciation on properties and improvements and to amortization of certain lease intangibles.

Indebtedness and Interest Expense

Interest expense for our Predecessor related primarily to three mortgage loans payable and related party interest-only promissory notes, See Note 6. Debt for further details. As a result of the Formation Transactions, we assumed certain indebtedness of the Predecessor, a portion of which was repaid without penalty using a portion of the net proceeds from our IPO. On September 27, 2019, we entered into a credit agreement (as amended, the “Credit Agreement”) with People’s United Bank, National Association, individually and as administrative agent, BMO Capital Markets Corp., as syndication agent, and certain other lenders. The Credit Agreement provides for a senior revolving credit facility (the “Credit Facility”) with revolving commitments in an aggregate principal amount of \$100.0 million and, subject to customary conditions, the option to increase the aggregate lending commitments under the agreement by up to \$100.0 million (the “Accordion Feature”). On January 30, 2020, we amended the Credit Agreement in order to exercise a portion of the Accordion Feature to increase the maximum amount available under the Credit Facility to \$150.0 million, subject to the borrowing base properties identified therein remaining unencumbered and subject to an executed lease. On June 25, 2020, the Company further amended the Credit Agreement to revise, among other items, certain definitions and borrowing base calculations to increase available capacity, as well as the restrictive covenant pertaining to Consolidated Tangible Net Worth (as defined in such amendment). As of September 30, 2020, the leases at 58 of our properties were expired and the USPS was occupying such properties as a holdover tenant, thereby excluding such properties from being part of the borrowing base under our Credit Facility. We intend to use the Credit Facility for working capital purposes, which may include repayment of mortgage indebtedness, property acquisitions and other general corporate purposes. Consistent with the method adopted by our Predecessor, we amortize on a non-cash basis the deferred financing costs associated with its debt to interest expense using the straight-line method, which approximates the effective interest rate method over the terms of the related loans. Any changes to the debt structure, including debt financing associated with property acquisitions, could materially influence the operating results depending on the terms of any such indebtedness.

Income Tax Benefit (Expense)

As a REIT, we generally will not be subject to federal income tax on our net taxable income that we distribute currently to our stockholders. Under the Code, REITs are subject to numerous organizational and operational requirements, including a requirement that they distribute each year at least 90% of their REIT taxable income, determined without regard to the deduction for dividends paid and excluding any net capital gains. If we fail to qualify for taxation as a REIT in any taxable year and do not qualify for certain statutory relief provisions, our income for that year will be taxed at regular corporate rates, and we would be disqualified from taxation as a REIT for the four taxable years following the year during which we ceased to qualify as a REIT. Even if we qualify as a REIT for federal income tax purposes, we may still be subject to state and local taxes on our income and assets and to federal income and excise taxes on our undistributed income. Additionally, any income earned by PRM and any other TRS we form in the future, will be subject to federal, state and local corporate income tax.

Current Lease Renewal and Revised USPS Lease Form

As of November 11, 2020, we have executed 29 leases with respect to the total of all leases that have expired in 2019 or 2020, or will expire in 2020. We have agreed to non-binding letters of intent to rental rates on all remaining holdover properties for the leases set to expire in 2020. As of the same date, the leases at 52 of our properties (consisting of one lease for which the lease expired in 2018 which we acquired in July 2020, 15 properties for which leases expired in 2019, including six leases that expired as of the date of our acquisition, and 36 properties for which leases expired in 2020) were expired and the USPS is occupying such properties as a holdover tenant, aggregating approximately \$2.5 million in annualized rental income. To date, the USPS has not vacated any of these 52 properties. The Company has received all holdover rent on a month-to-month basis, with the USPS typically paying the greater of estimated market rent or the rent amount under the expired lease.

The USPS has adopted a revised form of our modified double-net lease, which transfers the responsibility for some additional maintenance expenses and obligations to the landlord, including some components of plumbing and electrical systems. To date, we have entered into 29 leases reflecting this revised form, including the addendum discussed below, as applicable, that expired in 2019 or 2020, or will expire in 2020. In addition, in connection with executing revised-form leases, we have and will continue to receive lump sum catch up payments from the USPS for increased rents and reimbursement of real estate taxes the Company paid from the date of expiration to the date of lease execution.

As we adopt the USPS's revised form of our modified double-net lease going forward, we anticipate that our property operating expenses and initial leasing costs may increase; however, we believe that the net impact of these additional expenses may be generally offset by our ability to negotiate contractual rent increases in excess of such expenses, which, if successful, could result in minimal changes to our projected net income as we adopt this new form of lease as our legacy leases expire. Furthermore, we have agreed to terms with the USPS on an addendum to its revised form of lease for leases acquiring annual rent in excess of \$25,000, pursuant to which documentation requirements are streamlined and some of the new responsibilities placed on the landlord by the USPS' revised form of our modified double-net lease would be mitigated.

Results of Operations

Comparison of the three months ended September 30, 2020 and September 30, 2019

	For the Three Months Ended September 30,			%
	2020	2019	\$ Change	Change
Revenues				
Rental income	\$ 5,270,143	\$ 2,387,082	\$ 2,883,061	120.8
Tenant reimbursements	743,622	342,419	401,203	117.2
Fee and other income	282,703	278,846	3,857	1.4
Total revenues	6,296,468	3,008,347	3,288,121	109.3
Operating expenses				
Real estate taxes	797,996	353,663	444,333	125.6
Property operating expenses	460,033	332,892	127,141	38.2
General and administrative	2,027,284	1,601,727	425,557	26.6
Depreciation and amortization	2,394,332	1,066,338	1,327,994	124.5
Total operating expenses	5,679,645	3,354,620	2,325,025	69.3
Income (loss) from operations	616,283	(346,273)	963,096	(278.1)
Interest expense, net				
Contractual interest expense	(484,272)	(48,916)	(435,356)	890.0
Write-off and amortization of deferred financing fees	(123,650)	(4,523)	(119,127)	2,633.8
Interest income	668	1,136	(468)	(41.2)
Total interest expense, net	(607,254)	(52,303)	(554,951)	1,061.0
Income (loss) before income tax expense	9,569	(398,576)	408,145	(102.4)
Income tax (expense) benefit	(29,754)	6,259	(36,013)	(575.4)
Net loss	\$ (20,185)	\$ (392,317)	\$ 372,132	(94.9)

Revenues

Total revenues increased by \$3.3 million for the three months ended September 30, 2020 compared to the three months ended September 30, 2019. The increase in revenue is attributable to the properties that we acquired in connection with the Formation Transactions and the properties that we acquired since the completion of our IPO.

Rental income – Rental income increased by \$2.9 million for the three months ended September 30, 2020 compared to the three months ended September 30, 2019 and is primarily related to the properties that we acquired in connection with the Formation Transactions and the properties that we acquired since the completion of our IPO.

Tenant reimbursements – Tenant reimbursements increased \$0.4 million for the three months ended September 30, 2020 compared to the three months ended September 30, 2019, primarily due to the properties that we acquired in connection with the Formation Transactions and the properties that we acquired since the completion of our IPO.

Operating Expenses

Real estate taxes – Real estate taxes increased by \$0.4 million for the three months ended September 30, 2020 compared to the three months ended September 30, 2019 as a result of the properties that we acquired in connection with the Formation Transactions and the properties that we acquired since the completion of our IPO.

Property operating expenses – Property operating expenses increased by \$0.1 million to \$0.5 million for the three months ended September 30, 2020 from \$0.3 million for the three months ended September 30, 2019. The increase was a result of an increase in property management expenses of \$0.02 million to \$0.2 million for the three months ended September 30, 2020 from \$0.2 million for the three months ended September 30, 2019. The remainder of the increase of \$0.08 million is related to repairs and maintenance and insurance for the additional properties that we have acquired since September 30, 2019.

General and administrative – General and administrative expenses increased by \$0.4 million to \$2.0 million for the three months ended September 30, 2020 from \$1.6 million for the three months ended September 30, 2019, primarily due to higher professional fees and increased personnel and investor relations expenses as a result of being a public company. In addition, equity-based compensation expense increased by \$0.1 million for the three months ended September 30, 2020 compared to the three months ended September 30, 2019 due to additional awards granted during the first quarter of 2020.

Depreciation and amortization – Depreciation and amortization expense increased by \$1.3 million to \$2.4 million for the three months ended September 30, 2020 from \$1.1 million for the three months ended September 30, 2019 and is primarily related to the properties that we acquired as part of the Formation Transactions and the properties that were acquired since our IPO.

Interest Expense

During the three months ended September 30, 2020, we incurred interest expense of \$0.6 million compared to \$0.05 million for the three months ended September 30, 2019. The increase in interest expense is related to the interest paid on our outstanding balance of our Credit Facility.

Comparison of the nine months ended September 30, 2020 and September 30, 2019

	For the Nine Months Ended September 30,			%
	2020	2019 ⁽¹⁾	\$ Change	Change
Revenues				
Rental income	\$ 14,211,317	\$ 5,735,896	\$ 8,475,421	147.8
Tenant reimbursements	1,997,716	852,504	1,145,212	134.3
Fee and other income	890,008	842,097	47,911	5.7
Total revenues	17,099,041	7,430,497	9,668,544	130.1
Operating expenses				
Real estate taxes	2,136,805	880,117	1,256,688	142.8
Property operating expenses	1,261,515	821,839	439,676	53.5
General and administrative	6,245,732	2,970,101	3,275,631	110.3
Depreciation and amortization	6,590,982	2,314,553	4,276,429	184.8
Total operating expenses	16,235,034	6,986,610	9,248,424	132.4
Income from operations	864,007	443,887	420,120	94.6
Interest expense, net				
Contractual interest expense	(1,757,413)	(635,423)	(1,121,990)	176.6
Write-off and amortization of deferred financing fees	(343,511)	(9,558)	(333,953)	3,494.0
Loss on early extinguishment of predecessor debt	-	(185,586)	185,586	(100.0)
Interest income	2,155	3,394	(1,239)	(36.5)
Total interest expense, net	(2,098,769)	(827,173)	(1,271,596)	153.7
(Loss) income before income tax expense	(1,234,762)	(383,286)	(851,476)	222.2
Income tax expense	(44,876)	(39,749)	(5,127)	12.9
Net loss	\$ (1,279,638)	\$ (423,035)	\$ (856,603)	202.5

Explanatory Note:

(1) Includes the results of operations of the Predecessor for the period from January 1, 2019 to May 16, 2019.

Revenues

Total revenues increased by \$9.7 million for the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019. The increase in revenue is attributable to the properties that we acquired in connection with the Formation Transactions and the properties that we acquired since the completion of our IPO.

Rental income – Rental income increased by \$8.5 million for the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019 and the increase is related to the properties that we acquired in connection with the Formation Transactions and the properties that we acquired since the completion of our IPO.

Tenant reimbursements – Tenant reimbursements increased \$1.1 million for the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019, primarily due to the properties that we acquired in connection with the Formation Transactions and the properties that we acquired since the completion of our IPO.

Fee and other income. Other revenue increased by \$0.05 million, to \$0.9 million for the nine months ended September 30, 2020 from \$0.8 million for the nine months ended September 30, 2019, primarily due to higher insurance recoveries for the nine months ended September 30, 2020, offset by lower miscellaneous income.

Operating Expenses

Real estate taxes – Real estate taxes increased by \$1.3 million for the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019 as a result of the properties that we acquired in connection with the Formation Transactions and the properties that we acquired since the completion of our IPO.

Property operating expenses – Property operating expenses increased by \$0.4 million to \$1.3 million for the nine months ended September 30, 2020 from \$0.8 million for the nine months ended September 30, 2019. The increase was a result of an increase in property management expenses of \$0.1 million to \$0.6 million for the nine months ended September 30, 2020 from \$0.5 million for the nine months ended September 30, 2019. The remainder of the increase of \$0.3 million is related to repairs and maintenance and insurance for the 81 properties that were acquired as part of the Formation Transactions and the properties that we have acquired since our IPO.

General and administrative – General and administrative expenses increased by \$3.2 million to \$6.2 million for the nine months ended September 30, 2020 from \$3.0 million for the nine months ended September 30, 2019, primarily due to higher professional fees and increased personnel and investor relations expenses as a result of being a public company. In addition, equity-based compensation expense increased by \$1.1 million for the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019 due to additional equity-based compensation expense for awards that have been granted since our IPO.

Depreciation and amortization – Depreciation and amortization expense increased by \$4.3 million to \$6.6 million for the nine months ended September 30, 2020 from \$2.3 million for the nine months ended September 30, 2019 and is primarily related to the properties that we acquired as part of the Formation Transactions and the properties that were acquired since our IPO.

Interest Expense

During the nine months ended September 30, 2020, we incurred interest expense of \$2.1 million compared to \$0.8 million for the nine months ended September 30, 2019. The increase in interest expense is related to the interest paid on the outstanding balance of our Credit Facility. This increase is offset by a loss on early extinguishment of debt of \$0.2 million incurred in connection with the IPO during the nine months ended September 30, 2019.

Cash Flows

Comparison of the nine months ended September 30, 2020 and the nine months ended September 30, 2019

The Company had \$7.8 million of cash and \$0.7 million of escrows and reserves as of September 30, 2020 compared to \$11.0 million of cash and \$0.6 million of escrows and reserves as of September 30, 2019.

Cash flow from operating activities – Net cash provided by operating activities increased by \$3.9 million to \$6.0 million for the nine months ended September 30, 2020 compared to \$2.1 million for the same period in 2019. The increase in net cash provided by operating activities was primarily due to an increase in rental income due to the properties that were acquired as part of our Formation Transactions and the properties acquired since our IPO.

Cash flow from investing activities – Net cash used in investing activities increased by \$22.2 million to \$61.6 million for the nine months ended September 30, 2020 compared to \$39.4 million for the same period in 2019. The increase was primarily due to the acquisition of postal properties during the nine months ended September 30, 2020.

Cash flow from financing activities – Net cash provided by financing activities increased by \$2.8 million to \$50.9 million for the nine months ended September 30, 2020 compared to \$48.1 million for the same period in 2019. This increase was primarily due to higher net borrowings during the nine months ended September 30, 2020 offset by lower proceeds from equity offerings and higher payments of dividends since our IPO.

Non-GAAP Financial Measures

Funds From Operations (“FFO”) and Adjusted Funds From Operations (“AFFO”)

We calculate FFO in accordance with the current National Association of Real Estate Investment Trusts (“NAREIT”) definition. NAREIT currently defines FFO as follows: net income (loss) (computed in accordance with GAAP) excluding depreciation and amortization related to real estate, gains and losses from the sale of certain real estate assets, gains and losses from change in control, and impairment write-downs of certain real estate assets and investments in entities when the impairment is directly attributable to decreases in the value of depreciable real estate held by an entity. Other REITs may not define FFO in accordance with the NAREIT definition or may interpret the current NAREIT definition differently than we do and therefore our computation of FFO may not be comparable to such other REITs.

We calculate AFFO by starting with FFO and adjusting for recurring capital expenditures (defined as all capital expenditures and beginning with Q3 2020, leasing costs that are recurring in nature, excluding beginning with Q2 2020 as a policy change all capital improvements that are planned at the acquisition of a property or obtaining a lease or lease renewal) and acquisition related expenses (defined as acquisition-related expenses that are incurred for investment purposes and do not correlate with the ongoing operations of our existing portfolio, including due diligence costs for acquisitions not consummated and certain auditing and accounting fees incurred that were directly related to completed acquisitions or dispositions) that are not capitalized and then adding back items including: non-real estate depreciation, loss on extinguishment of debt, write-off and amortization of debt issuance costs, straight-line rent adjustments (beginning with Q3 2020, including lump sum catch up payments for increased rents), fair value lease adjustments and non-cash components of compensation expense. AFFO is a non-GAAP financial measure and should not be viewed as an alternative to net income calculated in accordance with GAAP as a measurement of our operating performance. We believe that AFFO is widely-used by other REITs and is helpful to investors as a meaningful additional measure of our ability to make capital investments. Other REITs may not define AFFO in the same manner as we do and therefore our calculation of AFFO may not be comparable to such other REITs.

These metrics are non-GAAP financial measures and should not be viewed as an alternative measurement of our operating performance to net income. Management believes that accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate’ assets diminishes predictably over time. Since real estate values have historically risen or fallen with market conditions, many industry investors and analysts have considered the presentation of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. As a result, we believe that the additive use of FFO and AFFO, together with the required GAAP presentation, is widely-used by our competitors and other REITs and provides a more complete understanding of our performance and a more informed and appropriate basis on which to make investment decisions.

The following table provides a reconciliation of net loss before allocation to non-controlling interests, the most comparable GAAP measure, to FFO and AFFO:

	For the Three Months Ended September 30, 2020
Net loss	\$ (20,185)
Depreciation and amortization	2,394,332
FFO	\$ 2,374,147
Recurring capital expenditures	(51,476)
Amortization of debt issuance costs	123,650
Straight-line rent adjustments	(47,775)
Fair value lease adjustments	(322,687)
Acquisition related expenses	118,732
Non-cash components of compensation expense	569,901
AFFO	\$ 2,764,492

Liquidity and Capital Resources

Analysis of Liquidity and Capital Resources

We had approximately \$7.8 million of cash and \$0.7 million of escrows and reserves as of September 30, 2020.

On September 27, 2019, we entered into the Credit Agreement with People's United Bank, National Association, individually and as administrative agent, BMO Capital Markets Corp., as syndication agent, and certain other lenders. The Credit Agreement provides for the senior revolving Credit Facility with revolving commitments in an aggregate principal amount of a \$100.0 million and a maturity date of September 27, 2023.

The Credit Agreement provides that, subject to customary conditions, including obtaining lender commitments and compliance with its financial maintenance covenants under the Credit Agreement, we may seek to increase the aggregate lending commitments under the Credit Agreement by up to \$100.0 million, with such increase in total lending commitments to be allocated to increasing the revolving commitments.

The interest rates applicable to loans under the Credit Facility are, at our option, equal to either a base rate plus a margin ranging from 0.7% to 1.4% per annum or LIBOR plus a margin ranging from 1.7% to 2.4% per annum, each based on a consolidated leverage ratio. In addition, we paid, for the period through and including the calendar quarter ending March 31, 2020, an unused facility fee on the revolving commitments under the Credit Facility of 0.75% per annum for the first \$100.0 million and 0.25% per annum for the portion of revolving commitments exceeding \$100.0 million, and will pay for the period thereafter, an unused facility fee of 0.25% per annum for the aggregate unused revolving commitments, with both periods utilizing calculations of daily unused commitments under the Credit Facility. We are permitted to prepay all or any portion of the loans under the Credit Facility prior to maturity without premium or penalty, subject to reimbursement of any LIBOR breakage costs of the lenders.

On January 30, 2020, we amended the Credit Agreement in order to exercise a portion of the accordion feature on the Credit Facility to increase permitted borrowings by \$50.0 million to \$150.0 million, subject to the borrowing base properties identified therein remaining unencumbered and subject to an executed lease. As of September 30, 2020, we had \$49.0 million outstanding under our Credit Facility. Also, as of September 30, 2020, the leases at 58 of our properties had expired and the USPS was occupying such properties as a holdover tenant, thereby excluding such properties from being part of the borrowing base under our Credit Facility. On June 25, 2020, the Company further amended the Credit Agreement to revise, among other items, certain definitions and borrowing base calculations to increase available capacity, as well as the restrictive covenant pertaining to Consolidated Tangible Net Worth (as defined in such amendment).

Our Credit Facility is guaranteed, jointly and severally, by our Company and certain indirect subsidiaries of our Company (the "Subsidiary Guarantors") and includes a pledge of equity interests in the Subsidiary Guarantors. The Credit Agreement contains customary covenants that, among other things, restrict, subject to certain exceptions, the ability to incur indebtedness, grant liens on assets, make certain types of investments, engage in acquisitions, mergers or consolidations, sell assets, enter into hedging transactions, enter into certain transactions with affiliates and make distributions. The Credit Agreement requires compliance with consolidated financial maintenance covenants to be tested quarterly, including a maximum consolidated secured indebtedness ratio, maximum consolidated leverage ratio, minimum consolidated fixed charge coverage ratio, minimum consolidated tangible net worth, maximum dividend payout ratio, maximum consolidated unsecured leverage ratio, and minimum debt service coverage ratio. The Credit Agreement also contains certain customary events of default, including the failure to make timely payments under our Credit Facility, any event or condition that makes other material indebtedness due prior to its scheduled maturity, the failure to satisfy certain covenants and specified events of bankruptcy and insolvency.

Our short-term liquidity requirements primarily consist of operating expenses and other expenditures associated with our properties, distributions to our limited partners and distributions to our stockholders required to qualify for REIT status, capital expenditures and potentially acquisitions. We expect to meet our short-term liquidity requirements through net cash provided by operations, cash, borrowings under our Credit Facility and the potential issuance of securities.

Our long-term liquidity requirements primarily consist of funds necessary for the repayment of debt at maturity, property acquisitions and non-recurring capital improvements. We expect to meet our long-term liquidity requirements with net cash from operations, long-term indebtedness including our Credit Facility and mortgage financing, the issuance of equity and debt securities and proceeds from select sales of our properties. We also may fund property acquisitions and non-recurring capital improvements using our Credit Facility pending permanent property-level financing.

We believe we have access to multiple sources of capital to fund our long-term liquidity requirements, including the incurrence of additional debt and the issuance of additional equity securities. However, in the future, there may be a number of factors that could have a material and adverse effect on our ability to access these capital sources, including unfavorable conditions in the overall equity and credit markets, our degree of leverage, our unencumbered asset base, borrowing restrictions imposed by our lenders, general market conditions for REITs, our operating performance, liquidity and market perceptions about us. The success of our business strategy will depend, to a significant degree, on our ability to access these various capital sources. In addition, we continuously evaluate possible acquisitions of postal properties, which largely depend on, among other things, the market for owning and leasing postal properties and the terms on which the USPS will enter into new or renewed leases.

To maintain our qualification as a REIT, we must make distributions to our stockholders aggregating annually at least 90% of our REIT taxable income determined without regard to the deduction for dividends paid and excluding capital gains. As a result of this requirement, we cannot rely on retained earnings to fund our business needs to the same extent as other entities that are not REITs. If we do not have sufficient funds available to us from our operations to fund our business needs, we will need to find alternative ways to fund those needs. Such alternatives may include, among other things, divesting ourselves of properties (whether or not the sales price is optimal or otherwise meets our strategic long-term objectives), incurring indebtedness or issuing equity securities in public or private transactions, the availability and attractiveness of the terms of which cannot be assured.

Consolidated Indebtedness as of September 30, 2020

As of September 30, 2020, we had approximately \$65.8 million of outstanding consolidated principal indebtedness. The following table sets forth information as of September 30, 2020 with respect to the outstanding indebtedness of the Company:

	Amount Outstanding as of September 30, 2020	Interest Rate at September 30, 2020	Maturity Date
Credit Facility ⁽¹⁾	\$ 49,000,000	LIBOR+170bps ⁽²⁾	September 2023
Vision Bank ⁽³⁾	1,474,909	4.00%	September 2036
First Oklahoma Bank ⁽⁴⁾	367,618	4.50%	December 2037
Vision Bank – 2018 ⁽⁵⁾	876,890	5.00%	January 2038
Seller Financing ⁽⁶⁾	445,000	6.00%	January 2025
First Oklahoma Bank – April 2020 ⁽⁷⁾	4,522,311	4.25%	April 2040
First Oklahoma Bank – June 2020 ⁽⁸⁾	9,152,000	4.25%	June 2040
Total Principal	<u>\$ 65,838,728</u>		

Explanatory Notes:

(1) On September 27, 2019, we entered into our Credit Agreement, which provides for revolving commitments in an aggregate principal amount of a \$100.0 million and an accordion feature that permits us to borrow up to \$200.0 million, subject to customary conditions. During the three months ended March 31, 2020, we amended the Credit Agreement in order to exercise a portion our accordion feature to increase permitted borrowings to \$150.0 million from \$100.0 million, subject to the borrowing base properties identified therein remaining unencumbered and subject to an enforceable lease. On April 14, 2020, we borrowed an additional \$6.0 million under the Credit Facility. On June 25, 2020, the Company further amended the Credit Agreement to revise, among other items, certain definitions and borrowing base calculations to increase available capacity, as well as the restrictive covenant pertaining to Consolidated Tangible Net Worth (as defined in such amendment). Refer to Item 5. Other Information of this Quarterly Report for a discussion of such amendment. As of September 30, 2020, \$150.0 million in aggregate principal amount under the Credit Facility was authorized and \$49.0 million was drawn. Our ability to borrow under the Credit Facility is subject to continued compliance with a number of customary affirmative and negative covenants. As of September 30, 2020, we were in compliance with all of the Credit Facility's debt covenants. As of the date of this filing, \$52.0 million is outstanding under the Credit Facility.

- (2) *As of September 30, 2020, the one-month LIBOR rate was 0.15%.*
- (3) *Five properties are collateralized under this loan as of September 30, 2020 with Mr. Spodek as the guarantor. On September 8, 2021 and every five years thereafter, the interest rate will reset at a variable annual rate of Wall Street Journal Prime Rate ("Prime") + 0.5%.*
- (4) *The loan is collateralized by first mortgage liens on four properties and a personal guarantee of payment by Mr. Spodek. Interest rate resets on December 31, 2022 to Prime + 0.25%.*
- (5) *The loan is collateralized by first mortgage liens on one property and a personal guarantee of payment by Mr. Spodek. Interest rate resets on January 31, 2023 to Prime + 0.5%.*
- (6) *In connection with the acquisition of a property, we obtained seller financing secured by the property in the amount \$0.4 million requiring five annual payments of principal and interest of \$105,661 with the first installment due on January 2, 2021 based on a 6.0% interest rate per annum through January 2, 2025.*
- (7) *In connection with the purchase of a 13-building portfolio, the Company obtained \$4.5 million of mortgage financing, at a fixed interest rate of 4.25% with interest only for the first 18 months, which resets in November 2026 to the greater of Prime or 4.25%. The financing matures in April 2040.*
- (8) *The loan is collateralized by first mortgage liens on 22 properties. Interest rates resets in January 2027 to the greater of Prime or 4.25%. The financing matures in June 2040.*

Secured Borrowings as of September 30, 2020

As of September 30, 2020, we had approximately \$16.8 million of secured borrowings outstanding, all of which was fixed rate debt with a weighted average interest rate of 4.3% per annum.

Historically, our Predecessor's equity capital was principally provided by Mr. Spodek as the majority equity owner of the Predecessor entities and its debt capital was principally provided through first mortgage loans on the properties owned by the Predecessor and promissory notes payable to related parties. Following the completion of our IPO and the Formation Transactions, we repaid approximately \$31.7 million of indebtedness of the Predecessor using a portion of the net proceeds from our IPO. Depending on our ability to borrow under our Credit Facility, we may pursue significant secured borrowings in the future; although, we have not entered into any preliminary or binding documentation with respect to any such additional secured borrowings and there is no guarantee that any lender will be willing to lend to us on the terms and timing that we expect, if at all.

Dividends

To maintain our qualification as a REIT, we are required to pay dividends to stockholders at least equal to 90% of our REIT taxable income determined without regard to the deduction for dividends paid and excluding net capital gains. During the three and nine months ended September 30, 2020, we paid cash dividends of \$0.205 and \$0.575 per share, respectively. On October 30, 2020, our Board of Directors approved and we declared a third quarter common stock dividend of \$0.215 per share which is payable on November 30, 2020 to stockholders of record on November 16, 2020.

Subsequent Real Estate Acquisitions

As of November 11, 2020, we purchased 14 postal properties for approximately \$8.0 million during the period subsequent to September 30, 2020.

Acquisition Pipeline

In addition, the Company has entered into agreements to acquire 12 postal properties for approximately \$10.1 million. The majority of these transactions are anticipated to close during the fourth quarter subject to the satisfaction of customary closing conditions. Furthermore, the Company has signed a material agreement for an approximately 431,000 square foot industrial building in Warrendale, Pennsylvania for \$47.0 million. The USPS occupies 73.0% of this property as a distribution facility. The Company is currently performing formal due diligence procedures customary for this transaction and cannot provide assurance as to the timing of when, or on what terms, the transaction will close, if at all.

We continue to identify, and are in various stages of reviewing, additional postal properties for acquisition and believe there are strong opportunities to continue growing our pipeline.

Off-Balance Sheet Arrangements

As of September 30, 2020, we did not have any off-balance sheet arrangements.

Critical Accounting Policies and Estimates

Refer to the heading titled “Critical Accounting Policies and Estimates” in Company’s Annual Report on Form 10-K for the year ended December 31, 2019 for a discussion of our critical accounting policies and estimates of the Predecessor and the Company, as applicable.

New Accounting Pronouncements

For a discussion of our adoption of new accounting pronouncements, please see Note 3 of our Consolidated and Combined Consolidated Financial Statements included herein.

Inflation

Because most of our leases provide for fixed annual rental payments without annual rent escalations, our rental income is fixed while our property operating expenses are subject to inflationary increases. A majority of our leases provide for tenant reimbursement of real estate taxes and thus the tenant must reimburse us for real estate taxes. We believe that if inflation increases expenses over time, increases in lease renewal rates will materially offset such increase.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss from adverse changes in market prices and interest rates. Our future earnings, cash flows and fair values relevant to financial instruments are dependent upon prevailing market interest rates. Our primary market risk results from our indebtedness, which bears interest at both fixed and variable rates. Subject to maintaining our status as a REIT for federal income tax purposes, we may manage our market risk on variable rate debt through the use of derivative instruments such as interest cap agreements to, in effect, cap the interest rate on all or a portion of the debt for varying periods up to maturity. In the future, we may use interest rate swaps or other derivatives that fix the rate on all or a portion of our variable rate debt for varying periods up to maturity. This in turn, reduces the risks of variability of cash flows created by variable rate debt and mitigates the risk of increases in interest rates. Our objective when undertaking such arrangements will be to reduce our floating rate exposure. However, we provide no assurance that our efforts to manage interest rate volatility will successfully mitigate the risks of such volatility in our portfolio and we do not intend to enter into hedging arrangements for speculative purposes. We may utilize swap arrangements in the future.

As of September 30, 2020, our total indebtedness was approximately \$65.8 million, consisting of approximately \$49.0 million of variable-rate debt and approximately \$16.8 million of fixed rate debt. Assuming no increase in the amount of our outstanding variable-rate indebtedness, if the one-month LIBOR were to increase or decrease by 0.50%, our cash flows would decrease or increase by approximately \$245,000 on an annualized basis.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act of 1934, as amended (the “Exchange Act”)), that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is processed, recorded, summarized and reported within the time periods specified in the rules and regulations of the SEC and that such information is accumulated and communicated to management, including our Chief Executive Officer (Principal Executive Officer) and President, Treasurer and Secretary (Principal Financial Officer), as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

We have carried out an evaluation, under the supervision and with the participation of management, including our Principal Executive Officer and Principal Financial Officer, regarding the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, our Principal Executive Officer and Principal Financial Officer have concluded, as of the end of the period covered by this report, that our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in reports filed or submitted under the Exchange Act (i) is processed, recorded, summarized and reported within the time periods specified in the SEC’s rules and forms and (ii) is accumulated and communicated to our management, including our Principal Executive Officer and our Principal Financial Officer, as appropriate to allow for timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting that occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may in the future be party to various claims and routine litigation arising in the ordinary course of business. Our management does not believe that any such litigation will materially affect our financial position or operations.

Item 1A. Risk Factors

The following risk factors update and supplement the risk factors disclosed in the section entitled “Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2019, and in Part II, Item 1A. of our Quarterly Reports on Form 10-Q for the three months ended March 31, 2020 and June 30, 2020, respectively.

SUMMARY

Risks Related to the USPS

- Our business is substantially dependent on the demand for post office space.
- The USPS’s inability to meet its financial obligations may have a material adverse effect on our business.
- The USPS has a substantial amount of indebtedness.
- The USPS is subject to congressional oversight and regulation by the Postal Regulatory Commission (the “PRC”) and other agencies.
- The business and results of operations of the USPS are significantly affected by competition from both competitors in the delivery marketplace as well as substitute products and digital communication.
- The USPS’s potential insolvency, inability to pay rent or bankruptcy may have a material adverse effect on our business.
- Our properties may have a higher risk of terrorist attacks.
- The ongoing novel coronavirus (“COVID-19”) pandemic and measures being taken to prevent its spread, including government-imposed travel related limitations, could negatively impact the USPS.
- We have begun to adopt and utilize the USPS’s revised form of our modified double-net lease.
- Changes in leadership, structure, operations and strategy within the USPS may disrupt our business.
- Litigation involving the USPS, including those related to changes in the USPS’s operations, the 2020 presidential election and mail-in voting, may disrupt our business.

Risks Related to Our Business Operations

- We may be unable to acquire and/or manage additional USPS-leased properties at competitive prices or at all.
- We currently have a concentration of post office properties in Pennsylvania, Wisconsin, Texas, Maine, Oklahoma and Illinois and are exposed to changes in regional or local conditions in these states.
- We may be unable to renew leases or sell vacated properties on favorable terms, or at all, as leases expire.
- Property vacancies could result in significant capital expenditures and illiquidity.
- As of November 11, 2020, the leases at 52 of our properties were expired and the USPS is occupying such properties as a holdover tenant.
- Our use of OP Units as consideration to acquire properties could result in stockholder dilution and/or limit our ability to sell such properties.
- Post office properties are illiquid.
- Our real estate taxes for properties where we are not reimbursed could increase.
- Increases in mortgage rates or unavailability of mortgage debt may make it difficult for us to finance or refinance our debt.
- Mortgage debt obligations expose us to the possibility of foreclosure.
- Changes in the method pursuant to which the reference rates are determined and the phasing out of LIBOR may affect our financial results.
- Covenants in our debt agreements could adversely affect our financial condition.
- Failure to hedge effectively against interest rate changes may have a material adverse effect on our business.
- Our success depends on key personnel whose continued service is not guaranteed.
- Joint venture investments could be adversely affected by our lack of sole decision-making authority, our reliance on co-venturers’ financial condition and disputes between us and our co-venturers.
- We face cybersecurity risks and risks associated with security breaches.
- Our growth depends on external sources of capital that are outside of our control and may not be available to us on commercially reasonable terms or at all.
- We could incur significant costs and liabilities related to environmental matters.
- Our properties may contain or develop harmful mold or suffer from other air quality issues.
- We are subject to risks from natural disasters, such as earthquakes and severe weather, and the risks associated with the physical effects of climate change.
- Our properties may be subject to impairment charges.
- Our title insurance policies may not cover all title defects.
- We may incur significant costs complying with various federal, state and local laws, regulations and covenants applicable to our properties.
- We may acquire properties that are (i) leased to both the USPS and non-postal tenants, (ii) leased solely to non-postal tenants or (iii) in markets that are new to us.

Risks Related to Our Organizational Structure

- Mr. Spodek and his affiliates own, directly or indirectly, a substantial beneficial interest in our company on a fully diluted basis and have the ability to exercise significant influence on our company and our operating partnership.
- Conflicts of interest may exist or could arise in the future between the interests of our stockholders and the interests of holders of units in our operating partnership.
- Our charter contains certain provisions restricting the ownership and transfer of our stock that may delay, defer or prevent a change of control transaction.
- We could increase the number of authorized shares of stock, classify and reclassify unissued stock and issue stock without stockholder approval.
- Certain provisions of the Maryland General Corporation Law (the “MGCL”) could inhibit changes of control, which may discourage third parties from conducting a tender offer or seeking other change of control transactions.
- Certain provisions in the partnership agreement of our operating partnership may delay or prevent unsolicited acquisitions of us.
- Tax protection agreements may limit our ability to sell or otherwise dispose of certain properties and may require our Operating Partnership to maintain certain debt levels that otherwise would not be required.
- Our board of directors may change our strategies, policies and procedures without stockholder approval, and we may become more highly leveraged, which may increase our risk of default under our debt obligations.
- Our rights and the rights of our stockholders to take action against our directors and officers are limited.
- We are a holding company with no direct operations, and the interests of our stockholders are structurally subordinated to all liabilities and obligations of our operating partnership and its subsidiaries.
- Our operating partnership may issue additional OP Units to third parties without the consent of our stockholders.

Risks Related to Our Status as a REIT

- Failure to remain qualified as a REIT would cause us to be taxed as a regular corporation.
- Even if we qualify as a REIT, we may face other tax liabilities that reduce our cash flows.
- Failure to make required distributions would subject us to federal corporate income tax.
- Complying with REIT requirements may cause us to forego certain opportunities or investments.
- The prohibited transactions tax may limit our ability to dispose of our properties.
- We could be affected by tax liabilities or earnings and profits of our Predecessor.
- There are uncertainties relating to the estimate of the accumulated earnings and profits attributable to UPH.
- A sale of assets acquired as part of the merger between us and UPH within five years after the merger would result in corporate income tax.
- The ability of our board of directors to revoke our REIT qualification without stockholder approval.
- Our transactions with our TRS will cause us to be subject to a 100% penalty tax on certain income or deductions if those transactions are not conducted on arm’s-length terms.
- You may be restricted from acquiring or transferring certain amounts of our Class A common stock.
- Dividends payable by REITs generally do not qualify for the reduced tax rates on dividend income from regular corporations.
- If our operating partnership failed to qualify as a partnership for federal income tax purposes, we would cease to qualify as a REIT.
- To maintain our REIT status, we may be forced to borrow funds during unfavorable market conditions or on unfavorable terms at desired times.
- Covenants in our agreements for our credit facilities or other borrowings may restrict our ability to pay distributions.
- New legislation or administrative or judicial action, in each instance potentially with retroactive effect, could adversely affect us or our stockholders.

General Risk Factors

- An increase in market interest rates may have an adverse effect on the market price of our securities.
- Future offerings of equity securities may adversely affect the market price of our Class A common stock.
- The market price of our Class A common stock has been, and may continue to be, volatile and has declined, and may continue to decline.
- Future sales of our Class A common stock, preferred stock, or securities convertible into or exchangeable or exercisable for our Class A common stock could depress the market price of our Class A common stock.

The following risk factors may adversely affect our overall business, financial condition, results of operations, and cash flows; our ability to make distributions to our stockholders; our access to capital; or the market price of our Class A common stock, as further described in each risk factor below. In addition to the information set forth herein, in our Annual Report on Form 10-K and in our Quarterly Reports on Form 10-Q, one should carefully review and consider the information contained in our other reports and filings that we make with the SEC. The risks that we describe in our public filings are not the only risks that we face. Additional risks and uncertainties not presently known to us, or that we currently consider immaterial, also may materially adversely affect our business, financial condition, and results of operations. Additional information regarding forward-looking statements is included herein.

Risks Related to the USPS

Our business is substantially dependent on the demand for post office space.

Any significant decrease in the demand for post office space could have an adverse effect on our business. Since 2010, the number of retail post office locations nationwide has decreased. Further reductions in the number of post office properties could result in entering into leases with the USPS in the future on less favorable terms than current leases, the failure of the USPS to renew leases for our properties and the reduction of the number of acquisition opportunities available to us. The level of demand for post office properties may be impacted by a variety of factors outside of our control, including changes in U.S. federal government and USPS policies or funding, changes in population density, the health and sustainability of local, regional and national economies, the existence of epidemics and pandemics, such as the ongoing COVID-19 pandemic, and the demand and use of the USPS. Moreover, technological innovations, such as autonomous delivery devices, may decrease the need for hand delivery or in-person pick up, thereby decreasing the demand for retail post offices. In addition, package delivery service providers, such as FedEx, have announced plans to implement autonomous delivery devices to assist retail companies with same-day and last-mile deliveries. The development, implementation and broad adoption of these devices may decrease the demand for postal services.

The USPS's inability to meet its financial obligations may render it insolvent or increase the likelihood of Congressional or regulatory reform of the USPS, which may have a material adverse effect on our business and operations.

A significant portion of the USPS's liabilities consist of unfunded fixed benefits, such as pensions and healthcare, to retired USPS workers. Although Congress regularly debates the future of the USPS, the USPS is unlikely to be able to retire its existing liabilities without regulatory or Congressional relief. If the USPS becomes unable to meet its financial obligations, many of our leases may be vacated by the USPS, which would have a material adverse effect on our business and operations. Any Congressional or regulatory action that decreases demand by the USPS for leased postal properties would also have a material adverse effect on our business and operations. We cannot predict whether any currently contemplated reforms or any reforms pursued by any new presidential administration will ultimately take effect and, if so, how such reforms would specifically affect us.

The USPS has a substantial amount of indebtedness.

On April 1, 1999, the USPS entered into a Note Purchase Agreement (as amended, the "NPA") with the Federal Financing Bank (the "FFB") for the purpose of obtaining debt financing. Under the NPA, FFB is required to purchase notes from the USPS meeting specified conditions, up to the established maximum amounts, within five business days of delivery. The amount that the USPS borrows under the NPA varies from year to year depending upon the needs of the organization. Historically, all of the USPS's outstanding debt has been obtained through the NPA. The most recent extension to the NPA, however, expired on August 31, 2019. If the USPS cannot reach acceptable terms with FFB on an extension of the NPA, the USPS would need to seek debt financing through other means, either through individual agreements with FFB (on terms that may differ from those set forth in the NPA) or from other sources. There can be no assurance that the USPS will be able to extend the term of the NPA or obtain alternative debt financing on the terms or timing that it expects, if at all. If the USPS is unable to extend the NPA with the FFB, the USPS may not be able to refinance debt with the FFB in the future at comparable terms to those currently available.

The USPS has significant outstanding debt obligations to the FFB, and a significant underfunded Postal Service Retiree Health Benefit Fund ("PSRHB") liability, which the USPS is required to fund in future periods. Additionally, the USPS has underfunded retirement benefits amortization payable to the Civil Service Retirement System ("CSRS") and Federal Employees Retirement System ("FERS") funds, which the USPS is required to fund in future periods. The USPS's significant indebtedness and unpaid retirement and retiree health obligations could require the USPS to dedicate a substantial portion of its future cash flow from operations to payments on debt and retirement and retiree healthcare obligations, thus reducing the availability of cash flow to fund operating expenses, including lease payments, working capital, capital expenditures and other business activities.

The USPS is subject to congressional oversight and regulation by the PRC and other government agencies.

The USPS has a wide variety of stakeholders whose interests and needs are sometimes in conflict. The USPS operates as an independent establishment of the executive branch of the U.S. government and, as a result, is subject to a variety of regulations and other limitations applicable to federal agencies. The ability of the USPS to raise rates for its products and services is subject to the regulatory oversight and approval of the PRC. Limitations on the USPS's ability to take action could adversely affect its operating and financial results, and as a result, reduce demand for leasing post office properties.

Furthermore, a change in the structure, mission, or leasing requirements of the USPS, a significant reduction in the USPS's workforce, a relocation of personnel resources, other internal reorganization or a change in the post offices occupying our properties, would affect our lease renewal opportunities and have a material adverse effect on our business, financial condition and results of operations. In addition, any change in the federal government's treatment of the USPS as an independent agency, including, but not limited to, the privatization of all or a portion of the USPS business operations, may have a material adverse effect on our business.

The business and results of operations of the USPS are significantly affected by competition from both competitors in the delivery marketplace as well as substitute products and digital communication.

Failure of the USPS to compete effectively and operate efficiently, grow marketing mail and package delivery services, and increase revenue and contribution from other sources, will adversely impact the USPS's financial condition and this adverse impact will become more substantial over time. The USPS's marketplace competitors include both local and national providers of package delivery services. The USPS's competitors have different cost structures and fewer regulatory restrictions and are able to offer differing services and pricing, which may hinder the USPS's ability to remain competitive in these service areas. In addition, most of the USPS's competitors have access to capital markets, which allows them greater flexibility in the financing and expansion of their business. Customer usage of postal services continues to shift to substitute products and digital communication. The use of e-mail and other forms of electronic communication have reduced first class mail volume, as have electronic billing and payment. Marketing mail has recently experienced declines due to mailers' growing use of digital advertising including digital mobile advertising. The volume of periodicals services continues to decline as consumers increasingly use electronic media for news and information. The growth in the USPS's competitive service volumes is largely attributable to certain of the USPS's largest customers, UPS, FedEx and Amazon. Each of these customers is building delivery capability that could enable it to divert volume away from the USPS over time. If these customers divert significant volume away from the USPS, the growth in the USPS's competitive service volumes may not continue, and there may be reduced demand for leasing postal properties by the USPS.

The USPS's potential insolvency, inability to pay rent or bankruptcy (i) could have a material adverse effect on our financial condition, results of operations, cash flow, cash available for distribution, and our ability to service our debt obligations and (ii) could result in our inability to continue as a going concern.

Default by the USPS is likely to cause a significant or complete reduction in the operating cash flow generated by our properties. There can be no assurance that the USPS will be able to avoid insolvency, make timely rental payments or avoid defaulting under its leases. If the USPS defaults, we may experience delays in enforcing our rights as landlord and may incur substantial costs in protecting our investment. Because we depend on rental payments from the USPS, the inability of the USPS to make its lease payments could adversely affect us and our ability to make distributions to you.

Although we do not believe that bankruptcy protection under the United States bankruptcy code is available to the USPS, the law is unclear. If the USPS were to file for bankruptcy, we would become a creditor, but we may not be able to collect all or any of the pre-bankruptcy amounts owed to us by the USPS. In addition, if the USPS were to file for bankruptcy protection, it potentially could terminate its leases with us under federal law, in which event we would have a general unsecured claim against the USPS that would likely be worth less than the full amount owed to us for the remainder of the lease term. This would have a severe adverse effect on our business, financial condition and results of operations.

Because the USPS is an independent agency of the U.S. federal government, our properties may have a higher risk of terrorist attacks than similar properties leased to non-governmental tenants.

Terrorist attacks may materially adversely affect our operations, as well as directly or indirectly damage our assets, both physically and financially. Because the USPS is, and is expected to continue to be, an independent agency of the U.S. federal government, our properties are presumed to have a higher risk of terrorist attack than similar properties that are leased to non-governmental affiliated tenants. Terrorist attacks, to the extent that these properties are uninsured or underinsured, could have a material adverse effect on our business, financial condition and results of operations.

The ongoing COVID-19 pandemic and measures being taken to prevent its spread, including government-imposed travel related limitations, could negatively impact demand for USPS services and post office properties which could have a material adverse effect on our business, results of operations and financial condition.

The ongoing COVID-19 pandemic and measures being taken to prevent its spread has resulted in a reduction in foot traffic in many public places, including post office properties. A continued reduction in the use of in-person services may reduce the demand for post office properties by the USPS and our results of operations could decline as a result. The ongoing COVID-19 pandemic has also caused a decline in mail volume, particularly in advertising conducted through the mail, which may adversely affect the USPS's financial condition, and therefore the demand for post office properties. Continued reduction or permanent changes to mail volume could reduce demand for postal properties and materially adversely affect our result of operations.

Further, although the Coronavirus Aid, Relief, and Economic Security (CARES) Act includes a \$10 billion loan to the USPS, there can be no assurances that this financing will be approved or sufficient to sustain USPS operations in light of current shortfalls resulting from reduced mail volumes. As of the date of this report, the USPS has not received any portion of the contemplated \$10 billion loan. Moreover, two related bills proposed to provide the USPS with alternate funding in the amounts of \$25 billion or \$10 billion failed to pass in the third quarter of 2020.

In addition, the USPS is dependent on the efforts of its employees, many of whom come into contact with a large number of individuals on a daily basis. If USPS employees are unwilling or unable to report to work regularly because of the ongoing COVID-19 pandemic or USPS services are otherwise diminished as a result of governmental response to the pandemic, the demand for USPS services or the reputation of the USPS may suffer, leading to a reduced need for post office properties and adversely affecting our business and results of operations.

Furthermore, given the dislocation and government-imposed travel related limitations as a consequence of the pandemic: (i) we have permitted certain employees to work from home, which previously slowed, and may in the future slow, certain routine processes; and (ii) we were, and may in the future be, impacted by delays in communications with, and operations of, various counterparties. Although the effectiveness of our work from home practices have improved since implementation, the continued and future improvement of such practices, as well as communications with, and the operations of, various counterparties, is highly uncertain and cannot be predicted.

We have begun to adopt and utilize the USPS's revised form of our modified double-net lease, which transfers the responsibility for additional maintenance expenses and obligations to the landlord, including some components of plumbing and electrical systems, and compensate third-party brokers of the USPS.

The USPS has adopted a revised form of our modified double-net lease, which transfers the responsibility for some additional maintenance expenses and obligations to the landlord, including some components of plumbing and electrical systems. We have begun to adopt and utilize the USPS's revised form of our modified double-net lease and pay commissions to third-party brokers of the USPS. As of November 11, 2020, we have agreed to terms with the USPS on an addendum to its revised form of lease for leases acquiring annual rent in excess of \$25,000, pursuant to which documentation requirements are streamlined and some of the new responsibilities placed on the landlord by the USPS' revised form of our modified double-net lease would be mitigated. To date, we have entered into 29 leases reflecting this revised form, including the addendum where applicable, for leases that expired in 2019 or 2020, or are set to expire in 2020.

We anticipate that we will execute new, revised-form leases for all remaining leases that have expired in 2019 or 2020, or will expire in 2020. The potential effects and increased costs associated with adopting and utilizing the USPS's revised form of our modified double-net lease and paying commissions to third-party brokers of the USPS may limit the number of attractive investment opportunities going forward and our financial condition, results of operations, cash flow and growth prospects could be materially adversely affected. There can be no guarantee that any new leases that we enter into with the USPS will reflect our expectations with respect to terms or timing.

Changes in leadership, structure, operations and strategy within the USPS, may disrupt our business, which could have a material effect on our operations, financial position and results of operations.

In May 2020, the USPS Board of Governors unanimously appointed Louis DeJoy as the Postmaster General. Mr. DeJoy took office on June 15, 2020. Since then, the USPS reassigned or displaced at least twenty-three postal executives including two executives overseeing day-to-day operations. The USPS also implemented a management hiring freeze and requested future Voluntary Early Retirement Authority from the Office of Personnel Management for certain employees not represented by a collective bargaining agreement.

Most recently, Mr. DeJoy has announced a modified organizational structure for the USPS, which is designed to focus on three business operating units: (i) retail and delivery; (ii) logistics and processing; and (iii) commerce and business solutions. As part of the modified organizational structure, logistics and mail processing operations will report into the new Logistics and Processing Operations organization separate from existing area and district reporting structures. This includes all mail processing facilities and local transportation network offices. These changes are being made in an effort to reduce costs and it is possible that the USPS will implement additional changes to reduce expenses.

The extent to which these changes, among others, will affect our business, liquidity, financial condition, and results of operations, will depend on numerous evolving factors that we may not be able to accurately predict or assess. The USPS is subject to legislative and other constraints which may affect its ability to maintain adequate liquidity to sustain its current operations, which may result in the USPS reducing its number of post office locations and adversely affecting our business and results of operations.

Litigation involving the USPS, including those related to changes in the USPS's operations, the 2020 presidential election and mail-in voting, may disrupt our business, which could have a material effect on our operations, financial position and results of operations.

As a result of (i) the proposed and executed operational, managerial and strategic changes within the USPS and (ii) the ongoing COVID-19 pandemic, which significantly increased the number of absentee ballots utilized for the 2020 presidential election, the USPS is the focal point of recent litigation. As of November 2020, twelve lawsuits have been filed against Mr. DeJoy, the USPS and President Donald Trump pertaining to operational changes at the USPS, mail delays and mail-in voting for the 2020 presidential election.

If, as a result of any backlogs, political rhetoric or litigation, the USPS suffers reputational or financial harm or an increase in regulatory scrutiny, the demand for USPS services may decline, which may lead to reduced demand for USPS properties. The results of these changes or any future changes could lead to additional delays or financing shortfalls for the USPS.

Risks Related to Our Business and Operations

We may be unable to acquire and/or manage additional USPS-leased properties at competitive prices or at all.

A significant portion of our business plan is to acquire additional properties that are leased to the USPS. There are a limited number of such properties, and we will have fewer opportunities to grow our investments than REITs that purchase properties that are leased to a variety of tenants or that are not leased when they are acquired. In addition, the current ownership of properties leased to the USPS is highly fragmented with the overwhelming majority of owners holding a single property. As a result, we may need to expend resources to complete our due diligence and underwriting process on many individual properties, thereby increasing our acquisition costs and possibly reducing the amount that we are able to pay for a particular property. Accordingly, our plan to grow our business largely by acquiring additional properties that are leased to the USPS and managing properties leased to the USPS by third parties may not succeed. In addition, because of our public profile as the only publicly traded REIT dedicated to USPS properties, our operations may generate new interest in USPS-leased properties from other REITs, real estate companies and other investors with more resources than we have that did not previously focus on investment opportunities with USPS-leased properties.

We currently have a concentration of post office properties in Pennsylvania, Wisconsin, Maine, Texas, Oklahoma and Illinois and are exposed to changes in regional or local conditions in these states.

Our business may be adversely affected by regional or local conditions and events in the areas in which we operate, particularly in Pennsylvania, Wisconsin, Maine, Texas, Oklahoma and Illinois where many of our post office properties are concentrated. Factors that may affect our occupancy levels, our rental revenues, our funds from operations or the value of our properties include the following, among others:

- downturns in global, national, regional and local economic conditions;
- unforeseen events beyond our control, including, among others, terrorist attacks and travel related health concerns including pandemics and epidemics;
- possible reduction of the USPS workforce; and
- economic conditions that could cause an increase in our operating expenses, insurance and routine maintenance.

We may be unable to renew leases or sell vacated properties on favorable terms, or at all, as leases expire, which could materially adversely affect us, including our financial condition, results of operations, cash flow, cash available for distribution and our ability to service our debt obligations.

We cannot assure you that any leases will be renewed or that vacated properties will be sold on favorable terms, or at all. If rental rates for our properties decrease, our existing tenant does not renew their leases or we do not sell vacated properties on favorable terms, our financial condition, results of operations, cash flow, cash available for distributions and our ability to service our debt obligations could be materially adversely affected.

Property vacancies could result in significant capital expenditures and illiquidity.

The loss of a tenant through lease expiration may require us to spend significant amounts of capital to renovate the property before it is suitable for a new tenant. Substantially all of the properties we acquire are specifically suited to the particular business of the USPS and, as a result, if the USPS does not renew its lease, we may be required to renovate the property at substantial costs, decrease the rent we charge or provide other concessions in order to lease the property to another tenant. In the event we are required to sell the property, we may have difficulty selling it to a party other than the USPS. This potential illiquidity may limit our ability to quickly modify our portfolio in response to changes in economic or other conditions, which may materially and adversely affect us.

As of November 11, 2020, the leases at 52 of our properties were expired and the USPS is occupying such properties as a holdover tenant. If we are not successful in renewing these expired leases, we will likely experience reduced occupancy, rental income and net operating income, which could have a material adverse effect on our financial condition, results of operations and ability to make distributions to stockholders.

As of November 11, 2020, the leases at 52 of our properties (consisting of one lease for which the lease expired in 2018 which we acquired in July 2020, 15 properties for which leases expired in 2019, including six leases that expired as of the date of our acquisition, and 36 properties for which leases expired in 2020) were expired and the USPS is occupying such properties as a holdover tenant, aggregating approximately 200,000 interior square feet and \$2.5 million in annualized rental income. When a lease expires, the USPS becomes a holdover tenant on a month-to-month basis, typically paying the greater of estimated market rent or the rent amount under the expired lease. Due to the fact that the USPS is occupying 52 of our properties as a holdover tenant, such properties are currently excluded from being part of the borrowing base under our Credit Facility as of November 11, 2020.

Although we have agreed in non-binding letters of intent to preliminary terms on rental rates for all leases that have expired or will expire in 2020, as of November 11, 2020, we have executed 29 leases with respect to such expired or soon-to-expire leases. We anticipate that we will execute new, revised-form leases for all remaining leases that have expired or will expire, and the addendum discussed herein, as applicable. However, there can be no guarantee that any new leases that we enter into with the USPS will reflect our expectations with respect to terms or timing.

We might not be successful in renewing the leases that are in holdover status or that are expiring in 2020, or obtaining positive rent renewal spreads, or even renewing the leases on terms comparable to those of the expiring leases. If we are able to renew these expired leases, the lease terms may not be comparable to those of the previous leases. If we are not successful, we will likely experience reduced occupancy, rental income and net operating income, as well as diminished borrowing capacity which could have a material adverse effect on our financial condition, results of operations and ability to make distributions to stockholders.

Our use of OP Units as consideration to acquire properties could result in stockholder dilution and/or limit our ability to sell such properties, which could have a material adverse effect on us.

We may acquire properties or portfolios of properties through tax deferred contribution transactions in exchange for OP Units, which may result in stockholder dilution. This acquisition structure may have the effect of, among other things, reducing the amount of tax depreciation we could deduct over the tax life of the acquired properties, and may require that we agree to protect the contributors' ability to defer recognition of taxable gain through restrictions on our ability to dispose of the acquired properties and/or the allocation of partnership debt to the contributors to maintain their tax bases. These restrictions could limit our ability to sell properties at a time, or on terms, that would be favorable absent such restrictions.

Illiquidity of post office properties could significantly impede our ability to respond to adverse changes in the performance of our properties and harm our financial condition.

Our ability to promptly sell one or more post office properties in our portfolio in response to changing economic, financial and investment conditions may be limited. Certain types of real estate and in particular, post offices, may have limited alternative uses and thus are relatively illiquid. Return of capital and realization of gains, if any, from an investment generally will occur upon disposition or refinancing of the underlying property. We may be unable to realize our investment objectives by sale, other disposition or refinancing at attractive prices within any given period of time or may otherwise be unable to complete any exit strategy. In particular, our ability to dispose of one or more post office properties within a specific time period is subject to certain limitations imposed by our tax protection agreements, as well as weakness in or even the lack of an established market for a property, changes in the financial condition or prospects of prospective purchasers, changes in national or international economic conditions and changes in laws, regulations or fiscal policies of jurisdictions in which the property is located.

In addition, the Code imposes restrictions on a REIT's ability to dispose of properties that are not applicable to other types of real estate companies. In particular, the tax laws applicable to REITs effectively require that we hold our properties for investment, rather than primarily for sale in the ordinary course of business, which may cause us to forego or defer sales of properties that otherwise would be in our best interests. Therefore, we may not be able to vary our portfolio in response to economic or other conditions promptly or on favorable terms.

Our real estate taxes for properties where we are not reimbursed could increase due to property tax rate changes or reassessment, which could negatively impact our cash flows, financial condition, results of operations, per share market price of our Class A common stock, our ability to satisfy our principal and interest obligations and our ability to make distributions to our stockholders.

Even though we currently qualify as a REIT for U.S. federal income tax purposes, we are required to pay state and local taxes on some of our properties. The real property taxes on our properties may increase as property tax rates change or as our properties are assessed or reassessed by taxing authorities. Therefore, the amount of property taxes we pay in the future may increase substantially from what we have paid in the past. If the property taxes we pay increase, our financial condition, results of operations, cash flows, per share trading price of our Class A common stock and our ability to satisfy our principal and interest obligations and to make distributions to our stockholders could be adversely affected.

Increases in mortgage rates or unavailability of mortgage debt may make it difficult for us to finance or refinance our debt, which could have a material adverse effect on our financial condition, growth prospects and our ability to make distributions to stockholders.

If mortgage debt is unavailable to us at reasonable rates or at all, we may not be able to finance the purchase of additional properties or refinance existing debt when it becomes due. If interest rates are higher when we refinance our properties, our income and cash flow could be reduced, which would reduce cash available for distribution to our stockholders and may hinder our ability to raise more capital by issuing more stock or by borrowing more money. In addition, to the extent we are unable to refinance our debt when it becomes due, we will have fewer debt guarantee opportunities available to offer under our tax protection agreements, which could trigger an obligation to indemnify the protected parties under the tax protection agreements.

Mortgage debt obligations expose us to the possibility of foreclosure, which could result in the loss of our investment in a property or group of properties subject to mortgage debt.

Mortgage and other secured debt obligations increase our risk of property losses because defaults on indebtedness secured by properties may result in foreclosure actions initiated by lenders and ultimately our loss of the property securing any loans for which we are in default. Any foreclosure on a mortgaged property or group of properties could adversely affect the overall value of our portfolio of properties. For tax purposes, a foreclosure on any of our properties that is subject to a nonrecourse mortgage loan would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure, but would not receive any cash proceeds, which could hinder our ability to meet the REIT distribution requirements imposed by the Code. Foreclosures could also trigger our tax indemnification obligations under the terms of our tax protection agreements with respect to the sales of certain properties.

Changes in the method pursuant to which the reference rates are determined and the phasing out of LIBOR after 2021 may affect our financial results.

The chief executive of the United Kingdom Financial Conduct Authority ("FCA"), which regulates LIBOR, has announced that the FCA intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. It is not possible to predict the effect of these changes, other reforms or the establishment of alternative reference rates in the United Kingdom or elsewhere. Furthermore, in the United States, efforts to identify a set of alternative U.S. dollar reference interest rates include proposals by the Alternative Reference Rates Committee of the Federal Reserve Board and the Federal Reserve Bank of New York. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large US financial institutions, is considering replacing U.S. dollar LIBOR with the Secured Overnight Financing Rate ("SOFR"), a new index calculated by short-term repurchase agreements, backed by Treasury securities. The Federal Reserve Bank of New York began publishing SOFR rates in April 2018. The market transition away from LIBOR and towards SOFR is expected to be gradual and complicated. There are significant differences between LIBOR and SOFR, such as LIBOR being an unsecured lending rate and SOFR a secured lending rate, and SOFR is an overnight rate and LIBOR reflects term rates at different maturities. These and other differences create the potential for basis risk between the two rates. The impact of any basis risk between LIBOR and SOFR may negatively affect our operating results. Any of these alternative methods may result in interest rates that are higher than if LIBOR were available in its current form, which could have a material adverse effect on results.

Any changes announced by the FCA, including the FCA Announcement, other regulators or any other successor governance or oversight body, or future changes adopted by such body, in the method pursuant to which reference rates are determined may result in a sudden or prolonged increase or decrease in the reported reference rates. If that were to occur, the level of interest payments we incur may change. In addition, although certain of our LIBOR based obligations provide for alternative methods of calculating the interest rate payable on certain of our obligations if LIBOR is not reported, which include requesting certain rates from major reference banks in London or New York, or alternatively using LIBOR for the immediately preceding interest period or using the initial interest rate, as applicable, uncertainty as to the extent and manner of future changes may result.

Covenants in our debt agreements could adversely affect our financial condition.

Our Credit Agreement contains customary restrictions, requirements and other limitations on our ability to incur indebtedness. We must maintain certain ratios, including a maximum of total indebtedness to total asset value, a maximum of secured indebtedness to total asset value, a minimum of quarterly adjusted EBITDA to fixed charges, a minimum net operating income from unencumbered properties to unsecured interest expense and a maximum of unsecured indebtedness to unencumbered asset value. Our ability to borrow under our Credit Agreement is subject to compliance with our financial and other covenants.

Failure to comply with any of the covenants under our Credit Agreement or other debt instruments could result in a default under one or more of our debt instruments. In particular, we could suffer a default under a secured debt instrument that could exceed a cross-default threshold under our Credit Agreement, causing an event of default under the Credit Agreement. Under those circumstances, other sources of capital may not be available to us or be available only on unattractive terms. In addition, if we breach covenants in our debt agreements, the lenders can declare a default and, if the debt is secured, take possession of the property securing the defaulted loan.

Alternatively, even if a secured debt instrument is below the cross-default threshold for non-recourse secured debt under our Credit Agreement a default under such secured debt instrument may still cause a cross default under our Credit Agreement because such secured debt instrument may not qualify as “non-recourse” under the definition in our Credit Agreement. Another possible cross default could occur between our Credit Agreement and any senior unsecured notes that we issue. Any of the foregoing default or cross-default events could cause our lenders to accelerate the timing of payments and/or prohibit future borrowings, either of which would have a material adverse effect on our business, operations, financial condition and liquidity.

Failure to hedge effectively against interest rate changes may adversely affect our financial condition, results of operations, cash flow, cash available for distribution and our ability to service our debt obligations.

Subject to maintaining our qualification as a REIT, we may enter into hedging transactions to protect us from the effects of interest rate fluctuations on floating rate debt. Our hedging transactions may include entering into interest rate cap agreements or interest rate swap agreements. These agreements involve risks, such as the risk that such arrangements would not be effective in reducing our exposure to interest rate changes or that a court could rule that such an agreement is not legally enforceable. In addition, interest rate hedging can be expensive, particularly during periods of rising and volatile interest rates. Hedging could increase our costs and reduce the overall returns on our investments. In addition, while hedging agreements would be intended to lessen the impact of rising interest rates on us, they could also expose us to the risk that the other parties to the agreements would not perform, we could incur significant costs associated with the settlement of the agreements or that the underlying transactions could fail to qualify as highly-effective cash flow hedges under Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, Topic 815, Derivatives and Hedging.

Our success depends on key personnel whose continued service is not guaranteed, and the loss of one or more of our key personnel could adversely affect our ability to manage our business and to implement our growth strategies, or could create a negative perception of our company in the capital markets.

Our continued success and our ability to manage anticipated future growth depend, in large part, upon the efforts of key personnel, particularly Messrs. Spodek and Garber who have extensive market knowledge and relationships and exercise substantial influence over our operational and financing activity. Among the reasons that these individuals are important to our success is that each has a national or regional industry reputation that attracts business and investment opportunities and assists us in negotiations with lenders, the USPS and owners of postal properties. If we lose their services, such relationships could diminish or be adversely affected. Our employment agreements with Messrs. Spodek and Garber do not guarantee their continued employment with us.

Many of our other senior executives also have extensive experience and strong reputations in the real estate industry, which aid us in identifying opportunities, having opportunities brought to us and negotiating. The loss of services of one or more members of our senior management team, or our inability to attract and retain highly qualified personnel, could adversely affect our business, diminish our investment opportunities and weaken our relationships with lenders, business partners, existing and prospective tenants and industry participants, which could materially adversely affect our financial condition, results of operations, cash flow and the per share trading price of our Class A common stock.

Joint venture investments could be adversely affected by our lack of sole decision-making authority, our reliance on co-venturers' financial condition and disputes between us and our co-venturers.

We may co-invest with third parties through partnerships, joint ventures or other entities, acquiring non-controlling interests in and managing the affairs of a property, partnership, joint venture or other entity. With respect to any such arrangement or any similar arrangement that we may enter into in the future, we may not be in a position to exercise sole decision-making authority regarding the development, property, partnership, joint venture or other entity. Investments in partnerships, joint ventures or other entities may, under certain circumstances, involve risks not present where a third party is not involved, including the possibility that partners or co-venturers might become bankrupt or fail to fund their share of required capital contributions. Partners or co-venturers may have economic or other business interests or goals which are inconsistent with our business interests or goals and may be in a position to take actions contrary to our policies or objectives, and they may have competing interests in our markets that could create conflicts of interest. Such investments may also have the potential risk of impasses on decisions, such as a sale or financing, because neither we nor the partner(s) or co-venturer(s) would have full control over the partnership or joint venture. In addition, a sale or transfer by us to a third party of our interests in the joint venture may be subject to consent rights or rights of first refusal, in favor of our joint venture partners, which would in each case restrict our ability to dispose of our interest in the joint venture. Where we are a limited partner or non-managing member in any partnership or limited liability company, if such entity takes or expects to take actions that could jeopardize our status as a REIT or require us to pay tax, we may be forced to dispose of our interest in such entity. We may, in certain circumstances, be liable for the actions of a partner, and the activities of a partner could adversely affect our ability to maintain our qualification as a REIT or our exclusion or exemption from registration under the Investment Company Act, even if we do not control the joint venture. Disputes between us and partners or co-venturers may result in litigation or arbitration that would increase our expenses and prevent our officers and directors from focusing their time and effort on our business. Consequently, actions by or disputes with partners or co-venturers might result in subjecting properties owned by the partnership or joint venture to additional risk. In addition, we may in certain circumstances be liable for the actions of our third-party partners or co-venturers. Our joint ventures may be subject to debt and, during periods of volatile credit markets, the refinancing of such debt may require equity capital calls.

We face cybersecurity risks and risks associated with security breaches which have the potential to disrupt our operations, cause material harm to our financial condition, result in misappropriation of assets, compromise confidential information and/or damage our business relationships and can provide no assurance that the steps we and our service providers take in response to these risks will be effective.

We face cybersecurity risks and risks associated with security breaches or disruptions, such as through cyber-attacks or cyber intrusions over the Internet, malware, computer viruses, attachments to emails, social engineering and phishing schemes or persons inside our organization. The risk of a security breach or disruption, particularly through cyber-attacks or cyber intrusions, including by computer hackers, nation-state affiliated actors, and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. These incidents may result in disruption of our operations, material harm to our financial condition, cash flows and the market price of our common shares, misappropriation of assets, compromise or corruption of confidential information collected in the course of conducting our business, liability for stolen information or assets, increased cybersecurity protection and insurance costs, regulatory enforcement, litigation and damage to our stakeholder relationships. These risks require continuous and likely increasing attention and other resources from us to, among other actions, identify and quantify these risks, upgrade and expand our technologies, systems and processes to adequately address them and provide periodic training for our employees to assist them in detecting phishing, malware and other schemes. Such attention diverts time and other resources from other activities and there is no assurance that our efforts will be effective. Additionally, we rely on third-party service providers in our conduct of day-to-day property management, leasing and other activities at our properties and we can provide no assurance that the networks and systems that our third-party vendors have established or used will be effective.

In the normal course of business, we and our service providers (including service providers engaged in providing property management, leasing, accounting and/or payroll services) collect and retain certain personal information provided by our tenants, employees and vendors. We also rely extensively on computer systems to process transactions and manage our business. We can provide no assurance that the data security measures designed to protect confidential information on our systems established by us and our service providers will be able to prevent unauthorized access to this personal information. There can be no assurance that our efforts to maintain the security and integrity of the information we and our service providers collect and our and their computer systems will be effective or that attempted security breaches or disruptions would not be successful or damaging with the potential for disruption in our operations, material harm to our financial condition, cash flows and the market price of our common shares, increased cybersecurity protection and insurance costs, regulatory enforcement, litigation and damage to our stakeholder relationships.

Our growth depends on external sources of capital that are outside of our control and may not be available to us on commercially reasonable terms or at all, which could limit our ability to, among other things, meet our capital and operating needs or make the cash distributions to our stockholders necessary to qualify and maintain our qualification as a REIT.

Depending on our ability to borrow under our Credit Facility, we may pursue significantly more secured borrowings in the future, although we have not entered into any preliminary or binding documentation with respect to any such additional secured borrowings and there is no guaranty that any lender will be willing to lend to us on the terms and timing that we expect, if at all. In order to qualify and maintain our qualification as a REIT, we are required under the Code to, among other things, distribute annually at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gains. In addition, we will be subject to income tax at regular corporate rates to the extent that we distribute less than 100% of our REIT taxable income, including any net capital gains. Because of these distribution requirements, we may not be able to fund future capital needs, including any necessary capital expenditures, from operating cash flow. Consequently, we rely on third-party sources to fund our capital needs. We may not be able to obtain such financing on favorable terms or at all and any additional debt we incur will increase our leverage and likelihood of default. Our access to third-party sources of capital depends, in part, on:

- general market conditions;
- the market's perception of our growth potential;
- our current debt levels;
- our current and expected future earnings;
- our cash flow and cash distributions; and
- the market price per share of our Class A common stock.

Historically, the capital markets have been subject to significant disruptions. If we cannot obtain capital from third-party sources, we may not be able to acquire or develop properties when strategic opportunities exist, meet the capital and operating needs of our existing properties, satisfy our debt service obligations or make the cash distributions to our stockholders necessary to qualify and maintain our qualification as a REIT.

We could incur significant costs and liabilities related to environmental matters.

Under various federal, state and local laws and regulations relating to the environment, as a current or former owner of real property, we may be liable for costs and damages resulting from the presence or release of hazardous or toxic substances, waste or petroleum products at, on, in, under or migrating from such property, including costs to investigate, clean up such contamination and liability for any alleged harm to human health, property or natural resources. Such laws often impose strict liability without regard to fault, including whether the owner or operator knew of, or was responsible for, the presence of such contamination, and the liability may be joint and several. These liabilities could be substantial and the cost of any required investigation, remediation, removal, fines or other costs could exceed the value of the property and/or our aggregate assets. In addition, the presence of contamination or the failure to remediate contamination at our properties may expose us to third-party liability for costs of remediation and/or personal or property damage or materially adversely affect our ability to sell, lease or develop our properties or to borrow using the properties as collateral. In addition, environmental laws may create liens on contaminated sites in favor of the government for damages and costs it incurs to address such contamination. Moreover, if contamination is discovered on our properties, environmental laws may impose restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require substantial expenditures.

Some of our properties may have been or may be impacted by contamination arising from current or prior uses of the property, or adjacent properties, for commercial or industrial purposes. Such contamination may arise from spills of petroleum or hazardous substances or releases from tanks used to store such materials. We may not be aware of all potential or existing environmental contamination liabilities at the properties in our portfolio. As a result, we could potentially incur material liability for these issues.

As the owner of the buildings on our properties, we could face liability for the presence of hazardous materials, such as asbestos or lead, or other adverse conditions, such as poor indoor air quality, in our buildings. Environmental laws govern the presence, maintenance, and removal of hazardous materials in buildings, and if we do not comply with such laws, we could face fines for such noncompliance and could be required to abate, remove or otherwise address the hazardous material to achieve compliance with applicable environmental laws and regulations. Also, we could be liable to third parties, such as occupants or employees of the buildings, for damages related to exposure to hazardous materials or adverse conditions in our buildings, and we could incur material expenses with respect to abatement or remediation of hazardous materials or other adverse conditions in our buildings. If we incur material environmental liabilities in the future, we may find it difficult to sell or lease any affected properties.

Our properties may contain or develop harmful mold or suffer from other air quality issues, which could lead to liability for adverse health effects and costs of remediation.

When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources, and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to airborne toxins or irritants above certain levels can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of our properties could require us to undertake a costly remediation program to contain or remove the mold or other airborne contaminants from the affected property or increase indoor ventilation. In addition, the presence of significant mold or other airborne contaminants could expose us to liability from the USPS, employees of the USPS or others if property damage or personal injury is alleged to have occurred.

We are subject to risks from natural disasters, such as earthquakes and severe weather, and the risks associated with the physical effects of climate change.

Natural disasters and severe weather such as flooding, earthquakes, tornadoes or hurricanes may result in significant damage to our properties. Many of our properties are located in states like Oklahoma, Texas, Missouri, and Louisiana that historically have experienced heightened risk for natural disasters like tornados and hurricanes. The extent of our casualty losses and loss in operating income in connection with such events is a function of the severity of the event and the total amount of exposure in the affected area. When we have geographic concentration of exposures, a single catastrophe (such as an earthquake) or destructive weather event (such as a tornado or hurricane) affecting a region may have a significant negative effect on our financial condition and results of operations. Our financial results may be adversely affected by our exposure to losses arising from natural disasters or severe weather.

We also are exposed to risks associated with inclement winter weather, particularly in the Northeast, Mid-Atlantic and Mid-West, including increased costs for the removal of snow and ice. Inclement weather also could increase the need for maintenance and repair of our communities.

Lastly, to the extent that climate change does occur, its physical effects could have a material adverse effect on our properties, operations and business. To the extent climate change causes changes in weather patterns, our markets could experience increases in storm intensity. These conditions could result in physical damage to our properties or declining demand for space in our buildings or the inability of us to operate the buildings at all in the areas affected by these conditions. Climate change also may have indirect effects on our business by increasing the cost of (or making unavailable) property insurance on terms we find acceptable, increasing the cost of energy and increasing the cost of snow removal or related costs at our properties. Proposed legislation to address climate change could increase utility and other costs of operating our properties which, if not offset by rising rental income, would reduce our net income. Should the impact of climate change be material in nature or occur for lengthy periods of time, our properties, operations or business would be adversely affected.

Our properties may be subject to impairment charges.

On a quarterly basis, we will assess whether there are any indicators that the value of our properties may be impaired. A property's value is considered to be impaired only if the estimated aggregate future cash flows (undiscounted and without interest charges) to be generated by the property are less than the carrying value of the property. In our estimate of cash flows, we will consider factors such as expected future operating income, trends and prospects, the effects of demand, competition and other factors. If we are evaluating the potential sale of an asset or development alternatives, the undiscounted future cash flows analysis will consider the most likely course of action at the balance sheet date based on current plans, intended holding periods and available market information. We will be required to make subjective assessments as to whether there are impairments in the value of our properties. These assessments may be influenced by factors beyond our control, such as early vacating by a tenant or damage to properties due to earthquakes, tornadoes, hurricanes and other natural disasters, fire, civil unrest, terrorist acts or acts of war. These assessments may have a direct impact on our earnings because recording an impairment charge results in an immediate negative adjustment to earnings. There can be no assurance that we will not take impairment charges in the future related to the impairment of our properties. Any such impairment could have a material adverse effect on our business, financial condition and results of operations in the period in which the charge is taken.

Our title insurance policies may not cover all title defects.

Our properties are insured by title policies. We have not, however, obtained new owner's title insurance policies in connection with the acquisition of our initial properties in the formation transactions and certain acquisitions subsequent to the formation transactions. In some instances, these insurance policies are effective as of the time of the acquisition or later refinancing. As such, it is possible that there may be title defects that have arisen since such acquisition or refinancing for which we will have no title insurance coverage. If there were a material title defect related to any of our properties that is not adequately covered by a title insurance policy, we could lose some or all of our capital invested in and our anticipated profits from such property.

We may incur significant costs complying with various federal, state and local laws, regulations and covenants that are applicable to our properties.

Properties are subject to various covenants and federal, state and local laws and regulatory requirements, including permitting and licensing requirements. Local regulations, including municipal or local ordinances, zoning restrictions and restrictive covenants imposed by community developers may restrict our use of our properties and may require us to obtain approval from local officials or restrict our use of our properties and may require us to obtain approval from local officials of community standards organizations at any time with respect to our properties, including prior to developing or acquiring a property or when undertaking renovations of any of our existing properties. Among other things, these restrictions may relate to fire and safety, seismic or hazardous material abatement requirements. There can be no assurance that existing laws and regulatory policies will not adversely affect us or the timing or cost of any future development, acquisitions or renovations, or that additional regulations will not be adopted that increase such delays or result in additional costs. Our growth strategy may be affected by our ability to obtain permits, licenses and zoning relief.

In addition, federal and state laws and regulations, including laws such as the ADA and the Fair Housing Amendment Act of 1988, or FHAA, impose further restrictions on our properties and operations. Under the ADA and the FHAA, all public accommodations must meet federal requirements related to access and use by disabled persons. Some of our properties may currently be in non-compliance with the ADA or the FHAA. If one or more of the properties in our portfolio is not in compliance with the ADA, the FHAA or any other regulatory requirements, we may incur additional costs to bring the property into compliance, incur governmental fines or the award of damages to private litigants or be unable to refinance such properties. In addition, we do not know whether existing requirements will change or whether future requirements will require us to make significant unanticipated expenditures that will adversely impact our financial condition, results of operations and cash flow.

We may acquire properties that are (i) leased to both the USPS and non-postal tenants, (ii) leased solely to non-postal tenants or (iii) in markets that are new to us.

We may acquire properties that are (i) leased to both the USPS and non-postal tenants, (ii) leased solely to non-postal tenants or (iii) in markets that are new to us. When we acquire such properties, we may face risks associated with lack of market or tenant knowledge or understanding of the local economy or operations of the new tenant. Additionally, we may face risks associated with forging new business relationships and unfamiliarity with local government and local or tenant-specific permitting procedures. We work to mitigate such risks through extensive diligence and research and associations with experienced service providers. However, there can be no guarantee that all such risks will be eliminated.

Risks Related to Our Organizational Structure

Mr. Spodek and his affiliates own, directly or indirectly, a substantial beneficial interest in our company on a fully diluted basis and have the ability to exercise significant influence on our company and our operating partnership, including the approval of significant corporate transactions.

Mr. Spodek and his affiliates held approximately 19.5% of the combined voting power of our outstanding shares of common stock as of November 11, 2020. Pursuant to his ownership of Class A common stock and Voting Equivalency stock, Mr. Spodek and his affiliates have the ability to influence the outcome of matters presented to our stockholders, including the election of our board of directors and approval of significant corporate transactions, including business combinations, consolidations and mergers. Therefore, Mr. Spodek has substantial influence over us and could exercise influence in a manner that is not in the best interests of our other stockholders. This concentration of voting power might also have the effect of delaying or preventing a change of control that our stockholders may view as beneficial.

Conflicts of interest may exist or could arise in the future between the interests of our stockholders and the interests of holders of units in our operating partnership, which may impede business decisions that could benefit our stockholders.

Conflicts of interest may exist or could arise in the future as a result of the relationships between us and our affiliates, on the one hand, and our operating partnership or any partner thereof, on the other. Our directors and officers have duties to our company under Maryland law in connection with their management of our company. At the same time, we, as the general partner of our operating partnership, have fiduciary duties and obligations to our operating partnership and its limited partners under Delaware law and the partnership agreement of our operating partnership in connection with the management of our operating partnership. Our fiduciary duties and obligations as the general partner of our operating partnership may come into conflict with the duties of our directors and officers to our company. Mr. Spodek owns a significant interest in our operating partnership as a limited partner and may have conflicts of interest in making decisions that affect both our stockholders and the limited partners of our operating partnership.

The partnership agreement provides that, in the event of a conflict between the interests of our operating partnership or any partner, on the one hand, and the separate interests of our company or our stockholders, on the other hand, we, in our capacity as the general partner of our operating partnership, are under no obligation not to give priority to the separate interests of our company or our stockholders, and that any action or failure to act on our part or on the part of our board of directors that gives priority to the separate interests of our company or our stockholders that does not result in a violation of the contract rights of the limited partners of the operating partnership under its partnership agreement does not violate the duty of loyalty that we, in our capacity as the general partner of our operating partnership, owe to the operating partnership and its partners.

Additionally, the partnership agreement provides that we will not be liable to the operating partnership or any partner for monetary damages for losses sustained, liabilities incurred or benefits not derived by the operating partnership or any limited partner, except for liability for our intentional harm or gross negligence. Our operating partnership must indemnify us, our directors and officers, officers of our operating partnership and our designees from and against any and all claims that relate to the operations of our operating partnership, unless (1) an act or omission of the person was material to the matter giving rise to the action and either was committed in bad faith or was the result of active and deliberate dishonesty, (2) the person actually received an improper personal benefit in violation or breach of the partnership agreement or (3) in the case of a criminal proceeding, the indemnified person had reasonable cause to believe that the act or omission was unlawful. Our operating partnership must also pay or reimburse the reasonable expenses of any such person upon its receipt of a written affirmation of the person's good faith belief that the standard of conduct necessary for indemnification has been met and a written undertaking to repay any amounts paid or advanced if it is ultimately determined that the person did not meet the standard of conduct for indemnification. Our operating partnership will not indemnify or advance funds to any person with respect to any action initiated by the person seeking indemnification without our approval (except for any proceeding brought to enforce such person's right to indemnification under the partnership agreement) or if the person is found to be liable to our operating partnership on any portion of any claim in the action.

Our charter contains certain provisions restricting the ownership and transfer of our stock that may delay, defer or prevent a change of control transaction that might involve a premium price for our Class A common stock or that our stockholders otherwise believe to be in their best interests.

Our charter contains certain ownership limits with respect to our stock. Our charter, among other restrictions, prohibits, subject to certain exceptions, the beneficial or constructive ownership by any person of more than 8.5% in value or number of shares, whichever is more restrictive, of the aggregate outstanding shares of our common stock or more than 8.5% of the outstanding shares of any class or series of our preferred stock. Our board of directors, in its sole and absolute discretion, may exempt a person, prospectively or retroactively, from this ownership limit if certain conditions are satisfied. This ownership limit as well as other restrictions on ownership and transfer of our stock in our charter may:

- discourage a tender offer, proxy contest, or other transactions or a change in management or of control that might result in a premium price for our Class A common stock or that our stockholders otherwise believe to be in their best interests; and
- result in the transfer of shares acquired in excess of the restrictions to a trust for the benefit of a charitable beneficiary and, as a result, the forfeiture by the acquirer of certain of the benefits of owning the additional shares.

We could increase the number of authorized shares of stock, classify and reclassify unissued stock and issue stock without stockholder approval.

Our board of directors, without stockholder approval, has the power under our charter to amend our charter to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we are authorized to issue; provided that our board may not increase the number of shares of Voting Equivalency stock that we have authority to issue or reclassify any shares of our capital stock as Voting Equivalency stock without the approval of the holders of a majority of the outstanding shares of Class A common stock. In addition, under our charter, our board of directors, without stockholder approval, has the power to authorize us to issue authorized but unissued shares of our Class A common stock or preferred stock and to classify or reclassify any unissued shares of our Class A common stock or preferred stock into one or more classes or series of stock and set the preference, conversion or other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications or terms or conditions of redemption for such newly classified or reclassified shares. As a result, we may issue series or classes of common stock or preferred stock with preferences, dividends, powers and rights, voting or otherwise, that are senior to, or otherwise conflict with, the rights of holders of our Class A common stock. Although our board of directors has no such intention at the present time, it could establish a class or series of preferred stock that could, depending on the terms of such series, delay, defer or prevent a transaction or a change of control that might involve a premium price for our Class A common stock or that our stockholders otherwise believe to be in their best interests.

Certain provisions of the MGCL, could inhibit changes of control, which may discourage third parties from conducting a tender offer or seeking other change of control transactions that could involve a premium price for our Class A common stock or that our stockholders otherwise believe to be in their best interests.

Certain provisions of the MGCL may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change of control under circumstances that otherwise could provide the holders of shares of our Class A common stock with the opportunity to realize a premium over the then-prevailing market price of such shares, including:

- “business combination” provisions that, subject to limitations, prohibit certain business combinations between us and an “interested stockholder” (defined generally as any person who beneficially owns 10% or more of the voting power of our shares or an affiliate thereof or an affiliate or associate of ours who was the beneficial owner, directly or indirectly, of 10% or more of the voting power of our then outstanding voting stock at any time within the two-year period immediately prior to the date in question) for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter imposes certain fair price and/or supermajority stockholder voting requirements on these combinations; and
- “control share” provisions that provide that holders of “control shares” of our company (defined as shares that, when aggregated with other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a “control share acquisition” (defined as the direct or indirect acquisition of ownership or control of issued and outstanding “control shares”) have no voting rights with respect to their control shares, except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

By resolution of our board of directors, we have opted out of the business combination provisions of the MGCL and provide that any business combination between us and any other person is exempt from the business combination provisions of the MGCL, provided that the business combination is first approved by our board of directors (including a majority of directors who are not affiliates or associates of such persons). In addition, pursuant to a provision in our bylaws, we have opted out of the control share provisions of the MGCL. However, our board of directors may by resolution elect to opt into the business combination provisions of the MGCL and we may, by amendment to our bylaws, opt in to the control share provisions of the MGCL in the future.

Certain provisions of the MGCL permit our board of directors, without stockholder approval and regardless of what is currently provided in our charter or bylaws, to implement certain corporate governance provisions, some of which (for example, a classified board) are not currently applicable to us. If implemented, these provisions may have the effect of limiting or precluding a third party from making an unsolicited acquisition proposal for us or of delaying, deferring or preventing a change in control of us under circumstances that otherwise could provide the holders of shares of our Class A common stock with the opportunity to realize a premium over the then current market price. Our charter contains a provision whereby we elect, at such time as we become eligible to do so, to be subject to the provisions of Title 3, Subtitle 8 of the MGCL relating to the filling of vacancies on our board of directors.

Certain provisions in the partnership agreement of our operating partnership may delay or prevent unsolicited acquisitions of us.

Provisions in the partnership agreement of our operating partnership may delay, or make more difficult, unsolicited acquisitions of us or changes of our control. These provisions could discourage third parties from making proposals involving an unsolicited acquisition of us or change of our control, although some of our stockholders might consider such proposals, if made, desirable. These provisions include, among others:

- redemption rights;
- a requirement that we may not be removed as the general partner of our operating partnership without our consent;
- transfer restrictions on OP Units;
- our ability, as general partner, in some cases, to amend the partnership agreement and to cause the operating partnership to issue units with terms that could delay, defer or prevent a merger or other change of control of us or our operating partnership without the consent of the limited partners; and
- the right of the limited partners to consent to direct or indirect transfers of the general partnership interest, including as a result of a merger or a sale of all or substantially all of our assets, in the event that such transfer requires approval by our common stockholders.

As of November 11, 2020, Mr. Spodek and his affiliates owned approximately 54.01 % of the outstanding OP Units including long-term incentive units of the Operating Partnership (each, an “LTIP Unit” and collectively, the “LTIP Units”) and approximately 8.2 % of the outstanding shares of our Class A common stock and all of the Voting Equivalency stock, which together represent an approximate 18.7 % beneficial economic interest in our company on a fully diluted basis.

Tax protection agreements may limit our ability to sell or otherwise dispose of certain properties and may require our Operating Partnership to maintain certain debt levels that otherwise would not be required to operate our business.

In connection with contributions of properties to our Operating Partnership, our Operating Partnership has entered and may in the future enter into tax protection agreements under which it agrees to minimize the tax consequences to the contributing partners resulting from the sale or other disposition of the contributed properties. Tax protection agreements may make it economically prohibitive to sell any properties that are subject to such agreements even though it may otherwise be in our stockholders’ best interests to do so. In addition, we may be required to maintain a minimum level of indebtedness throughout the term of any tax protection agreement regardless of whether such debt levels are otherwise required to operate our business or provide certain or our contributors the opportunity to guarantee debt or enter into a deficit restoration obligations upon a future repayment, retirement, refinancing or other reduction (other than scheduled amortization) of currently outstanding debt prior to the tenth anniversary of the completion of the formation transactions. If we fail to make such opportunities available, we will be required to deliver to each such contributor a cash payment intended to approximate the contributor’s tax liability resulting from our failure to make such opportunities available to that contributor and the tax liabilities incurred as a result of such tax protection payment. Nevertheless, we have entered and may in the future enter into tax protection agreements to assist contributors of properties to our Operating Partnership in deferring the recognition of taxable gain as a result of and after any such contribution.

Our board of directors may change our strategies, policies and procedures without stockholder approval, and we may become more highly leveraged, which may increase our risk of default under our debt obligations.

Our investment, financing, leverage and distribution policies, and our policies with respect to all other activities, including growth, capitalization and operations, will be determined exclusively by our board of directors, and may be amended or revised at any time by our board of directors without notice to or a vote of our stockholders. This could result in us conducting operational matters, making investments or pursuing different business or growth strategies than those contemplated in this report. Further, our charter and bylaws do not limit the amount or percentage of indebtedness, funded or otherwise, that we may incur. Our board of directors may alter or eliminate our current policy on borrowing at any time without stockholder approval. If this policy changed, we could become more highly leveraged which could result in an increase in our debt service. Higher leverage also increases the risk of default on our obligations. In addition, a change in our investment policies, including the manner in which we allocate our resources across our portfolio or the types of assets in which we seek to invest, may increase our exposure to interest rate risk, real estate market fluctuations and liquidity risk. Changes to our policies with regards to the foregoing could materially adversely affect our financial condition, results of operations and cash flow.

Our rights and the rights of our stockholders to take action against our directors and officers are limited.

Under Maryland law, generally, a director will not be liable if he or she performs his or her duties in good faith, in a manner he or she reasonably believes to be in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. In addition, our charter limits the liability of our directors and officers to us and our stockholders for money damages, except for liability resulting from:

- actual receipt of an improper benefit or profit in money, property or services; or
- active and deliberate dishonesty by the director or officer that was established by a final judgment as being material to the cause of action adjudicated.

Our charter requires us to indemnify, and advance expenses to, each director and officer, to the maximum extent permitted by Maryland law, in the defense of any proceeding to which he or she is made, or threatened to be made, a party by reason of his or her service to us. We have entered into indemnification agreements with each of our executive officers and directors whereby we will indemnify our directors and executive officers to the fullest extent permitted by Maryland law against all expenses and liabilities incurred in their capacity as an officer and/or director, subject to limited exceptions. As a result, we and our stockholders may have more limited rights against our directors and officers than might otherwise exist absent the current provisions in our charter or that might exist with other companies.

We are a holding company with no direct operations and, as such, we rely on funds received from our operating partnership to pay liabilities, and the interests of our stockholders are structurally subordinated to all liabilities and obligations of our operating partnership and its subsidiaries.

We are a holding company and conduct substantially all of our operations through our operating partnership. We do not have, apart from an interest in our operating partnership, any independent operations. As a result, we rely on cash distributions from our operating partnership to pay any dividends we declare on shares of our Class A common stock. We also rely on distributions from our operating partnership to meet any of our obligations, including any tax liability on taxable income allocated to us from our operating partnership. In addition, because we are a holding company, your claims as a stockholder will be structurally subordinated to all existing and future liabilities and obligations (whether or not for borrowed money) of our operating partnership and its subsidiaries. Therefore, in the event of our bankruptcy, liquidation or reorganization, our assets and those of our operating partnership and its subsidiaries will be available to satisfy the claims of our stockholders only after all of our and our operating partnership's and its subsidiaries' liabilities and obligations have been paid in full.

Our operating partnership may issue additional OP Units to third parties without the consent of our stockholders, which would reduce our ownership percentage in our operating partnership and could have a dilutive effect on the amount of distributions made to us by our operating partnership and, therefore, the amount of distributions we can make to our stockholders.

As of November 11, 2020, approximately 23.1 % of the outstanding OP Units (including the LTIP Units) of our operating partnership were held by third parties. We may, in connection with our acquisition of properties or otherwise, continue to issue additional OP Units to third parties. Such issuances would reduce our ownership percentage in our operating partnership and could affect the amount of distributions made to us by our operating partnership and, therefore, the amount of distributions we can make to our stockholders. Holders of OP Units, do not have any voting rights with respect to any such issuances or other partnership level activities of our operating partnership.

Risks Related to Our Status as a REIT

Failure to remain qualified as a REIT would cause us to be taxed as a regular corporation, which would substantially reduce funds available for distributions to our stockholders.

We elected to be taxed as a REIT under Sections 856-860 of the Code upon the filing of our tax return for the short taxable year ended December 31, 2019. Commencing with such taxable year, we were organized and operated in such a manner as to qualify to be taxed as a REIT for U.S. federal income tax purposes, and we expect to continue to be so organized and operated. Qualification as a REIT involves the application of highly technical and complex tax rules, for which there are only limited judicial and administrative interpretations. The fact that we hold substantially all our assets through a partnership further complicates the application of the REIT requirements. Even a seemingly minor technical or inadvertent mistake could jeopardize our REIT status. Our REIT status depends upon various factual matters and circumstances that may not be entirely within our control. Moreover, our qualification and taxation as a REIT depend upon our ability to meet on a continuing basis, through actual annual operating results, certain qualification tests set forth in the federal tax laws. For example, in order to qualify as a REIT, at least 95% of our gross income in any year must be derived from qualifying sources, such as rents from real property, and we must satisfy a number of requirements regarding the composition of our assets. Also, we must make distributions to stockholders aggregating annually at least 90% of our REIT taxable income, excluding net capital gains. No assurances can be given that our actual results of operations for any particular taxable year will satisfy such requirements. In addition, new legislation, regulations, administrative interpretations or court decisions, each of which could have retroactive effect, may make it more difficult or impossible for us to qualify as a REIT, or could reduce the desirability of an investment in a REIT relative to other investments.

If we fail to maintain our qualification as a REIT in any taxable year, we will face serious tax consequences that will substantially reduce the funds available for distributions to our stockholders because:

- we would not be allowed a deduction for dividends paid to stockholders in computing our taxable income and would be subject to federal income tax at regular corporate rates;
- we could be subject to increased state and local taxes; and
- unless we are entitled to relief under certain federal income tax laws, we could not re-elect REIT status until the fifth calendar year after the year in which we failed to qualify as a REIT.

In addition, if we fail to qualify as a REIT, we will no longer be required to make distributions to our stockholders. As a result of all these factors, our failure to qualify as a REIT could impair our ability to expand our business and raise capital, and it would adversely affect the value of our Class A common stock.

Even if we qualify as a REIT, we may be subject to some U.S. federal, state and local income, property and excise taxes on our income or property and, in certain cases, a 100% penalty tax, in the event we sell property that we hold primarily for sale to customers in the ordinary course of business. In addition, our taxable REIT subsidiaries ("TRSs") are subject to tax as regular corporations in the jurisdictions in which they operate.

Even if we qualify as a REIT, we may face other tax liabilities that reduce our cash flows.

Even if we qualify for taxation as a REIT, we may be subject to certain federal, state and local taxes on our income and assets, including taxes on any undistributed income, tax on income from some activities conducted as a result of a foreclosure, and state or local income, property and transfer taxes. In addition, under new partnership audit procedures applicable beginning in 2018, our operating partnership and any other partnership that we may own in the future may be liable at the entity level for any tax assessed under those procedures. Also, our TRS will be subject to regular corporate federal, state and local taxes. Any of these taxes would decrease cash available for distributions to stockholders.

Failure to make required distributions would subject us to federal corporate income tax.

We have operated and intend to continue to operate so as to qualify as a REIT for federal income tax purposes. In order to qualify as a REIT, we generally are required to distribute at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gains, each year to our stockholders. To the extent that we satisfy this distribution requirement but distribute less than 100% of our REIT taxable income, we will be subject to federal corporate income tax on our undistributed taxable income. In addition, we will be subject to a 4% non-deductible excise tax if the actual amount that we pay out to our stockholders in a calendar year is less than a minimum amount specified under the Code.

Complying with REIT requirements may cause us to forego otherwise attractive opportunities or liquidate otherwise attractive investments.

To maintain qualification as a REIT for federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our capital stock. In order to meet these tests, we may be required to forego investments we might otherwise make. Thus, compliance with the REIT requirements may hinder our performance.

In particular, we must ensure that at the end of each calendar quarter, at least 75% of the value of our assets consists of cash, cash items, government securities and qualified real estate assets. The remainder of our investment in securities (other than government securities, securities of TRSs and qualified real estate assets) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our assets (other than government securities, securities of TRSs and qualified real estate assets) can consist of the securities of any one issuer, and no more than 20% of the value of our total assets can be represented by the securities of one or more TRSs. If we fail to comply with these requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences. As a result, we may be required to liquidate otherwise attractive investments. These actions could have the effect of reducing our income and amounts available for distribution to our stockholders.

The prohibited transactions tax may limit our ability to dispose of our properties.

A REIT's net income from prohibited transactions is subject to a 100% tax. In general, prohibited transactions are sales or other dispositions of property other than foreclosure property, held primarily for sale to customers in the ordinary course of business. We may be subject to the prohibited transaction tax equal to 100% of net gain upon a disposition of real property. Although a safe harbor to the characterization of the sale of real property by a REIT as a prohibited transaction is available, we cannot assure you that we can comply with the safe harbor or that we will avoid owning property that may be characterized as held primarily for sale to customers in the ordinary course of business. Consequently, we may choose not to engage in certain sales of our properties or may conduct such sales through our TRS, which would be subject to federal and state income taxation.

We could be affected by tax liabilities or earnings and profits of our Predecessor.

A portion of our Predecessor that was taxable as a C corporation merged into us as a part of formation transactions. As a result of the merger, any unpaid tax liabilities of such taxable C corporation were transferred to us. Under an indemnification agreement, Mr. Spodek and his affiliates are required to make a payment to us in the event that there is a final determination of any such tax liabilities. If Mr. Spodek and his affiliates do not make such payment, we would be responsible for paying such tax liabilities, which would decrease cash available for distributions to stockholders.

There are uncertainties relating to the estimate of the accumulated earnings and profits attributable to UPH.

Because a portion of our predecessor, United Postal Holdings, Inc. (“UPH”) was a C corporation, to qualify as a REIT, we were required to distribute to our stockholders prior to the end of the taxable year ended December 31, 2019 all of UPH’s accumulated earnings and profits attributable taxable years prior to the formation transactions. Based on an earnings and profits study we obtained from an accounting firm, we do not believe that we had any accumulated earnings and profits attributable to UPH. While we believe that we satisfied the requirements relating to the distribution of UPH’s earnings and profits, the determination of the amount of accumulated earnings and profits attributable to UPH is a complex factual and legal determination. There are substantial uncertainties relating to the computation of our accumulated earnings and profits attributable to UPH, including our interpretation of the applicable law differently from the IRS. In addition, the IRS could, in auditing UPH’s tax years through the effective date of the merger with us, successfully assert that our taxable income should be increased, which could increase our earnings and profits attributable to UPH. Although there are procedures available to cure a failure to distribute all of our non-REIT earnings and profits, we cannot now determine whether we will be able to take advantage of them or the economic impact to us of doing so. If it is determined that we had undistributed non-REIT earnings and profits as of the end of any taxable year in which we elect to qualify as a REIT, and we are unable to cure the failure to distribute such earnings and profits, then we would fail to qualify as a REIT under the Internal Revenue Code.

A sale of assets acquired as part of the merger between us and UPH within five years after the merger would result in corporate income tax, which would reduce the cash available for distribution to our stockholders.

If we sell any asset that we acquired as part of the merger between us and UPH within five years after the merger and recognize a taxable gain on the sale, we will be taxed at the highest corporate rate on an amount equal to the lesser of:

- the amount of gain that we recognize at the time of the sale; or
- the amount of gain that we would have recognized if we had sold the asset at the time of the merger for its then fair market value.

This rule potentially could inhibit us from selling assets acquired as part of the merger within five years after the merger.

The ability of our board of directors to revoke our REIT qualification without stockholder approval may cause adverse consequences to our stockholders.

Our charter provides that our board of directors may revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines that it is no longer in our best interests to continue to qualify as a REIT. If we cease to qualify as a REIT, we would become subject to federal income tax on our taxable income and would no longer be required to distribute most of our taxable income to our stockholders, which may have adverse consequences on our total return to our stockholders.

Our transactions with our TRS will cause us to be subject to a 100% penalty tax on certain income or deductions if those transactions are not conducted on arm’s-length terms.

Overall, no more than 20% of the value of a REIT’s assets may consist of stock or securities of one or more TRSs. In addition, the Code limits the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation and, in certain circumstances, other limitations on deductibility may apply. The Code also imposes a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm’s-length basis.

Our TRS will be subject to applicable federal, foreign, state and local income tax on its taxable income, and its after-tax net income will be available for distribution to us but is not required to be distributed to us. We believe that the aggregate value of the stock and securities of our TRS will be less than 20% of the value of our total assets (including our TRS stock and securities). Furthermore, we will monitor the value of our respective investments in our TRS for the purpose of ensuring compliance with TRS ownership limitations and will structure our transactions with our TRS on terms that we believe are arm’s length to avoid incurring the 100% excise tax described above. There can be no assurance, however, that we will be able to comply with the 20% limitation discussed above or to avoid application of the 100% excise tax.

You may be restricted from acquiring or transferring certain amounts of our Class A common stock.

The restrictions on ownership and transfer in our charter may inhibit market activity in our capital stock and restrict our business combination opportunities.

In order to maintain our qualification as a REIT for each taxable year, five or fewer individuals, as defined in the Code, may not own, beneficially or constructively, more than 50% in value of our issued and outstanding stock at any time during the last half of a taxable year. Attribution rules in the Code determine if any individual or entity beneficially or constructively owns our capital stock under this requirement. Additionally, at least 100 persons must beneficially own our capital stock during at least 335 days of a taxable year for each taxable year. To help ensure that we meet these tests, our charter restricts the acquisition and ownership of shares of our capital stock.

Our charter, with certain exceptions, authorizes our board of directors to take such actions as are necessary to preserve our qualification as a REIT. Unless exempted by our board of directors, our charter prohibits any person, other than Mr. Spodek, from beneficially or constructively owning more than 8.5% in value or number of shares, whichever is more restrictive, of the aggregate outstanding shares of our common stock or more than 8.5% in value of the outstanding shares of any class or series of our preferred stock. Our charter permits Mr. Spodek to own up to 15.0% in value or number of shares, whichever is more restrictive, of our outstanding shares of common stock. Our board of directors may not grant an exemption from this restriction to any proposed transferee whose ownership would result in our failing to qualify as a REIT. This as well as other restrictions on transferability and ownership will not apply, however, if our board of directors determines that it is no longer in our best interests to continue to qualify as a REIT.

Dividends payable by REITs generally do not qualify for the reduced tax rates on dividend income from regular corporations.

Qualified dividend income payable to U.S. stockholders that are individuals, trusts and estates is subject to the reduced maximum tax rate applicable to capital gains. Dividends payable by REITs, however, generally are not eligible for the reduced qualified dividend rates. For taxable years beginning before January 1, 2026, non-corporate taxpayers may deduct up to 20% of certain pass-through business income, including “qualified REIT dividends” (generally, dividends received by a REIT shareholder that are not designated as capital gain dividends or qualified dividend income), subject to certain limitations, resulting in an effective maximum federal income tax rate of 29.6% on such income. Although the reduced federal income tax rate applicable to qualified dividend income does not adversely affect the taxation of REITs or dividends payable by REITs, the more favorable rates applicable to regular corporate dividends could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including our Class A common stock. Tax rates could be changed in future legislation.

If our operating partnership failed to qualify as a partnership for federal income tax purposes, we would cease to qualify as a REIT and suffer other adverse consequences.

Our operating partnership has operated and intends to continue to operate as a partnership for federal income tax purposes. As a partnership, our operating partnership generally will not be subject to federal income tax on its income. Instead, each of its partners, including us, will be allocated, and may be required to pay tax with respect to, its share of our operating partnership’s income. We cannot assure you, however, that the IRS will not challenge the status of our operating partnership or any other subsidiary partnership in which we own an interest as a partnership for federal income tax purposes, or that a court would not sustain such a challenge. If the IRS were successful in treating our operating partnership or any such other subsidiary partnership as an entity taxable as a corporation for federal income tax purposes, we would fail to meet the gross income tests and certain of the asset tests applicable to REITs and, accordingly, we would likely cease to qualify as a REIT. Also, the failure of our operating partnership or any subsidiary partnerships to qualify as a partnership could cause it to become subject to federal and state corporate income tax, which would reduce significantly the amount of cash available for debt service and for distribution to its partners, including us.

To maintain our REIT status, we may be forced to borrow funds during unfavorable market conditions, and the unavailability of such capital on favorable terms at the desired times, or at all, may cause us to curtail our investment activities or dispose of assets at inopportune times and/or on unfavorable terms, which could materially adversely affect our financial condition, results of operations and cash flow.

In order to qualify as a REIT, we generally must distribute to our stockholders, on an annual basis, at least 90% of our “REIT taxable income,” determined without regard to the deduction for dividends paid and excluding net capital gains. In addition, we will be subject to U.S. federal income tax at the regular corporate rate (currently 21%) to the extent that we distribute less than 100% of our net taxable income (including net capital gains) and will be subject to a 4% non-deductible excise tax on the amount by which our distributions in any calendar year are less than a minimum amount specified under U.S. federal income tax laws. We intend to continue to distribute our net income to our stockholders in a manner intended to satisfy the REIT 90% distribution requirement and to avoid U.S. federal income tax and the 4% non-deductible excise tax.

In addition, from time to time our taxable income may exceed our net income as determined by GAAP. This may occur, for instance, because realized capital losses are deducted in determining our GAAP net income, but may not be deductible in computing our taxable income. In addition, we may incur non-deductible capital expenditures or be required to make debt or amortization payments. As a result of the foregoing, we may generate less cash flow than taxable income in a particular year and we may incur U.S. federal income tax and the 4% non-deductible excise tax on that income if we do not distribute such income to stockholders in that year. In that event, we may be required to (i) use cash reserves, (ii) incur debt at rates or times that we regard as unfavorable, (iii) sell assets in adverse market conditions, (iv) distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt, or (v) make a taxable distribution of our shares as part of a distribution in which stockholders may elect to receive our shares or (subject to a limit measured as a percentage of the total distribution) cash in order to satisfy the REIT 90% distribution requirement and to avoid U.S. federal income tax and the 4% non-deductible excise tax in that year. These alternatives could increase our costs or reduce our equity. Thus, compliance with the REIT requirements may hinder our ability to grow, which could adversely affect our business, financial condition and results of operations.

Covenants in our agreements for our credit facilities or other borrowings may restrict our ability to pay distributions which could cause us to fail to qualify as a REIT.

In order to maintain our qualification as a REIT, we are generally required under the Code to distribute annually at least 90% of our net taxable income, determined without regard to the deduction for dividends paid and excluding any net capital gains. In addition, we will be subject to income tax at regular corporate rates to the extent that we distribute less than 100% of our net taxable income, including any net capital gains. Under agreements for our credit facilities or other borrowings, we may be subject to various financial covenants that may inhibit our ability to make distributions to our stockholders, which could restrict us from making sufficient distributions to maintain our REIT status.

New legislation or administrative or judicial action, in each instance potentially with retroactive effect, could adversely affect us or our stockholders.

The federal income tax treatment of REITs may be modified, possibly with retroactive effect, by legislative, judicial or administrative action at any time, which could affect the federal income tax treatment of an investment in us. The federal income tax rules dealing with REITs constantly are under review by persons involved in the legislative process, the IRS and the U.S. Treasury Department, which could result in statutory changes as well as frequent revisions to regulations and interpretations. Additional changes to the tax laws are likely to continue to occur. We and our stockholders could be adversely affected by any recent change in, or any new federal income tax law, regulation or administrative interpretation.

General Risk Factors

An increase in market interest rates may have an adverse effect on the market price of our securities.

One of the factors that investors may consider in deciding whether to buy or sell our securities is our dividend rate as a percentage of our share or unit price, relative to market interest rates. If market interest rates increase, prospective investors may desire a higher dividend or interest rate on our securities or seek securities paying higher dividends or interest. The market price of our Class A common stock likely will be based primarily on the earnings and return that we derive from our investments and income with respect to our properties and our related distributions to stockholders, and not from the market value or underlying appraised value of the properties or investments themselves. As a result, interest rate fluctuations and capital market conditions can affect the market price of our Class A common stock. For instance, if interest rates rise without an increase in our dividend rate, the market price of our Class A common stock could decrease because potential investors may require a higher dividend yield on our Class A common stock as market rates on interest-bearing securities, such as bonds, rise. In addition, rising interest rates would result in increased interest expense on our variable rate debt, thereby adversely affecting cash flow and our ability to service our indebtedness and pay dividends.

Future offerings of equity securities, which would dilute our existing stockholders and may be senior to our Class A common stock for the purposes of dividend distributions, may adversely affect the market price of our Class A common stock.

In the future, we may attempt to increase our capital resources by making additional offerings of equity securities, including classes of preferred or common stock. Additional equity offerings may dilute the holdings of our existing stockholders or reduce the market price of our Class A common stock, or both. Preferred stock could have a preference on liquidating distributions or a preference on dividend payments that could limit our ability to make a dividend distribution to the holders of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our stockholders bear the risk of our future offerings reducing the market price of our Class A common stock and diluting their holdings in us.

The market price of our Class A common stock has been, and may continue to be, volatile and has declined, and may continue to decline, which may result in a substantial or complete loss of your investment in our Class A common stock.

The stock markets have previously and recently experienced significant price and volume fluctuations. As a result, the market price of our Class A common stock has been and could be similarly volatile in the future, and investors in our Class A common stock may experience a decrease in the value of their investments, including decreases unrelated to our operating performance or prospects. The market price of our Class A common stock could be subject to wide fluctuations in response to a number of factors, including:

- our operating performance and the performance of other similar companies;
- actual or anticipated differences in our operating results;
- changes in our revenues or earnings estimates or recommendations by securities analysts;
- publication of research reports about us or our industry by securities analysts;
- additions and departures of key personnel;
- strategic decisions by us or our competitors, such as mergers and acquisitions, divestments, spin-offs, joint ventures, strategic investments or changes in business strategy;
- the passage of legislation or other regulatory developments or executive policies that adversely affect us or our industry;

- speculation in the press or investment community;
- actions by institutional stockholders;
- changes in accounting principles;
- terrorist acts;
- general market conditions, including factors unrelated to our performance; and
- pandemics and epidemics, such as the COVID-19 pandemic, and the related governmental and economic responses thereto.

In the past, securities class action litigation has often been instituted against companies following periods of volatility in their stock price. This type of litigation could result in substantial costs and divert our management's attention and resources.

Future sales of our Class A common stock, preferred stock, or securities convertible into or exchangeable or exercisable for our Class A common stock could depress the market price of our Class A common stock.

We cannot predict whether future sales of our Class A common stock, preferred stock, or securities convertible into or exchangeable or exercisable for our Class A common stock or the availability of these securities for resale in the open market will decrease the market price of our Class A common stock. Sales of a substantial number of these securities in the public market, including sales upon the redemption of OP Units, or the perception that these sales might occur, may cause the market price of our common shares to decline and you could lose all or a portion of your investment. Future issuances of our Class A common stock, preferred stock, or other securities convertible into or exchangeable or exercisable for our Class A common stock, including, without limitation, OP Units, in connection with property, portfolio or business acquisitions and issuances of equity-based awards to participants in our Equity Incentive Plan, could have an adverse effect on the market price of our Class A common stock. Future issuances of these securities also could adversely affect the terms upon which we obtain additional capital through the sale of equity securities. In addition, future sales or issuances of our Class A common stock may be dilutive to existing stockholders.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit	Exhibit Description
10.1	Purchase and Sale Agreement by and between Postal Realty LP and The Northwestern Mutual Life Insurance Company *†
31.1	Certification of Chief Executive Officer furnished pursuant to Section 302 of the Sarbanes Oxley Act of 2002.*
31.2	Certification of President, Treasurer and Secretary furnished pursuant to Section 302 of the Sarbanes Oxley Act of 2002.*
32.1	Certification of Chief Executive Officer furnished pursuant to Section 906 of the Sarbanes Oxley Act of 2002.*
32.2	Certification of President, Treasurer and Secretary furnished pursuant to Section 906 of the Sarbanes Oxley Act of 2002.*
101.INS	INSTANCE DOCUMENT**
101.SCH	SCHEMA DOCUMENT**
101.CAL	CALCULATION LINKBASE DOCUMENT**
101.LAB	LABELS LINKBASE DOCUMENT**
101.PRE	PRESENTATION LINKBASE DOCUMENT**
101.DEF	DEFINITION LINKBASE DOCUMENT**

* Exhibits filed with this report.

** Submitted electronically herewith. Attached as Exhibit 101 to this report are the following documents formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of September 30, 2020 (Unaudited) and December 31, 2019; (ii) Consolidated and Combined Consolidated Statements of Operations (Unaudited); (iii) Consolidated and Combined Consolidated Statements of Equity (Unaudited); (iv) Consolidated and Combined Consolidated Statements of Cash Flows (Unaudited); and (v) Notes to Consolidated and Combined Consolidated Financial Statements (Unaudited).

† Portions of the exhibit have been redacted because such information is (i) not material and (ii) could be competitively harmful if publicly disclosed.

SIGNATURES

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

POSTAL REALTY TRUST, INC.

Date: November 13, 2020

By: /s/ Andrew Spodek

Andrew Spodek

Chief Executive Officer

(Principal Executive Officer)

Date: November 13, 2020

By: /s/ Jeremy Garber

Jeremy Garber

President, Treasurer and Secretary

(Principal Financial Officer)



REAL ESTATE PURCHASE AND SALE AGREEMENT

BETWEEN

**THE NORTHWESTERN MUTUAL LIFE INSURANCE COMPANY,
A WISCONSIN CORPORATION, AS SELLER**

AND

_____, AS BUYER

FOR

**THORN HILL DISTRIBUTION
51 Pennwood Place
Warrendale, Butler County, Pennsylvania**

REAL ESTATE PURCHASE AND SALE AGREEMENT

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RECEIPT BY ESCROW HOLDER - EARNEST MONEY

Exhibits

- Exhibit A Special Warranty Deed
- Exhibit B Assignment and Assumption of Leases
- Exhibit C List of Existing Environmental Reports
- Exhibit D Exceptions to Representations and Warranties
- Exhibit E Certificate of Non-Foreign Status
- Exhibit F Certificate of Assistant Secretary
- Exhibit G Bill of Sale
- Exhibit H Seller's Certificate
- Exhibit I Buyer's Certificate
- Exhibit J Tenant Estoppel Certificate
- Exhibit K Assignment and Assumption of Service Contracts and Other Obligations
- Exhibit L Approval Notice
- Exhibit M Affidavits as to Debts, Liens, Parties in Possession, and Gap Coverage
- Exhibit N Tenant Notice Letters
- Exhibit O Assignment and Assumption of Real Estate Purchase and Sale Agreement

REAL ESTATE PURCHASE AND SALE AGREEMENT

THIS REAL ESTATE PURCHASE AND SALE AGREEMENT ("Agreement") is made and entered into as of the Effective Date (as defined below) between THE NORTHWESTERN MUTUAL LIFE INSURANCE COMPANY, a Wisconsin corporation (hereinafter referred to as "Seller"), and _____, a _____ (hereinafter referred to as "Buyer").

RECITALS

A. Seller is the owner of Thorn Hill Distribution (as more specifically defined in Article 2 hereof, the "Property").

B. Seller desires to sell the Property to Buyer and Buyer desires to purchase the Property from Seller.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the parties hereto intending to be and being legally bound hereby, agree as follows:

ARTICLE 1 **PURCHASE AND SALE**

Subject to the terms and conditions contained herein, Buyer agrees to purchase from Seller, and Seller agrees to sell to Buyer, the Property (as defined below), commonly known as Thorn Hill Distribution located at 51 Pennwood Place, in the City of Warrendale, County of Butler, Commonwealth of Pennsylvania.

ARTICLE 2 **BASIC TERMS**

As used herein, the following Basic Terms are hereby defined to mean:

Approval Date

_____ 2020.

Buyer's Address for Notice

c/o Nationwide Postal Management
75 Columbia Avenue
Cedarhurst, New York 11516

**Buyer's Taxpayer
Identification Number**

Closing Date

_____, 2020, or such later date as postponed
by the terms of Subsection 5.3(a).

Earnest Money

Effective Date

_____, 2020.

Escrow Holder

First American Title Insurance Company
(subject to the provisions of Section 4.1 hereof)

Involved Seller Representative(s)
(re: Representations,
Warranties, and Covenants by Seller)

_____ an employee of
Northwestern Mutual Investment Management
Company, LLC

[Long-Term Service Contract(s)]

Materiality Limit
(re: Casualty and Condemnation)

Property

The land described in Schedule 1 to Exhibit A
attached hereto, together with all rights, privileges,
and easements appurtenant to the land (hereinafter
referred to as the "Land"), together with all
buildings, improvements, and structures located on
the Land (hereinafter referred to as the
"Improvements" and, together with the Land, the
"Real Property"); and Seller's right, title and interest
in and to (a) all personal property owned by Seller
which is used in the operation of the Real Property
and located thereon, including all fixtures,
appliances, furniture, furnishings, equipment,
supplies, signage and lighting systems, but
excluding all software, computers and

computer-related equipment in the property management office located on the Property (hereinafter referred to as the "Personal Property"); (b) any and all Tenant Leases (as defined below), including those agreements entered into after the Effective Date pursuant to Section 6.7 hereof; (c) any and all Service Contracts (as defined below) which are not terminated effective prior to the Closing Date pursuant to Section 6.5 hereof; (d) Long-Term Service Contracts; and (e) all rights, if any, Seller may have to use the name [REDACTED], as it relates to the operation of the Real Property.

Purchase Price

Forty Seven Million Dollars (\$47,000,000.00)

Security Deposits

[REDACTED]

Seller's Address for Notice

[REDACTED]

[REDACTED]

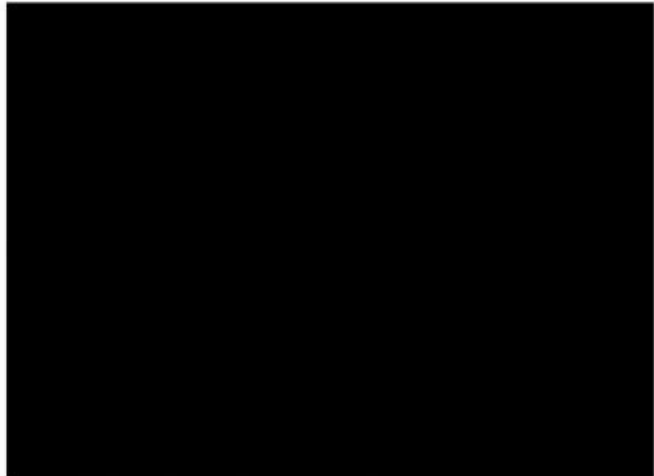
[REDACTED]

[REDACTED]

Seller's Broker

[REDACTED]

Service Contracts



Tenant Leases



Title Insurer

First American Title Insurance



With copies to:

First American Title Insurance Company



ARTICLE 3
REPRESENTATIONS, WARRANTIES AND COVENANTS

3.1 Representations, Warranties and Covenants by Seller.



[REDACTED]

(ii)

[REDACTED]

(iii)

[REDACTED]

(b)

[REDACTED]

■

[REDACTED]

■

[REDACTED]

■

[REDACTED]

[REDACTED]

■ [REDACTED]

■ [REDACTED]

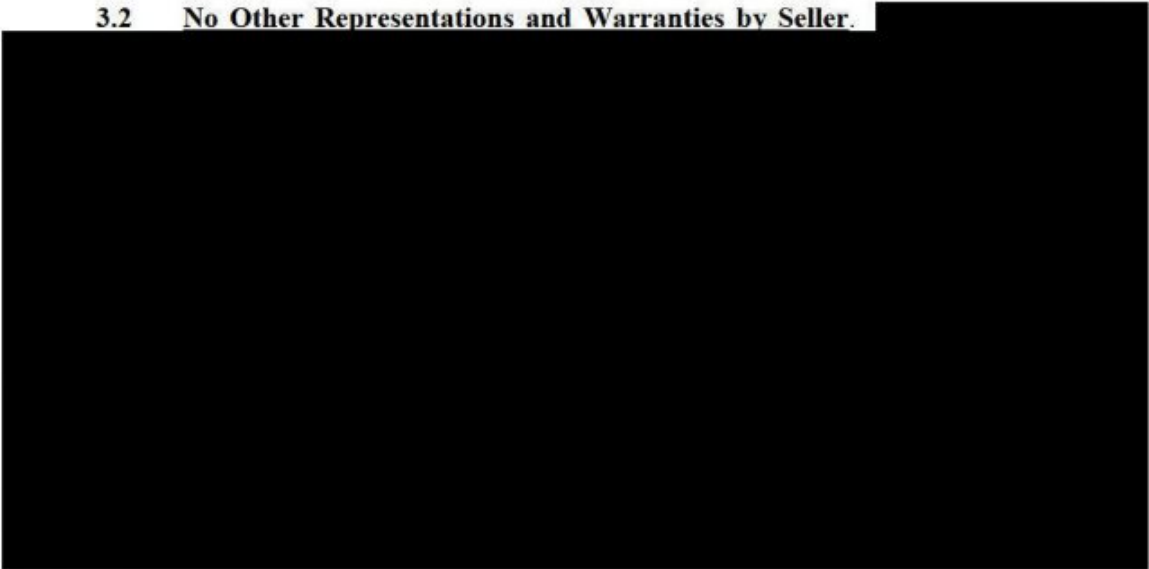
■ [REDACTED]

[REDACTED]

[REDACTED]



3.2 No Other Representations and Warranties by Seller.



[REDACTED]

3.3 Representations, Warranties, and Covenants by Buyer. [REDACTED]

[REDACTED]

(a)

[REDACTED]

(b)

(c)

[REDACTED]

[illegible]

[REDACTED]

3.4 Buyer's Reliance on Own Investigation; "AS-IS" Sale.

■ [REDACTED]

■ [REDACTED]

■ [REDACTED]

- 
- 
- 



ARTICLE 4
THE TRANSACTION

4.1 Escrow. 


4.2 Purchase Price. 


4.2.1 Earnest Money.

4.2.2 Retention and Disbursement of Earnest Money.

4.2.3 Cash at Closing.

4.2.4 Independent Consideration.

[REDACTED]

4.3 Conveyance by Deed.

[REDACTED]

ARTICLE 5
TITLE AND SURVEY

5.1 Title Commitment.

[REDACTED]

[REDACTED]

(a)

[REDACTED]

■

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

■ [REDACTED]

■ [REDACTED]

[REDACTED]

ARTICLE 6
CONDITION OF THE PROPERTY

6.1 Inspections.

6.1.1 Inspection of Property. [REDACTED]

[REDACTED]

6.1.2 Inspection of Due Diligence Documents. [REDACTED]

[REDACTED]

6.2 Entry onto Property.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

6.3 Environmental Matters.

6.3.1 Buyer's Environmental Investigation.

[REDACTED]

[REDACTED]

6.3.2 Seller's Environmental Reports.

[REDACTED]

[REDACTED]

6.4 Approval and Termination.

6.4.1 Buyer's Approval Notice.

[REDACTED]

6.4.2 Buyer's Right to Terminate.

[REDACTED]

[REDACTED]

6.4.3 Seller's Right to Terminate.

[REDACTED]

[REDACTED]

[REDACTED]

6.5 Service Contracts.

[REDACTED]

6.6 Management of the Property.

[REDACTED]

[REDACTED]

6.7 Leasing.

[REDACTED]

[REDACTED]

[REDACTED]

6.8 Estoppel Certificates.

[REDACTED]

[REDACTED]

6.9 Delivery of Notices.

[REDACTED]

ARTICLE 7
CLOSING

7.1 Buyer's Conditions Precedent to Closing.

[REDACTED]

■ [REDACTED]

■ [REDACTED]

■ [REDACTED]

[REDACTED]

[REDACTED]

7.2 Seller's Conditions Precedent to Closing.

[REDACTED]

- [REDACTED]

- [REDACTED]

- [REDACTED]

[REDACTED]

7.3 Deposits in Escrow. On or before the day preceding the Closing Date:

7.3.1 Seller's Deposits.

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

7.3.2 Buyer's Deposits.

[REDACTED]

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]

7.3.3 Joint Deposits.

[REDACTED]

[REDACTED]

- [REDACTED]
- [REDACTED]

(c)

7.3.4 Other Documents.

7.4 Costs.

7.5 Prorations.

7.5.1. Generally.

(a) **Taxes and Assessments.**

(b) **Rentals, Other Income, and Security Deposits.**

[REDACTED]

(c) **Expenses.** [REDACTED]

(d) **Utilities.** [REDACTED]

(e) **Leasing Reimbursements.** [REDACTED]

[REDACTED]

7.5.2 Like-Kind Exchange (Proration). [REDACTED]

7.6 Insurance. [REDACTED]

[REDACTED]

7.7 Close of Escrow.

[REDACTED]

(a) Wire Transfer.

[REDACTED]

■ [REDACTED]

■ [REDACTED]

■ [REDACTED]

■ [REDACTED]

[REDACTED]

(d) **Broker's Commission.** [REDACTED]

7.8 Possession. [REDACTED]

(a) **Tenant Lease(s).** [REDACTED]

(b) **Service Contracts.** [REDACTED]

(c) **Keys.** [REDACTED]

(d) **Licenses and Permits.** [REDACTED]

(e) **Tenant Estoppel Certificates or Seller's Estoppel Certificates.** [REDACTED]

7.9 Recorded Instruments. [REDACTED]

7.10 Tenant Notices. [REDACTED]

ARTICLE 8
CONDEMNATION AND CASUALTY

[REDACTED]

[REDACTED]

[REDACTED]

- [REDACTED]

- [REDACTED]

[REDACTED]

ARTICLE 9
NOTICES

[REDACTED]

ARTICLE 10
SUCCESSORS AND ASSIGNS

[REDACTED]

ARTICLE 11
BROKERS

[REDACTED]

[REDACTED]

ARTICLE 12
COVENANT NOT TO RECORD

[REDACTED]

ARTICLE 13
DEFAULT

[REDACTED]

13.1 Default by Buyer.

[REDACTED]

[REDACTED]

[REDACTED]

13.2 Default by Seller.

[REDACTED]

ARTICLE 14
NON-DEFAULT TERMINATION

[REDACTED]

[REDACTED]

[REDACTED]

ARTICLE 15
INDEMNITIES

15.1 Seller Indemnity.

[REDACTED]

[REDACTED]

[REDACTED]

15.2 Buyer Indemnity.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

15.3 Release.

[REDACTED]

15.4 Survival.

[REDACTED]

ARTICLE 16
MISCELLANEOUS

16.1 Survival of Representations, Covenants, and Obligations.

[REDACTED]

[REDACTED]

16.2 Attorneys' Fees.

[REDACTED]

16.3 Publicity.

[REDACTED]

16.4 Captions.

[REDACTED]

16.5 Waiver.

[REDACTED]

16.6 Time.

[REDACTED]

16.7 Waiver of Jury Trial.

[REDACTED]

16.8 Controlling Law.

[REDACTED]

16.9 Severability.

[REDACTED]

16.10 Construction.

[REDACTED]

[REDACTED]

16.11 Like-Kind Exchange.

16.11.1 Assignment of Rights to Qualified Intermediary.

[REDACTED]

16.11.2 Reassignment.

[REDACTED]

16.12 Limitations on Liability.

[REDACTED]

16.13 Execution.

[REDACTED]

16.14 Amendments. This Agreement may be modified, supplemented, or amended only by a written instrument executed by Buyer and Seller.

16.15 Entire Agreement. This Agreement constitutes the entire and complete agreement between the parties relating to the transactions contemplated hereby, and all prior or contemporaneous agreements, understandings, representations, warranties, and statements, oral or written, are merged herein. No representation, warranty, covenant, agreement, or condition not expressed in this Agreement shall be binding upon the parties hereto or shall affect or be effective to interpret, change, or restrict the provisions of this Agreement.

16.16 Seller's Further Assurances:

[REDACTED]

IN WITNESS WHEREOF, this Agreement has been executed as of the Effective Date.

SELLER:

THE NORTHWESTERN MUTUAL LIFE
INSURANCE COMPANY, a Wisconsin corporation

By: Northwestern Mutual Investment
Management Company, LLC, a Delaware limited
liability company, its wholly-owned affiliate

By: _____
Name:
Its:

(Signatures Continue on Next Page)

BUYER:

By: _____
Name: _____
Its: _____

RECEIPT BY ESCROW HOLDER – EARNEST MONEY

██████████ Title Insurance Company shall serve as Escrow Holder pursuant to the terms and provisions of that certain Real Estate Purchase and Sale Agreement between The Northwestern Mutual Life Insurance Company and _____ (the "Agreement"), and hereby acknowledges receipt of a fully executed copy of the Agreement and the Earnest Money referred to therein in the sum of _____. ██████████ Title Insurance Company agrees to accept, hold, apply, and/or return such Earnest Money, and disburse any funds received pursuant to the provisions of the Agreement, and otherwise comply with the obligations of Escrow Holder as set forth in the Agreement.

██████████ TITLE INSURANCE COMPANY

By: _____

Name: _____

Its: _____

Date of receipt: _____

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a) OF THE EXCHANGE ACT, AS AMENDED,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Andrew Spodek, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Postal Realty Trust, Inc. (the “registrant”) for the quarterly period ended September 30, 2020;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Intentionally omitted;
 - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 13, 2020

/s/ Andrew Spodek

Andrew Spodek,
Chief Executive Officer
(Principal Executive Officer)
Postal Realty Trust, Inc.

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a) OF THE EXCHANGE ACT, AS AMENDED,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jeremy Garber, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Postal Realty Trust, Inc. (the “registrant”) for the quarterly period ended September 30, 2020;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Intentionally omitted;
 - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 13, 2020

/s/ Jeremy Garber

Jeremy Garber,
President, Treasurer and Secretary
(Principal Financial Officer)
Postal Realty Trust, Inc.

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
Certificate of Principal Executive Officer**

In connection with the Quarterly Report on Form 10-Q of Postal Realty Trust, Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Andrew Spodek, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods presented.

POSTAL REALTY TRUST, INC.

Date: November 13, 2020

By: /s/ Andrew Spodek

Andrew Spodek
Chief Executive Officer and Director
(Principal Executive Officer)

This written report is being furnished to the Securities and Exchange Commission as an exhibit to the Report. A signed original of this written statement required by Section 906 has been provided to Postal Realty Trust, Inc. and will be retained by Postal Realty Trust, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
Certificate of Principal Financial Officer**

In connection with the Quarterly Report on Form 10-Q of Postal Realty Trust, Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeremy Garber, President, Treasurer and Secretary of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods presented.

POSTAL REALTY TRUST, INC.

Date: November 13, 2020

By: /s/ Jeremy Garber

Jeremy Garber
President, Treasurer and Secretary
(Principal Financial Officer)

This written report is being furnished to the Securities and Exchange Commission as an exhibit to the Report. A signed original of this written statement required by Section 906 has been provided to Postal Realty Trust, Inc. and will be retained by Postal Realty Trust, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.