

URSTADT BIDDLE PROPERTIES INC  
Form 10-Q  
September 07, 2007

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**United States**  
**Securities And Exchange Commission**  
Washington, DC 20549

**Form 10-Q**

[Missing Graphic Reference] **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES  
EXCHANGE ACT OF 1934**

For the quarterly period ended July 31, 2007

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 1-12803*

**Urstadt Biddle Properties Inc.**  
(Exact Name of Registrant in its Charter)

|                                                                                         |                                                                    |
|-----------------------------------------------------------------------------------------|--------------------------------------------------------------------|
| <b>Maryland</b><br>(State or other jurisdiction<br>of incorporation or<br>organization) | <b>04-2458042</b><br>(I.R.S.<br>Employer Identification<br>Number) |
| 321 Railroad Avenue,<br>Greenwich, CT<br>(Address of principal<br>executive offices)    | 06830<br>(Zip Code)                                                |

Registrant's telephone number, including area code: **(203) 863-8200**

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** x **No** o

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of accelerated filer and non-accelerated filer in Rule 12b-2 of the Exchange Act (Check one):

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Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐

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 September 6, 2007, (latest date practicable) the number of shares of the Registrant's classes of Common Stock and Class A Common Stock was: 7,765,060 Common Shares, par value \$.01 per share and 18,840,589 Class A Common Shares, par value \$.01 per share

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### Urstadt Biddle Properties Inc.

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#### Signatures

**URSTADT BIDDLE PROPERTIES INC.**  
**CONSOLIDATED BALANCE SHEETS**

(In thousands, except share data)

|                                                                                                                                     | <b>July 31,<br/>2007</b> | <b>October 31,<br/>2006</b> |
|-------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-----------------------------|
|                                                                                                                                     | (Unaudited)              |                             |
| <b>ASSETS</b>                                                                                                                       |                          |                             |
| Real Estate Investments:                                                                                                            |                          |                             |
| Core properties – at cost                                                                                                           | \$ 515,002               | \$ 489,160                  |
| Non-core properties – at cost                                                                                                       | 1,383                    | 6,383                       |
|                                                                                                                                     | 516,385                  | 495,543                     |
| Less: accumulated depreciation                                                                                                      | (82,736)                 | (77,258)                    |
|                                                                                                                                     | 433,649                  | 418,285                     |
| Mortgage notes receivable                                                                                                           | 1,320                    | 1,361                       |
|                                                                                                                                     | 434,969                  | 419,646                     |
| Cash and cash equivalents                                                                                                           | 3,124                    | 2,800                       |
| Restricted cash                                                                                                                     | 590                      | 589                         |
| Marketable securities                                                                                                               | 1,710                    | 2,011                       |
| Tenant receivables, net of allowances of \$1,869 and \$1,561                                                                        | 16,320                   | 17,176                      |
| Prepaid expenses and other assets                                                                                                   | 6,724                    | 4,484                       |
| Deferred charges, net of accumulated amortization                                                                                   | 4,392                    | 4,644                       |
| Total Assets                                                                                                                        | \$ 467,829               | \$ 451,350                  |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                                                                         |                          |                             |
| Liabilities:                                                                                                                        |                          |                             |
| Secured revolving credit line                                                                                                       | \$ 3,000                 | \$ -                        |
| Mortgage notes payable                                                                                                              | 100,892                  | 104,341                     |
| Accounts payable and accrued expenses                                                                                               | 3,152                    | 1,785                       |
| Deferred compensation - officers                                                                                                    | 1,136                    | 1,200                       |
| Other liabilities                                                                                                                   | 6,160                    | 5,503                       |
| Total Liabilities                                                                                                                   | 114,340                  | 112,829                     |
| Minority interests                                                                                                                  | 5,318                    | 5,318                       |
| Redeemable Preferred Stock, par value \$.01 per share; 20,000,000 shares authorized;                                                |                          |                             |
| 8.99% Series B Senior Cumulative Preferred Stock (liquidation preference of \$100 per share); 150,000 shares issued and outstanding | 14,341                   | 14,341                      |
| 8.50% Series C Senior Cumulative Preferred Stock (liquidation preference of \$100 per share); 400,000 shares issued and outstanding | 38,406                   | 38,406                      |
| Total Preferred Stock                                                                                                               | 52,747                   | 52,747                      |
| Commitments and Contingencies                                                                                                       |                          |                             |
| Stockholders' Equity:                                                                                                               |                          |                             |

|                                                                                                                              |            |            |
|------------------------------------------------------------------------------------------------------------------------------|------------|------------|
| 7.5% Series D Senior Cumulative Preferred Stock (liquidation preference of \$25 per share);                                  |            |            |
| 2,450,000 shares issued and outstanding                                                                                      | 61,250     | 61,250     |
| Excess stock, par value \$.01 per share; 10,000,000 shares authorized; none issued and outstanding                           |            |            |
|                                                                                                                              | -          | -          |
| Common stock, par value \$.01 per share; 30,000,000 shares authorized; 7,765,060 and 7,635,441 shares issued and outstanding |            |            |
|                                                                                                                              | 78         | 76         |
| Class A Common stock, par value \$.01 per share; 40,000,000 shares authorized;                                               |            |            |
| 18,858,790 and 18,804,781 shares issued and outstanding                                                                      | 189        | 188        |
| Additional paid in capital                                                                                                   | 264,152    | 262,024    |
| Cumulative distributions in excess of net income                                                                             | (29,395)   | (42,400)   |
| Accumulated other comprehensive income                                                                                       | 450        | 618        |
| Officer note receivable                                                                                                      | (1,300)    | (1,300)    |
| Total Stockholders' Equity                                                                                                   | 295,424    | 280,456    |
| Total Liabilities and Stockholders' Equity                                                                                   | \$ 467,829 | \$ 451,350 |

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

**URSTADT BIDDLE PROPERTIES INC.**  
**CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**

(In thousands, except per share data)

|                                                                         | <b>Nine Months Ended</b> |                  | <b>Three Months Ended</b> |                 |
|-------------------------------------------------------------------------|--------------------------|------------------|---------------------------|-----------------|
|                                                                         | <b>July 31,</b>          |                  | <b>July 31,</b>           |                 |
|                                                                         | <b>2007</b>              | <b>2006</b>      | <b>2007</b>               | <b>2006</b>     |
| <b>Revenues</b>                                                         |                          |                  |                           |                 |
| Base rents                                                              | \$ 43,249                | \$ 41,046        | \$ 14,560                 | \$ 13,672       |
| Recoveries from tenants                                                 | 13,393                   | 13,162           | 4,471                     | 4,094           |
| Settlement of lease guaranty obligation                                 | 6,000                    | -                | -                         | -               |
| Lease termination income                                                | 115                      | -                | -                         | -               |
| Mortgage interest and other                                             | 750                      | 361              | 107                       | 36              |
|                                                                         | 63,507                   | 54,569           | 19,138                    | 17,802          |
| <b>Expenses</b>                                                         |                          |                  |                           |                 |
| Property operating                                                      | 9,511                    | 9,245            | 3,198                     | 2,668           |
| Property taxes                                                          | 8,130                    | 7,576            | 2,790                     | 2,601           |
| Depreciation and amortization                                           | 10,001                   | 9,821            | 3,370                     | 3,405           |
| General and administrative                                              | 3,843                    | 3,903            | 1,365                     | 1,415           |
| Directors' fees and expenses                                            | 181                      | 195              | 55                        | 51              |
|                                                                         | 31,666                   | 30,740           | 10,778                    | 10,140          |
| <b>Operating Income</b>                                                 | <b>31,841</b>            | <b>23,829</b>    | <b>8,360</b>              | <b>7,662</b>    |
| Interest expense                                                        | (5,910)                  | (6,301)          | (1,949)                   | (2,057)         |
| Interest, dividends and other investment income                         | 397                      | 694              | 164                       | 200             |
| <b>Income before Minority Interest and Discontinued Operations</b>      | <b>26,328</b>            | <b>18,222</b>    | <b>6,575</b>              | <b>5,805</b>    |
| Minority interest in consolidated joint venture                         | (152)                    | (141)            | (56)                      | (47)            |
| <b>Income from Continuing Operations before Discontinued Operations</b> | <b>26,176</b>            | <b>18,081</b>    | <b>6,519</b>              | <b>5,758</b>    |
| <b>Discontinued Operations:</b>                                         |                          |                  |                           |                 |
| Income from discontinued operations                                     | 252                      | 365              | -                         | 124             |
| Gain on sale of property                                                | 11,385                   | -                | -                         | -               |
| <b>Income from Discontinued Operations</b>                              | <b>11,637</b>            | <b>365</b>       | <b>-</b>                  | <b>124</b>      |
| <b>Net Income</b>                                                       | <b>37,813</b>            | <b>18,446</b>    | <b>6,519</b>              | <b>5,882</b>    |
| Preferred stock dividends                                               | (7,007)                  | (7,007)          | (2,336)                   | (2,336)         |
| <b>Net Income Applicable to Common and Class A Common Stockholders</b>  | <b>\$ 30,806</b>         | <b>\$ 11,439</b> | <b>\$ 4,183</b>           | <b>\$ 3,546</b> |
| <b>Basic Earnings per Share:</b>                                        |                          |                  |                           |                 |
| <b>Per Common Share:</b>                                                |                          |                  |                           |                 |
| Income from continuing operations                                       | \$ .70                   | \$ .42           | \$ .15                    | \$ .13          |
| Income from discontinued operations                                     | \$ .43                   | \$ -             | \$ -                      | \$ -            |
| <b>Net Income Applicable to Common Stockholders</b>                     | <b>\$ 1.13</b>           | <b>\$ .42</b>    | <b>\$ .15</b>             | <b>\$ .13</b>   |
| <b>Per Class A Common Share:</b>                                        |                          |                  |                           |                 |
| Income from continuing operations                                       | \$ .78                   | \$ .47           | \$ .17                    | \$ .15          |
| Income from discontinued operations                                     | \$ .47                   | \$ -             | \$ -                      | \$ -            |

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|                                                      |    |      |    |     |    |     |    |     |
|------------------------------------------------------|----|------|----|-----|----|-----|----|-----|
| Net Income Applicable to Class A Common Stockholders | \$ | 1.25 | \$ | .47 | \$ | .17 | \$ | .15 |
|------------------------------------------------------|----|------|----|-----|----|-----|----|-----|

Diluted Earnings Per Share:

Per Common Share:

|                                              |    |      |    |     |    |     |    |     |
|----------------------------------------------|----|------|----|-----|----|-----|----|-----|
| Income from continuing operations            | \$ | .69  | \$ | .41 | \$ | .15 | \$ | .13 |
| Income from discontinued operations          | \$ | .42  | \$ | -   | \$ | -   | \$ | -   |
| Net Income Applicable to Common Stockholders | \$ | 1.11 | \$ | .41 | \$ | .15 | \$ | .13 |

Per Class A Common Share:

|                                                      |    |      |    |     |    |     |    |     |
|------------------------------------------------------|----|------|----|-----|----|-----|----|-----|
| Income from continuing operations                    | \$ | .76  | \$ | .46 | \$ | .17 | \$ | .14 |
| Income from discontinued operations                  | \$ | .46  | \$ | -   | \$ | -   | \$ | -   |
| Net Income Applicable to Class A Common Stockholders | \$ | 1.22 | \$ | .46 | \$ | .17 | \$ | .14 |

Dividends per share:

|                |    |       |    |       |    |       |    |       |
|----------------|----|-------|----|-------|----|-------|----|-------|
| Common         | \$ | .6225 | \$ | .6075 | \$ | .2075 | \$ | .2025 |
| Class A Common | \$ | .6900 | \$ | .6750 | \$ | .2300 | \$ | .2250 |

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

**URSTADT BIDDLE PROPERTIES INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

(In thousands)

|                                                                                      | <b>Nine Months Ended<br/>July 31,</b> |                 |
|--------------------------------------------------------------------------------------|---------------------------------------|-----------------|
|                                                                                      | <b>2007</b>                           | <b>2006</b>     |
| <b>Cash Flows from Operating Activities:</b>                                         |                                       |                 |
| Net income                                                                           | \$ 37,813                             | \$ 18,446       |
| Adjustments to reconcile net income to net cash provided<br>by operating activities: |                                       |                 |
| Depreciation and amortization from continuing operations                             | 10,001                                | 9,821           |
| Depreciation and amortization from discontinued operations                           | 42                                    | 128             |
| Straight-line rent adjustments                                                       | (797)                                 | (898)           |
| Gain on sale of property                                                             | (11,385)                              | -               |
| Change in value of deferred compensation arrangement                                 | (64)                                  | 4               |
| Restricted stock compensation expense                                                | 1,577                                 | 1,493           |
| Gain on repayment of mortgage note receivable                                        | -                                     | (102)           |
| Minority interests                                                                   | 152                                   | 141             |
| Decrease (Increase) in tenant receivables                                            | 1,610                                 | (1,677)         |
| Decrease in accounts payable and accrued expenses                                    | (331)                                 | (1,386)         |
| Increase in other assets and other liabilities, net                                  | (1,562)                               | (1,205)         |
| (Increase) Decrease in restricted cash                                               | (1)                                   | 612             |
| <b>Net Cash Flows Provided by Operating Activities</b>                               | <b>37,055</b>                         | <b>25,377</b>   |
| <b>Cash Flows from Investing Activities:</b>                                         |                                       |                 |
| Acquisitions of real estate investments                                              | (21,311)                              | (16,711)        |
| Improvements to properties and deferred charges                                      | (3,939)                               | (4,004)         |
| Net proceeds received from sales of properties                                       | 13,200                                | -               |
| Redemption (Purchases) of marketable securities - net                                | 133                                   | (100)           |
| Payments received on mortgage notes receivable                                       | 41                                    | 751             |
| Distributions to limited partners of consolidated joint ventures                     | (152)                                 | (141)           |
| <b>Net Cash Flows Used in Investing Activities</b>                                   | <b>(12,028)</b>                       | <b>(20,205)</b> |
| <b>Cash Flows from Financing Activities:</b>                                         |                                       |                 |
| Proceeds from revolving credit line borrowings                                       | 5,000                                 | 3,000           |
| Repayments on revolving credit line borrowings                                       | (2,000)                               | -               |
| Dividends paid on Common and Class A Common Shares                                   | (17,801)                              | (17,308)        |
| Dividends paid on Preferred shares                                                   | (7,007)                               | (7,007)         |
| Sales of additional Common and Class A Common Shares                                 | 599                                   | 695             |
| Repurchase of Class A Common Stock                                                   | (45)                                  | -               |
| Principal payments on mortgage notes payable                                         | (3,449)                               | (6,863)         |
| <b>Net Cash Flows Used In Financing Activities</b>                                   | <b>(24,703)</b>                       | <b>(27,483)</b> |
| <b>Net Increase (Decrease) In Cash and Cash Equivalents</b>                          | <b>324</b>                            | <b>(22,311)</b> |
| <b>Cash and Cash Equivalents at Beginning of Period</b>                              | <b>2,800</b>                          | <b>26,494</b>   |



|                                            |    |       |    |       |
|--------------------------------------------|----|-------|----|-------|
| Cash and Cash Equivalents at End of Period | \$ | 3,124 | \$ | 4,183 |
|--------------------------------------------|----|-------|----|-------|

Supplemental Cash Flow Disclosures:

|               |    |       |    |       |
|---------------|----|-------|----|-------|
| Interest Paid | \$ | 5,889 | \$ | 6,301 |
|---------------|----|-------|----|-------|

*The accompanying notes to consolidated financial statements are an integral part of these statements*

**URSTADT BIDDLE PROPERTIES INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)**

(In thousands, except shares and per share data)

|                    | 7.5% Series D   |           |              |        | Class A Common |        | Additional | Cumulative | Accumulated   | Officer    | Total       |
|--------------------|-----------------|-----------|--------------|--------|----------------|--------|------------|------------|---------------|------------|-------------|
|                    | Preferred Stock |           | Common Stock |        | Stock          |        | Paid In    | In         | Other         | Officer    | Stockholder |
|                    | Issued          | Amount    | Issued       | Amount | Issued         | Amount | Capital    | Excess     | Comprehensive | Note       | Equity      |
|                    |                 |           |              |        |                |        |            | of Net     | Income        | Receivable |             |
| <b>Balances –</b>  |                 |           |              |        |                |        |            |            |               |            |             |
| <b>October 31,</b> |                 |           |              |        |                |        |            |            |               |            |             |
| <b>2006</b>        | 2,450,000       | \$ 61,250 | 7,635,441    | \$ 76  | 18,804,781     | \$ 188 | \$ 262,024 | \$(42,400) | \$ 618        | \$(1,300)  | \$ 280,000  |
| Comprehensive      |                 |           |              |        |                |        |            |            |               |            |             |
| Income:            |                 |           |              |        |                |        |            |            |               |            |             |
| Net income         |                 |           |              |        |                |        |            |            |               |            |             |
| applicable to      |                 |           |              |        |                |        |            |            |               |            |             |
| Common and         |                 |           |              |        |                |        |            |            |               |            |             |
| Class A            |                 |           |              |        |                |        |            |            |               |            |             |
| common             |                 |           |              |        |                |        |            |            |               |            |             |
| stockholders       | -               | -         | -            | -      | -              | -      | -          | 30,806     | -             | -          | 30,806      |
| Change in          |                 |           |              |        |                |        |            |            |               |            |             |
| unrealized         |                 |           |              |        |                |        |            |            |               |            |             |
| gains in           |                 |           |              |        |                |        |            |            |               |            |             |
| marketable         |                 |           |              |        |                |        |            |            |               |            |             |
| securities         | -               | -         | -            | -      | -              | -      | -          | -          | (168)         | -          | (168)       |
| Total              |                 |           |              |        |                |        |            |            |               |            |             |
| comprehensive      |                 |           |              |        |                |        |            |            |               |            |             |
| income             | -               | -         | -            | -      | -              | -      | -          | -          | -             | -          | 30,806      |
| Cash dividends     |                 |           |              |        |                |        |            |            |               |            |             |
| paid :             |                 |           |              |        |                |        |            |            |               |            |             |
| Common stock       |                 |           |              |        |                |        |            |            |               |            |             |
| (\$.6225 per       |                 |           |              |        |                |        |            |            |               |            |             |
| share)             | -               | -         | -            | -      | -              | -      | -          | (4,824)    | -             | -          | (4,824)     |
| Class A            |                 |           |              |        |                |        |            |            |               |            |             |
| common stock       |                 |           |              |        |                |        |            |            |               |            |             |
| (\$.69 per         |                 |           |              |        |                |        |            |            |               |            |             |
| share)             | -               | -         | -            | -      | -              | -      | -          | (12,977)   | -             | -          | (12,977)    |
| Issuance of        |                 |           |              |        |                |        |            |            |               |            |             |
| shares under       |                 |           |              |        |                |        |            |            |               |            |             |
| dividend           |                 |           |              |        |                |        |            |            |               |            |             |
| reinvestment       |                 |           |              |        |                |        |            |            |               |            |             |
| plan               | -               | -         | 23,819       | 1      | 9,006          | -      | 582        | -          | -             | -          | -           |
| Forfeiture of      |                 |           |              |        |                |        |            |            |               |            |             |
| restricted stock   | -               | -         | -            | -      | (24,250)       | -      | -          | -          | -             | -          | -           |
| Shares issued      |                 |           |              |        |                |        |            |            |               |            |             |
| under restricted   |                 |           |              |        |                |        |            |            |               |            |             |
| stock plan         | -               | -         | 105,800      | 1      | 70,300         | 1      | (2)        | -          | -             | -          | -           |
|                    | -               | -         | -            | -      | (3,000)        | -      | (45)       | -          | -             | -          | -           |

Repurchase of  
Class A  
common stock

Stock options  
exercised

|   |   |   |   |       |   |    |   |   |   |
|---|---|---|---|-------|---|----|---|---|---|
| - | - | - | - | 1,953 | - | 16 | - | - | - |
|---|---|---|---|-------|---|----|---|---|---|

Restricted  
stock

compensation

|   |   |   |   |   |   |       |   |   |   |   |
|---|---|---|---|---|---|-------|---|---|---|---|
| - | - | - | - | - | - | 1,577 | - | - | - | 1 |
|---|---|---|---|---|---|-------|---|---|---|---|

**Balances – July**

|                 |           |           |           |       |            |        |            |            |        |           |        |
|-----------------|-----------|-----------|-----------|-------|------------|--------|------------|------------|--------|-----------|--------|
| <b>31, 2007</b> | 2,450,000 | \$ 61,250 | 7,765,060 | \$ 78 | 18,858,790 | \$ 189 | \$ 264,152 | \$(29,395) | \$ 450 | \$(1,300) | \$ 295 |
|-----------------|-----------|-----------|-----------|-------|------------|--------|------------|------------|--------|-----------|--------|

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### (1) ORGANIZATION, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Business

Urstadt Biddle Properties Inc. ("Company"), a real estate investment trust (REIT), is engaged in the acquisition, ownership and management of commercial real estate, primarily neighborhood and community shopping centers in the northeastern part of the United States. Non-core properties include two distribution service facilities. The Company's major tenants include supermarket chains and other retailers who sell basic necessities. At July 31, 2007, the Company owned or had interests in 39 properties containing a total of 3.7 million square feet of leasable area.

#### Principles of Consolidation and Use of Estimates

The accompanying consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, and joint ventures in which the Company meets certain criteria of a sole general partner in accordance with Emerging Issues Task Force ("EITF") Issue 04-5, "Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights." The Company has determined that such joint ventures should be consolidated into the consolidated financial statements of the Company. All significant intercompany transactions and balances have been eliminated in consolidation.

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Results of operations for the nine month period ended July 31, 2007, are not necessarily indicative of the results that may be expected for the year ending October 31, 2007. It is suggested that these financial statements be read in conjunction with the financial statements and notes thereto included in the Company's annual report on Form 10-K for the fiscal year ended October 31, 2006.

The preparation of financial statements requires management to make estimates and assumptions that affect the disclosure of contingent assets and liabilities, the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the periods covered by the financial statements. The most significant assumptions and estimates relate to the valuation of real estate, depreciable lives, revenue recognition and the collectibility of tenant and mortgage notes receivables. Actual results could differ from these estimates. The balance sheet at October 31, 2006 has been derived from audited financial statements at that date.

#### Reclassifications

Certain prior period amounts have been reclassified (including the presentation of discontinued operations) to conform to the current year presentation.

#### Federal Income Taxes

The Company has elected to be treated as a real estate investment trust under Sections 856-860 of the Internal Revenue Code (Code). Under those sections, a REIT that, among other things, distributes at least 90% of real estate trust taxable income and meets certain other qualifications prescribed by the Code will not be taxed on that portion of its taxable income that is distributed. The Company believes it qualifies as a REIT and intends to distribute all of its taxable income for fiscal 2007 in accordance with the provisions of the Code. Accordingly, no provision has been made for Federal income taxes in the accompanying consolidated financial statements.

In July 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109, Accounting for Income Taxes" ("FIN 48"), regarding accounting for and disclosure of uncertain tax positions. This interpretation prescribes a recognition threshold and measurement in the financial statements of a tax position taken or expected to be taken in a tax return. The interpretation also provides guidance as to its application and related transition, and is effective for fiscal years beginning after December 15, 2006. The Company does not expect the adoption of FIN 48 to have a material effect on the Company's consolidated financial statements.

#### **Concentration of Credit Risk**

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, mortgage notes receivable and tenant receivables. The Company places its cash and cash equivalents in excess of insured amounts with high quality financial institutions. The Company performs ongoing credit evaluations of its tenants and may require certain tenants to provide security deposits or letters of credit. Though these security deposits and letters of credit are insufficient to meet the terminal value of a tenant's lease obligation, they are a measure of good faith and a source of funds to offset the economic costs associated with lost rent and the costs associated with retenanting the space. There is no dependence upon any single tenant.

### Marketable Securities

Marketable securities consist of short-term investments and marketable equity securities. Short-term investments (consisting of investments with original maturities of greater than three months when purchased) and marketable equity securities are carried at fair value. The Company has classified marketable securities as available for sale. Unrealized gains and losses on available for sale securities are recorded as other comprehensive income in Stockholders' Equity. There were no significant sales of marketable securities during the nine month and three month periods ended July 31, 2007 and 2006.

### Comprehensive Income

Comprehensive income is comprised of net income and other comprehensive income (loss). Other comprehensive income (loss) includes items that are otherwise recorded directly in stockholders' equity, such as unrealized gains or losses on marketable securities. At July 31, 2007, other comprehensive income consisted of net unrealized gains on marketable securities of approximately \$450,000. Unrealized gains included in other comprehensive income will be reclassified into earnings as gains are realized.

### Earnings Per Share

The Company calculates basic and diluted earnings per share in accordance with SFAS No. 128, "Earnings Per Share." Basic earnings per share ("EPS") excludes the impact of dilutive shares and is computed by dividing net income applicable to Common and Class A Common stockholders by the weighted number of Common shares and Class A Common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue Common shares or Class A Common shares were exercised or converted into Common shares or Class A Common shares and then shared in the earnings of the Company. Since the cash dividends declared on the Company's Class A Common stock are higher than the dividends declared on the Common Stock, basic and diluted EPS have been calculated using the "two-class" method. The two-class method is an earnings allocation formula that determines earnings per share for each class of common stock according to the weighted average of the dividends declared, outstanding shares per class and participation rights in undistributed earnings.

The following table sets forth the reconciliation between basic and diluted EPS (in thousands):

|                                                                         | Nine Months Ended<br>July 31, |          | Three Months Ended<br>July 31, |        |
|-------------------------------------------------------------------------|-------------------------------|----------|--------------------------------|--------|
|                                                                         | 2007                          | 2006     | 2007                           | 2006   |
| <b>Numerator</b>                                                        |                               |          |                                |        |
| Net income applicable to common stockholders – basic                    | \$ 7,731                      | \$ 2,820 | \$ 1,051                       | \$ 875 |
| Effect of dilutive securities:                                          |                               |          |                                |        |
| Operating partnership units                                             | 348                           | 158      | 58                             | 51     |
| Net income applicable to common stockholders – diluted                  | \$ 8,079                      | \$ 2,978 | \$ 1,109                       | \$ 926 |
| <b>Denominator</b>                                                      |                               |          |                                |        |
| Denominator for basic EPS weighted average common shares                | 6,841                         | 6,657    | 6,849                          | 6,671  |
| Effect of dilutive securities:                                          |                               |          |                                |        |
| Restricted stock and other awards                                       | 446                           | 468      | 452                            | 478    |
| Operating partnership units                                             | 55                            | 55       | 55                             | 55     |
| Denominator for diluted EPS – weighted average common equivalent shares | 7,342                         | 7,180    | 7,356                          | 7,204  |

**Numerator**

|                                                                |    |        |    |       |    |       |    |       |
|----------------------------------------------------------------|----|--------|----|-------|----|-------|----|-------|
| Net income applicable to Class A common stockholders-basic     | \$ | 23,075 | \$ | 8,619 | \$ | 3,132 | \$ | 2,671 |
| Effect of dilutive securities:                                 |    |        |    |       |    |       |    |       |
| Operating partnership units                                    |    | (197)  |    | (17)  |    | (2)   |    | (3)   |
| Net income applicable to Class A common stockholders – diluted | \$ | 22,878 | \$ | 8,602 | \$ | 3,130 | \$ | 2,668 |

**Denominator**

|                                                                                 |  |        |  |        |  |        |  |        |
|---------------------------------------------------------------------------------|--|--------|--|--------|--|--------|--|--------|
| Denominator for basic EPS – weighted average Class A common shares              |  | 18,423 |  | 18,309 |  | 18,412 |  | 18,315 |
| Effect of dilutive securities:                                                  |  |        |  |        |  |        |  |        |
| Restricted stock and other awards                                               |  | 278    |  | 299    |  | 261    |  | 305    |
| Operating partnership units                                                     |  | 55     |  | 55     |  | 55     |  | 55     |
| Denominator for diluted EPS – weighted average Class A common equivalent shares |  | 18,756 |  | 18,663 |  | 18,728 |  | 18,675 |

**Segment Reporting**

The Company operates in one industry segment, ownership of commercial real estate properties which are located principally in the northeastern United States. The Company does not distinguish its property operations for purposes of measuring performance. Accordingly, the Company believes it has a single reportable segment for disclosure purposes.

### **Stock Based Compensation**

Effective November 1, 2005, the Company accounts for its stock based compensation plans under the fair value recognition provisions of FASB Statement No. 123R, "Share-Based Payment" ("SFAS No. 123R") using the modified-prospective-transition method. Under that transition method, compensation expense is recognized for all share-based payments granted subsequent to November 1, 2005, based on the fair value of the stock awards less estimated forfeitures. The fair value of stock awards is equal to the fair value of the Company's stock on the grant date.

### **(2) CORE PROPERTIES**

In January 2007, the Company acquired a 10,100 square foot shopping center located in Monroe, Connecticut for \$3.825 million including closing costs. The purchase was financed from available cash and borrowings under the Company's secured line of credit.

In April, 2007, the Company acquired the Emerson Shopping Plaza, a 94,000 square foot shopping center located in Emerson New Jersey for a purchase price of approximately \$17.25 million, excluding closing costs. The purchase price was funded from the net proceeds of the sale of one of the Company's non core properties (see Note 4) and available cash.

Upon the acquisition of real estate properties, the fair value of the real estate purchased is allocated to the acquired tangible assets (consisting of land, buildings and building improvements), and identified intangible assets and liabilities (consisting of above-market and below-market leases and in-place leases), in accordance with SFAS No. 141 "Business Combinations". The Company utilizes methods similar to those used by independent appraisers in estimating the fair value of acquired assets and liabilities. The fair value of the tangible assets of an acquired property considers the value of the property "as-if-vacant". The fair value reflects the depreciated replacement cost of the asset. In allocating purchase price to identified intangible assets and liabilities of an acquired property, the value of above-market and below-market leases are estimated based on the differences between (i) contractual rentals and the estimated market rents over the applicable lease term discounted back to the date of acquisition utilizing a discount rate adjusted for the credit risk associated with the respective tenants and (ii) the estimated cost of acquiring such leases giving effect to the Company's history of providing tenant improvements and paying leasing commissions, offset by a vacancy period during which such space would be leased. The aggregate value of in-place leases is measured by the excess of (i) the purchase price paid for a property after adjusting existing in-place leases to market rental rates over (ii) the estimated fair value of the property "as-if-vacant," determined as set forth above.

During the second quarter of fiscal 2007, the Company completed its evaluation of the leases at the Monroe, Connecticut property and, as a result of its evaluation, determined that no allocation was required to adjust the net fair value assigned to the leases acquired. The Company is currently in the process of analyzing the fair value of in-place leases for the Emerson, New Jersey property. Consequently, no value has yet been assigned to the leases. Accordingly, the purchase price allocation is preliminary and may be subject to change.

For the nine months ended July 31, 2007 and 2006 the net amortization of above-market and below-market leases was approximately \$150,000 and \$79,000 respectively, which amounts are included in base rents in the accompanying consolidated statements of income.

In January 2007, the Company entered into a lease with a wholesale club to lease approximately 107,000 square feet of space at The Dock Shopping Center, Stratford, CT, subject to certain conditions. In connection with the new lease, the Company agreed to provide up to \$6.75 million toward the costs of redeveloping the space that previously had been occupied by a tenant who, in a prior year, filed a petition in bankruptcy and vacated the space. The former tenant's lease obligations were guaranteed through 2016 by a corporate guarantor previously affiliated with the former tenant. In February 2007, the Company executed a settlement agreement with the guarantor whereby the guarantor was released from its obligations in exchange for a payment of \$6 million. The payment and release of guaranty were



subject to certain conditions contained in the agreement. The conditions were satisfied on April 15, 2007 and the Company recorded the guaranty payment as income in the second quarter of fiscal 2007.

In February 2007, the Company granted an easement to a utility company at one of its retail properties. In consideration for granting the easement, the utility company made a one-time payment of \$352,200 to the Company which is included in other income in the accompanying consolidated statement of income for the nine month period ended July 31, 2007.

As of July 31, 2007, the Company has received request for and paid \$770,000 of the \$6.75 million aforementioned re-development costs associated with the Dock Shopping Center.

The Company is the general partner in a consolidated limited partnership which owns a shopping center. The limited partnership has a defined termination date of December 31, 2097. Upon liquidation of the partnership, proceeds from the sale of partnership assets are to be distributed in accordance with the respective partnership interests. If termination of the partnership occurred on July 31, 2007 the amount payable to the limited partners is estimated to be \$3,300,000. The Company had retained an affiliate of one of the limited partners to provide management and leasing services to the property at an annual fee of \$125,000. The agreement with the affiliate expired in June 2007 and the property is now exclusively managed by the Company. The affiliate received payments of \$75,000 and \$12,500 during the nine months and three months ended July 31, 2007 and \$93,750 and \$31,250 for the nine months and three months ended July 31, 2006.

The limited partner interests are reflected in the accompanying consolidated financial statements as Minority Interest.

In May 2007, the Company formed a limited liability company ("LLC") to acquire by contribution, a 20% interest in a general partnership which owns a retail/office property in Westchester County, New York. Simultaneously, the Company contributed one of its wholly-owned retail properties in Westchester County, New York into the LLC. As a result of the contributions, the Company owns approximately 76% of the LLC, the accounts of which are included in the accompanying consolidated financial statements at July 31, 2007. The Company has recorded the non controlling member's share of the net assets of the LLC of \$546,000 in Other liabilities, in the accompanying July 31, 2007 consolidated balance sheet. The Company has among other things, guaranteed a preferential return to the other member of the LLC of \$36,000 per annum.

**(3) MORTGAGE NOTES PAYABLE AND BANK LINE OF CREDIT**

At July 31, 2007, the Company had a secured revolving credit facility with a commercial bank (the “Secured Credit Facility”) which provides for borrowing of up to \$30 million. The Secured Credit Facility expires in April 2008 and is collateralized by first mortgage liens on two of the Company’s properties. Interest on outstanding borrowings is at prime + ½% or LIBOR + 1.5%. The Secured Credit Facility requires the Company to maintain certain debt service coverage ratios during its term. The Company pays an annual fee of 0.25% on the unused portion of the Secured Credit Facility. The Secured Credit Facility is available to fund acquisitions, capital expenditures, mortgage repayments, working capital and other general corporate purposes. At July 31, 2007, the Company had outstanding borrowings under the Secured Credit Facility totaling \$3,000,000 at a weighted average annual interest rate of 6.875%.

In June 2007, the Company finalized an agreement with a commercial mortgage lender to, among other things, extend the term of a mortgage note payable (with an outstanding balance of approximately \$52.7 million at July 31, 2007) and reset the interest rate for the new term. The mortgage note, which is secured by the Ridgeway Shopping Center in Stamford, Connecticut, was extended for a ten year period expiring in December 2017 at a fixed rate of interest of 5.52% per annum.

In March 2007, the Company fully repaid a nonrecourse mortgage note payable in the amount of \$1.6 million that was secured by a retail property in Somers, New York. The loan was repaid from available cash.

**(4) DISCONTINUED OPERATIONS**

The Company has adopted the provisions of Statement of Financial Accounting Standards No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets” (SFAS No. 144). SFAS No. 144 requires, among other things, that the results of operations of properties sold or that otherwise qualify as held for sale be classified as discontinued operations and presented separately in the Company’s consolidated financial statements.

In April 2007, the Company sold its non-core retail property, Southern Plaza, in Tempe, Arizona, for a sale price of approximately \$13.2 million, resulting in a gain on sale of the property of approximately \$11.4 million. The net proceeds from the property sale were used to complete the purchase of the Emerson Shopping Plaza (see Note 2).

The operating results for Southern Plaza have been reclassified as discontinued operations in the accompanying consolidated statements of income for the nine month and three month periods ended July 31, 2007 and 2006. The following table summarizes revenues and expenses for the Company’s discontinued operations (amounts in thousands):

|                                     | <b>Nine months Ended</b> |        | <b>Three Months Ended</b> |        |
|-------------------------------------|--------------------------|--------|---------------------------|--------|
|                                     | <b>July 31,</b>          |        | <b>July 31,</b>           |        |
|                                     | 2007                     | 2006   | 2007                      | 2006   |
| Revenues                            | \$ 320                   | \$ 560 | \$ -                      | \$ 187 |
| Property operating expense          | (26)                     | (67)   | -                         | (21)   |
| Depreciation and amortization       | (42)                     | (128)  | -                         | (42)   |
| Income from discontinued operations | \$ 252                   | \$ 365 | \$ -                      | \$ 124 |

**(5) REDEEMABLE PREFERRED STOCK**

The 8.99% Series B Senior Cumulative Preferred Stock (“Series B Preferred Stock”) and 8.50% Series C Senior Cumulative Preferred Stock (“Series C Preferred Stock”) have no stated maturity, are not subject to any sinking fund or mandatory redemption and are not convertible into other securities or property of the Company. Commencing January 2008 (Series B Preferred Stock) and May 2013 (Series C Preferred Stock), the Company, at its option, may

redeem the preferred stock issues, in whole or in part, at a redemption price of \$100 per share, plus all accrued dividends. Upon a change in control of the Company (as defined), each holder of Series B Preferred Stock and Series C Preferred Stock has the right, at such holder's option, to require the Company to repurchase all or any part of such holder's stock for cash at a repurchase price of \$100 per share, plus all accrued and unpaid dividends.

The Series B Preferred Stock and Series C Preferred Stock contain covenants, that require the Company to maintain certain financial coverages relating to fixed charge and capitalization ratios. Shares of both Preferred Stock series are non-voting; however, under certain circumstances (relating to non-payment of dividends or failure to comply with the financial covenants) the preferred stockholders will be entitled to elect two directors. The Company was in compliance with such covenants at July 31, 2007.

As the holders of the Series B Preferred Stock and Series C Preferred Stock only have a contingent right to require the Company to repurchase all or part of such holders shares upon a change of control of the Company (as defined), the Series B Preferred Stock and Series C Preferred Stock are classified as redeemable equity instruments as a change in control is not certain to occur.

The Company is authorized to issue up to 20,000,000 shares of Preferred Stock. At July 31, 2007 and October 31, 2006 the Company had issued and outstanding 150,000 shares of Series B Senior Cumulative Preferred Stock, 400,000 shares of Series C Senior Cumulative Preferred Stock and 2,450,000 shares of Series D Senior Cumulative Preferred Stock. (See Note 6).

**(6) STOCKHOLDERS' EQUITY**

On April 12, 2007, the Company filed a shelf-registration statement on Form S-3 for up to \$300 million of Common Stock, Class A Common Stock, preferred stock, depositary shares and debt securities. Proceeds from any offerings under the registration statement will be used to acquire income producing properties and to fund renovations on, or capital improvements to the Company's existing properties.

**Restricted Stock Plan**

The Company has a restricted stock plan for key employees and directors of the Company. The restricted stock plan ("Plan"), as amended, provides for the grant of up to 2,000,000 shares of the Company's common equity consisting of 350,000 Common shares, 350,000 Class A Common shares and 1,300,000 shares, which at the discretion of the Company's compensation committee, may be awarded in any combination of Class A Common shares or Common shares.

Prior to November 1, 2005, the Company accounted for the Plan under the recognition and measurement provisions of APB Opinion No. 25, "Accounting for Stock Issued to Employees," ("APB No.25") and related Interpretations, as permitted by FASB Statement No. 123, "Accounting for Stock-Based Compensation." Effective November 1, 2005, the Company adopted the fair value recognition provisions of FASB Statement No.123(R), "Share-Based Payment," ("SFAS No.123R") using the modified-prospective-transition method. Under that transition method, compensation expense for all share-based payments granted subsequent to November 1, 2005 is based on the grant-date fair value of the stock grants less estimated forfeitures in accordance with the provisions of SFAS No. 123(R). It was the Company's policy to expense the grant date fair value of nonvested restricted stock awards over the explicit vesting periods. Upon adoption of SFAS No. 123R, the Company changed its policy for recognizing restricted stock compensation expense to the earlier of the explicit vesting period or the date a participant first becomes eligible for retirement. For nonvested restricted stock awards granted prior to the adoption of SFAS No. 123R, the Company continues to recognize compensation expense over the explicit vesting periods and accelerates any remaining unrecognized compensation cost when a participant actually retires.

Had compensation expense for nonvested restricted stock awards issued prior to the adoption of FAS 123R been determined based on the date a participant first becomes eligible for retirement, restricted stock compensation would have increased in the nine months ended July 31, 2007 and 2006 by \$320,000 and \$414,000, respectively.

In January 2007, the Company awarded 105,800 shares of Common Stock and 70,300 shares of Class A Common Stock to participants in the plan. The grant date fair value of restricted stock grants awarded to participants on January 2, 2007 was approximately \$3.2 million.

A summary of the status of the Company's non vested Common and Class A Common shares as of July 31, 2007, and changes during the nine months ended July 31, 2007 are presented below:

| Non vested Shares              | Common Shares |                                        | Class A Common Shares |                                        |
|--------------------------------|---------------|----------------------------------------|-----------------------|----------------------------------------|
|                                | Shares        | Weighted-Average Grant-Date Fair Value | Shares                | Weighted-Average Grant-Date Fair Value |
| Non vested at November 1, 2006 | 939,975       | \$ 13.10                               | 465,975               | \$ 12.46                               |
| Granted                        | 105,800       | \$ 17.55                               | 70,300                | \$ 19.09                               |
| Vested                         | (148,375)     | \$ 9.42                                | (81,425)              | \$ 8.50                                |
| Forfeited                      | -             | -                                      | (24,250)              | \$ 16.29                               |
| Non vested at July 31, 2007    | 897,400       | \$ 14.16                               | 430,600               | \$ 13.91                               |

As of July 31, 2007, there was \$11.4 million of unamortized restricted stock compensation related to nonvested restricted stock grants awarded under the Plan. The remaining unamortized expense is expected to be recognized over a weighted average period of 8 years. For the nine months ended July 31, 2007 and 2006 amounts charged to compensation expense totaled \$1,577,000 and \$1,493,000, respectively.

**Stock Option Plan**

Prior to December 2006 the Company had a stock option plan whereby shares were reserved for issuance to key employees and Directors of the Company. Stock options were granted at fair market value on the date of the grant and vested over a maximum period of four years from the date of grant. On December 13, 2006, the Board of Directors of the Company terminated the stock option plan. All outstanding unexercised stock options granted under the plan will remain outstanding and exercisable in accordance with their terms. At July 31, 2007, there were outstanding fully vested stock options to purchase 5,932 shares of Common Stock and 5,906 shares of Class A Common Stock. There were no stock options granted in the nine months ended July 31, 2007 or during fiscal 2006.

### **Dividend Reinvestment and Share Purchase Plan**

The Company has a Dividend Reinvestment and Share Purchase Plan, as amended, which permits shareholders to acquire additional shares of Common Stock and Class A Common Stock by automatically reinvesting dividends. During the nine months ended July 31, 2007, the Company issued 23,819 shares of Common Stock and 9,006 shares of Class A Common Stock through the Plan. As of July 31, 2007, there remained 185,888 shares of Common Stock and 485,024 shares of Class A Common Stock available for issuance under the Plan.

### **Stock Repurchase Program**

The Board of Directors of the Company has approved a stock repurchase program for the repurchase of up to 500,000 shares of Common Stock and Class A common stock in the aggregate. Since the inception of the program, the Company had repurchased 3,600 shares of Common Stock and 44,400 shares of Class A Common Stock.

### **Preferred Stock**

The Series D Senior Cumulative Preferred Stock has no maturity and is not convertible into any other security of the Company. The Series D Senior Cumulative Preferred Stock is redeemable at the Company's option on or after April 12, 2010 at a price of \$25.00 per share plus accrued and unpaid dividends.

## **(7) COMMITMENTS AND CONTINGENCIES**

In the normal course of business, from time to time, the Company is involved in legal actions relating to the ownership and operations of its properties. In management's opinion, the liabilities if any that may ultimately result from such legal actions are not expected to have a material adverse effect on the consolidated financial position, results of operations or liquidity of the Company.

At July 31, 2007, the Company had commitments of approximately \$8,250,000 for tenant related obligations.

## **(8) SUBSEQUENT EVENTS**

On August 24, 2007, the Company, as general partner of Eastchester Mall Associates LP (the "Partnership") acquired all of the outstanding limited partner interests in the Partnership for \$2.8 million. As a result, the Company now controls 100% of the property.

On September 6, 2007, the Board of Directors of the Company declared cash dividends of \$0.2075 for each share of Common Stock and \$0.23 for each share of Class A Common Stock. The dividends are payable on October 19, 2007.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion is based on our consolidated financial statements as of July 31, 2007 and for the nine month and three month periods then ended. This information should be read in conjunction with the consolidated financial statements of the Company and the notes thereto included elsewhere in this report.

### **Forward Looking Statements**

This Item 2 includes certain statements that may be deemed to be “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, included in this Item 2 that address activities, events or developments that the Company expects, believes or anticipates will or may occur in the future, including such matters as future capital expenditures, dividends and acquisitions (including the amount and nature thereof), business strategies, expansion and growth of the Company’s operations and other such matters are forward-looking statements. These statements are based on certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions, expected future developments and other factors it believes are appropriate. Such statements are subject to a number of assumptions, risks and uncertainties, including general economic and business conditions, the business opportunities that may be presented to and pursued by the Company, changes in laws or regulations and other factors, many of which are beyond the control of the Company. For a discussion of some of these factors, see the risk factors set forth in “Item 1A Risk Factors” of the Company’s Form 10-K for the year ended October 31, 2006. Any such statements are not guarantees of future performance and actual results or developments may differ materially from those anticipated in the forward-looking statements.

### **Executive Summary**

The Company, a REIT, is a fully integrated, self-administered real estate company, engaged in the acquisition, ownership and management of commercial real estate, primarily neighborhood and community shopping centers in the northeastern part of the United States. The Company’s major tenants include supermarket chains and other retailers who sell basic necessities. At July 31, 2007, the Company owned or had interests in 39 properties containing a total of 3.7 million square feet of gross leasable area (“GLA”).

The Company derives substantially all of its revenues from rents and operating expense reimbursements received pursuant to long-term leases and focuses its investment activities on community and neighborhood shopping centers, anchored principally by regional supermarket chains. The Company believes, because of the need of consumers to purchase food and other staple goods and services generally available at supermarket-anchored shopping centers, that the nature of its investments provide for relatively stable revenue flows even during difficult economic times.

The Company focuses on increasing cash flow, and consequently the value of its properties, and seeks continued growth through strategic re-leasing, renovations and expansion of its existing properties and selective acquisition of income producing properties, primarily neighborhood and community shopping centers in the northeastern part of the United States.

Key elements of the Company’s growth strategies and operating policies are to:

- § Acquire neighborhood and community shopping centers in the northeastern part of the United States with a concentration in Fairfield County, Connecticut, and Westchester and Putnam Counties, New York
- § Hold core properties for long-term investment and enhance their value through regular maintenance, periodic renovation and capital improvement
- § Selectively dispose of non-core assets and re-deploy the proceeds into properties located in the Company’s preferred region

- § Increase property values by aggressively marketing available GLA and renewing existing leases
- § Renovate, reconfigure or expand existing properties to meet the needs of existing or new tenants
- § Negotiate and sign leases which provide for regular or fixed contractual increases to minimum rents
  - § Control property operating and administrative costs

### **Critical Accounting Policies**

Critical accounting policies are those that are both important to the presentation of the Company's financial condition and results of operations and require management's most difficult, complex or subjective judgments. Set forth below is a summary of the accounting policies that management believes are critical to the preparation of the consolidated financial statements. This summary should be read in conjunction with the more complete discussion of the Company's accounting policies included in Note 1 to the consolidated financial statements of the Company for the year ended October 31, 2006.



### *Revenue Recognition*

Revenues from operating leases include revenues from core properties and non-core properties. Rental income is generally recognized based on the terms of leases entered into with tenants. In those instances in which the Company funds tenant improvements and the improvements are deemed to be owned by the Company, revenue recognition will commence when the improvements are substantially completed and possession or control of the space is turned over to the tenant. When the Company determines that the tenant allowances are lease incentives, the Company commences revenue recognition when possession or control of the space is turned over to the tenant for tenant work to begin.

The Company records base rents on a straight-line basis over the term of each lease. The excess of rents recognized over amounts contractually due pursuant to the underlying leases is included in tenant receivables on the accompanying balance sheets. Most leases contain provisions that require tenants to reimburse a pro-rata share of real estate taxes and certain common area expenses. Adjustments are also made throughout the year to tenant receivables and the related cost recovery income based upon the Company's best estimate of the final amounts to be billed and collected.

### *Allowance for Doubtful Accounts*

The allowance for doubtful accounts is established based on a quarterly analysis of the risk of loss on specific accounts. The analysis places particular emphasis on past-due accounts and considers information such as the nature and age of the receivables, the payment history of the tenants or other debtors, the financial condition of the tenants and any guarantors and management's assessment of their ability to meet their lease obligations, the basis for any disputes and the status of related negotiations, among other things. Management's estimates of the required allowance is subject to revision as these factors change and is sensitive to the effects of economic and market conditions on tenants, particularly those at retail centers. Estimates are used to establish reimbursements from tenants for common area maintenance, real estate tax and insurance costs. The Company analyzes the balance of its estimated accounts receivable for real estate taxes, common area maintenance and insurance for each of its properties by comparing actual recoveries versus actual expenses and any actual write-offs. Based on its analysis, the Company may record an additional amount in its allowance for doubtful accounts related to these items. For the nine month periods ended July 31, 2007 and 2006, the Company increased its allowance for doubtful accounts by \$317,000 and \$167,000, respectively. It is also the Company's policy to maintain an allowance of approximately 10% of the deferred straight-line rents receivable balance for future tenant credit losses.

### *Real Estate*

Land, buildings, property improvements, furniture/fixtures and tenant improvements are recorded at cost. Expenditures for maintenance and repairs are charged to operations as incurred. Renovations and/or replacements, which improve or extend the life of the asset, are capitalized and depreciated over their estimated useful lives.

The amounts to be capitalized as a result of an acquisition and the periods over which the assets are depreciated or amortized are determined based on estimates as to fair value and the allocation of various costs to the individual assets. The Company allocates the cost of an acquisition based upon the estimated fair value of the net assets acquired. The Company also estimates the fair value of intangibles related to its acquisitions. The valuation of the fair value of intangibles involves estimates related to market conditions, probability of lease renewals and the current market value of in-place leases. This market value is determined by considering factors such as the tenant's industry, location within the property and competition in the specific region in which the property operates. Differences in the amount attributed to the intangible assets can be significant based upon the assumptions made in calculating these estimates.

The Company is required to make subjective assessments as to the useful life of its properties for purposes of determining the amount of depreciation. These assessments have a direct impact on the Company's net income.

Properties are depreciated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

|                    |                      |
|--------------------|----------------------|
| Buildings          | 30-40 years          |
| P r o p e r t y    | 10-20 years          |
| Improvements       |                      |
| Furniture/Fixtures | 3-10 years           |
| T e n a n t        | Shorter of lease     |
| Improvements       | term or their useful |
|                    | life                 |

### *Asset Impairment*

On a periodic basis, management assesses whether there are any indicators that the value of the real estate properties and mortgage notes receivable may be impaired. A property value is considered impaired when management's estimate of current and projected operating cash flows (undiscounted and without interest) of the property over its remaining useful life is less than the net carrying value of the property. Such cash flow projections consider factors such as expected future operating income, trends and prospects, as well as the effects of demand, competition and other factors. To the extent impairment has occurred, the loss is measured as the excess of the net carrying amount of the property over the fair value of the asset. Changes in estimated future cash flows due to changes in the Company's plans or market and economic conditions could result in recognition of impairment losses which could be substantial. Management does not believe that the value of any of its rental properties or mortgage note receivable is impaired at July 31, 2007.

### **Liquidity and Capital Resources**

At July 31, 2007, the Company had unrestricted cash and cash equivalents of \$3.1 million compared to \$2.8 million at October 31, 2006. The Company's sources of liquidity and capital resources include its cash and cash equivalents, proceeds from bank borrowings and long-term mortgage debt, capital financings and sales of real estate investments. Payments of expenses related to real estate operations, debt service, management and professional fees, and dividend requirements place demands on the Company's short-term liquidity.

### *Cash Flows*

The Company expects to meet its short-term liquidity requirements primarily by generating net cash from the operations of its properties. The Company believes that its net cash provided by operations will be sufficient to fund its short-term liquidity requirements for the balance of fiscal 2007 and to meet its dividend requirements necessary to maintain its REIT status. The Company expects to continue paying regular dividends to its stockholders. These dividends will be paid from operating cash flows which are expected to increase principally from property acquisitions and growth in operating income in the existing portfolio. The Company derives substantially all of its revenues from tenants under existing leases at its properties. The Company's operating cash flow therefore depends on the rents that it is able to charge to its tenants, and the ability of its tenants to make rental payments. The Company believes that the nature of the properties in which it typically invests — primarily grocery-anchored neighborhood and community shopping centers — provides a more stable revenue flow in uncertain economic times, in that consumers still need to purchase basic staples and convenience items. However, even in the geographic areas in which the Company owns properties, general economic downturns may adversely impact the ability of the Company's tenants to make lease payments and the Company's ability to re-lease space as leases expire. In either of these cases, the Company's cash flow could be adversely affected.

### *Net Cash Flows From:*

#### **Operating Activities**

Net cash flows provided by operating activities amounted to \$37.1 million in the nine months ended July 31, 2007, compared to \$25.4 million in the comparable period of fiscal 2006. The changes in operating cash flows reflect: a) an increase in the net operating results of the Company's properties owned during both periods and recently acquired properties, b) a \$6 million payment received in connection with a settlement of a lease guarantor's obligation and c) net changes in trade receivables and payables during the period.

#### **Investing Activities**

Net cash flows used in investing activities were \$12 million in the nine months ended July 31, 2007 compared to \$20.2 million in the same period in fiscal 2006. In fiscal 2007, the Company purchased properties for \$21.3 million compared to \$16.7 million in 2006. In fiscal 2007, the Company also received cash proceeds of \$13.2 million from the sale of one non-core property. The Company spent \$3.9 million on property improvements and tenant costs in the nine months ended July 31, 2007 compared to \$4.0 million during the same period last year.

#### Financing Activities

Net cash flows used in financing activities amounted to \$24.7 million in the nine months ended July 31, 2007 compared to \$27.5 million in the same period of fiscal 2006. During fiscal 2007, the Company borrowed \$5 million on its secured line of credit and repaid \$2 million during the quarter ended July 31, 2007. The Company also made principal payments on mortgages totaling \$3.4 million, (including the repayment of a \$1.6 million mortgage that matured) compared to total principal payments of \$6.9 million (including the repayment of a \$5.1 million mortgage that matured) in fiscal 2006. Quarterly dividends paid to shareholders totaled \$24.8 million in the first nine months of fiscal 2007 compared to \$24.3 million for the same period in fiscal 2006.

### *Capital Resources*

The Company expects to fund its long-term liquidity requirements such as property acquisitions, repayment of indebtedness and capital expenditures through other long-term indebtedness (including indebtedness assumed in acquisitions), proceeds from sales of properties and/or the issuance of equity securities. The Company believes that these sources of capital will continue to be available to it in the future to fund its long-term capital needs; however, there are certain factors that may have a material adverse effect on its access to capital sources. The Company's ability to incur additional debt is dependent upon its existing leverage, the value of its unencumbered assets and borrowing limitations imposed by existing lenders. The Company's ability to raise funds through sales of equity securities is dependent on, among other things, general market conditions for REITs, market perceptions about the Company and its stock price in the market. The Company's ability to sell properties in the future to raise cash will be dependent upon market conditions at the time of sale.

### *Financings and Debt*

The Company is exposed to interest rate risk primarily through its borrowing activities. There is inherent rollover risk for borrowings as they mature and are renewed at current market rates. The extent of this risk is not quantifiable or predictable because of the variability of future interest rates and the Company's future financing requirements.

Mortgage notes payable of \$100.9 million consist of fixed rate mortgage loan indebtedness with a weighted average interest rate of 7.29% at July 31, 2007. The mortgage loans are secured by fifteen properties with a net book value of \$171 million and have fixed rates of interest ranging from 5.75% to 7.83%. The Company may refinance any or all of mortgage loans, at or prior to scheduled maturity, through replacement mortgage loans. The ability to do so, however, is dependent upon various factors, including the income level of the properties, interest rates and credit conditions within the commercial real estate market. Accordingly, there can be no assurance that such refinancings can be achieved. In June 2007 the Company finalized an agreement with a mortgage lender to extend the non-recourse mortgage note payable on the Ridgeway Shopping Center in Stamford, CT with an outstanding principal balance of approximately \$52.7 million at July 31, 2007 for a 10 year term and reset the fixed interest rate from 7.54% to 5.52% commencing November 1, 2007.

The Company has a secured revolving credit facility with a commercial bank which provides for borrowings of up to \$30 million. The facility expires in fiscal 2008. The secured revolving credit facility is collateralized by first mortgage liens on two properties having a net book value of \$26.1 million at July 31, 2007. The revolving credit line is available to finance the acquisition, management and/or development of commercial real estate, refinance indebtedness and for working capital purposes. During fiscal 2007, the Company borrowed \$5 million under the secured revolving credit line at an average variable rate of interest of 6.875%. Proceeds were used to complete the acquisition of a retail property acquired during the year and for working capital. In the third quarter of fiscal 2007, the Company repaid \$2 million of such outstanding borrowings from available cash.

The Company has various standing or renewable service contracts with vendors related to its property management. In addition, the Company also has certain other utility contracts entered into in the ordinary course of business which may extend beyond one year, which vary based on usage. These contracts include terms that provide for cancellation with insignificant or no cancellation penalties. Contract terms are generally one year or less.

### *Off-Balance Sheet Arrangements*

During the quarter ended July 31, 2007 the Company did not have any material off-balance sheet arrangements.

### *Capital Expenditures*

The Company invests in its existing properties and regularly incurs capital expenditures in the ordinary course of business to maintain its properties. The Company believes that such expenditures enhance the competitiveness of its properties. During the nine months ended July 31, 2007, the Company incurred approximately \$3.9 million for capital expenditures which consisted of \$1.3 million for property improvements, \$2.3 million for tenant improvements and \$.3 million for leasing commissions. The amounts of these expenditures can vary significantly depending on tenant negotiations, market conditions and rental rates. The Company expects to incur approximately \$10 million (including up to \$6.75 million towards the costs of redeveloping space at The Dock Shopping Center in Stratford, CT (see below)) for anticipated capital improvements and leasing costs over the next twelve months. These expenditures are expected to be funded from operating cash flows or bank borrowings.

#### *Acquisitions and Leasing*

The Company seeks to acquire properties which are primarily shopping centers located in the northeastern part of the United States with a concentration in Fairfield County, Connecticut and Westchester and Putnam Counties, New York. During the first nine months of fiscal 2007, the Company acquired a 10,100 square foot shopping center property in Monroe, Connecticut at a purchase price of \$3.825 million, a 94,000 square foot shopping center property in Emerson, New Jersey for a purchase price of \$17.25 million and an interest in a retail property located in Westchester County, NY at a contributed value of \$546,000. The acquired properties and interests were financed from available cash, borrowings on the Company's secured credit line and net proceeds from the sale of a non core retail property.

During the quarter ended January 31, 2007, the Company entered into a lease with a wholesale club to rent approximately 107,000 sf of space at The Dock Shopping Center, in Stratford, CT, subject to certain conditions. In connection with the new lease, the Company has agreed to provide up to \$6.75 million toward the costs of redeveloping the space that previously had been occupied by a tenant who, in a prior year, filed a petition in bankruptcy and vacated the space. The former tenant's lease obligations were guaranteed through fiscal 2016 by a corporate guarantor previously affiliated with the former tenant. In February 2007, the Company executed a settlement agreement whereby the guarantor was released from its lease guaranty obligation upon satisfaction of certain conditions and in exchange for a payment of \$6 million. In April 2007, the conditions were satisfied and payment was received. Accordingly, the Company recorded the settlement of lease guaranty obligation amount of \$6 million as income during the second quarter of fiscal 2007.

### **Non-Core Assets**

In a prior year, the Company's Board of Directors expanded and refined the strategic objectives of the Company to refocus its real estate portfolio into one of self-managed retail properties located in the northeast and authorized the sale of the Company's non-core properties in the normal course of business over a period of several years. In April 2007, the Company sold one of its remaining non-core retail property for a sale price of \$13.2 million and realized a gain on the sale of the property of approximately \$11.4 million in the second quarter of fiscal 2007. At July 31, 2007 the remaining non-core properties consist of two distribution service facilities with a net book value of approximately \$750,000. The Company intends to sell the remaining non-core properties as opportunities become available. The Company's ability to generate cash from asset sales is dependent upon market conditions and will necessarily be limited if market conditions make such sales unattractive.

### **Funds from Operations**

The Company reports Funds from Operations ("FFO") in addition to its net income applicable to common stockholders and net cash provided by operating activities. The Company considers Funds from Operations to be an additional measure of an equity REIT's operating performance. Management has adopted the definition suggested by The National Association of Real Estate Investment Trusts ("NAREIT") and defines FFO to mean net income (computed in accordance with generally accepted accounting principles ("GAAP")) excluding gains (or losses) from sales of property, plus real estate related depreciation and amortization and after adjustments for unconsolidated joint ventures.

Management considers FFO a meaningful, additional measure of operating performance because it primarily excludes the assumption that the value of its real estate assets diminishes predictably over time and industry analysts have accepted it as a performance measure. FFO is presented to assist investors in analyzing the performance of the Company. It is helpful as it excludes various items included in net income that are not indicative of the Company's operating performance, such as gains (or losses) from sales of property and depreciation and amortization. However, FFO:

- § does not represent cash flows from operating activities in accordance with GAAP (which, unlike FFO, generally reflects all cash effects of transactions and other events in the determination of net income); and
- § should not be considered an alternative to net income as an indication of the Company's performance.

FFO, as defined by us, may not be comparable to similarly titled items reported by other real estate investment trusts due to possible differences in the application of the NAREIT definition used by such REITs. The table below provides a reconciliation of net income applicable to Common and Class A Common Stockholders in accordance with GAAP to FFO for the nine months and three months ended July 31, 2007 and 2006 (amounts in thousands).

| <b>Nine Months Ended</b> |             | <b>Three Months Ended</b> |             |
|--------------------------|-------------|---------------------------|-------------|
| <b>July 31,</b>          |             | <b>July 31,</b>           |             |
| <b>2007</b>              | <b>2006</b> | <b>2007</b>               | <b>2006</b> |

|                                                                                  |             |             |             |             |
|----------------------------------------------------------------------------------|-------------|-------------|-------------|-------------|
| Net Income Applicable to<br>Common and Class A Common<br>Stockholders            | \$ 30,806   | \$ 11,439   | \$ 4,183    | \$ 3,546    |
| Plus: Real property depreciation                                                 | 7,548       | 7,571       | 2,356       | 2,561       |
| Amortization of tenant<br>improvements and allowances                            | 2,018       | 1,877       | 870         | 728         |
| Amortization of deferred leasing<br>costs                                        | 416         | 436         | 123         | 137         |
| Less: Gain on sale of property                                                   | (11,385)    | -           | -           | -           |
| Funds from Operations Applicable<br>to Common and Class A Common<br>Stockholders | \$ 29,403   | \$ 21,323   | \$ 7,532    | \$ 6,972    |
| Net Cash Provided by (Used in):                                                  |             |             |             |             |
| Operating Activities                                                             | \$ 37,055   | \$ 25,377   | \$ 10,322   | \$ 10,670   |
| Investing Activities                                                             | \$ (12,028) | \$ (20,205) | \$ (1,733)  | \$ (2,420)  |
| Financing Activities                                                             | \$ (24,703) | \$ (27,483) | \$ (10,738) | \$ (10,465) |

FFO amounted to \$29.4 million for the first nine months of fiscal 2007 compared to \$21.3 million in the same period of fiscal 2006. The change in FFO is attributable, among other things, to: a) an increase in operating income of the Company's core properties from higher leased levels at the properties and higher rental rates on in place leases compared to the prior period, b) a one-time payment of \$352,200 received from a utility company in exchange for an easement right and c) a settlement of a lease guaranty obligation of \$6 million received in the second quarter of fiscal 2007. See discussion which follows.



**Results of Operations**

The following information summarizes the Company's results of operations for the nine month and three month periods ended July 31, 2007 and 2006 (amounts in thousand):

| <b>Nine Months Ended<br/>July 31,</b> |           |           |                        | <b>Change Attributable to:</b> |                          |                                          |
|---------------------------------------|-----------|-----------|------------------------|--------------------------------|--------------------------|------------------------------------------|
|                                       | 2007      | 2006      | Increase<br>(Decrease) | %<br>Change                    | Property<br>Acquisitions | Properties<br>Held In<br>Both<br>Periods |
| <b>Revenues</b>                       |           |           |                        |                                |                          |                                          |
| Base rents                            | \$ 43,249 | \$ 41,046 | \$ 2,203               | 5.4                            | \$ 1,006                 | \$ 1,197                                 |
| Recoveries from tenants               | 13,393    | 13,162    | 231                    | 1.8                            | 359                      | (128)                                    |
| Mortgage interest and other           | 750       | 361       | 389                    | 107.8                          | 8                        | 381                                      |
| <b>Operating Expenses</b>             |           |           |                        |                                |                          |                                          |
| Property operating                    | 9,511     | 9,245     | 266                    | 2.9                            | 91                       | 175                                      |
| Property taxes                        | 8,130     | 7,576     | 554                    | 7.3                            | 198                      | 356                                      |
| Depreciation and amortization         | 10,001    | 9,821     | 180                    | 1.8                            | 284                      | (104)                                    |
| General and administrative            | 3,843     | 3,903     | (60)                   | (1.5)                          | n/a                      | n/a                                      |
| <b>Other<br/>Income/Expenses</b>      |           |           |                        |                                |                          |                                          |
| Interest expense                      | 5,910     | 6,301     | (391)                  | (6.2)                          | -                        | (391)                                    |

| <b>Three Months Ended<br/>July 31,</b> |           |           |                        | <b>Change Attributable to:</b> |                          |                                          |
|----------------------------------------|-----------|-----------|------------------------|--------------------------------|--------------------------|------------------------------------------|
|                                        | 2007      | 2006      | Increase<br>(Decrease) | %<br>Change                    | Property<br>Acquisitions | Properties<br>Held In<br>Both<br>Periods |
| <b>Revenues</b>                        |           |           |                        |                                |                          |                                          |
| Base rents                             | \$ 14,560 | \$ 13,672 | \$ 888                 | 6.5                            | \$ 403                   | \$ 485                                   |
| Recoveries from tenants                | 4,471     | 4,094     | 377                    | 9.2                            | 122                      | 255                                      |
| Mortgage interest and other            | 107       | 36        | 71                     | -                              | (7)                      | 78                                       |
| <b>Operating Expenses</b>              |           |           |                        |                                |                          |                                          |
| Property operating                     | 3,198     | 2,668     | 530                    | 19.9                           | 4                        | 526                                      |
| Property taxes                         | 2,790     | 2,601     | 189                    | 7.3                            | 78                       | 111                                      |
| Depreciation and amortization          | 3,370     | 3,405     | (35)                   | (1.0)                          | 110                      | (145)                                    |
| General and administrative             | 1,365     | 1,415     | (50)                   | (3.5)                          | n/a                      | n/a                                      |
| <b>Other<br/>Income/Expenses</b>       |           |           |                        |                                |                          |                                          |

|                  |       |       |       |       |   |       |
|------------------|-------|-------|-------|-------|---|-------|
| Interest expense | 1,949 | 2,057 | (108) | (5.3) | - | (108) |
|------------------|-------|-------|-------|-------|---|-------|

**Revenues**

Base rents increased by 5.4% to \$43.2 million for the first nine months of fiscal 2007 as compared with \$41.0 million in the comparable period of 2006. The increase in base rentals was attributable to:

Property Acquisitions:

In fiscal 2007 the Company acquired two properties totaling 104,000 square feet of GLA (three retail properties totaling 50,000 square feet in fiscal 2006). These properties accounted for all of the revenue changes attributable to property acquisitions during the nine month and three month periods ended July 31, 2007.

Properties Held in Both Periods:

The increase in base rents for properties held during the nine month periods ended July 31, 2007 and 2006, reflects increases in the overall occupancy levels at the Company's core properties and an increase in rental rates for in place leases over the period. The increase in base rents for properties held during the three month period ended July 31, 2007 reflect increases in rental rates on in place leases. In fiscal 2007, the Company leased or renewed approximately 509,000 square feet (or approximately 13% of total property leasable area). At July 31, 2007 the Company's core properties were approximately 96.9% leased. Overall core property occupancy rates increased from 93.2% at October 31, 2006 to 94.8% at July 31, 2007.

In the nine month period ended July 31, 2007, recoveries from tenants for properties owned in both periods (which represents reimbursements from tenants for operating expenses and property taxes) decreased by a net \$128,000 compared to the same period in fiscal 2006. This net decrease was a result of: a) lower overall property operating expenses in fiscal 2007 when compared with fiscal 2006 and lower operating expense recovery rates at certain properties caused by tenant vacancies in fiscal 2006 that reduced this component of expense recoveries by \$575,000 in 2007 and b) an increase in real estate tax recoveries caused by an approximate 4.5% increase in property tax expense in properties held in both periods and higher property tax recovery rates caused by new tenant leases in certain properties that increased this component of expense recoveries by \$447,000 in 2007.

In the three month period ended July 31, 2007, recoveries from tenants for properties owned in both periods increased over the same period in fiscal 2006 as a result of higher utility and maintenance costs and property tax expense at certain properties during the period.

During fiscal 2007, the Company executed a settlement agreement with the corporate guarantor of a former tenant's lease obligations whereby the guarantor was released from its obligations to the Company in exchange for a payment of \$6,000,000. The payment and release of guaranty were subject to certain conditions contained in the agreement. The conditions were satisfied on April 15, 2007 and the payment was recorded as income from a settlement of lease guaranty obligation in the nine month periods ended July 31, 2007.

In the second quarter of fiscal 2007, the Company granted an easement to a utility company at one of its retail properties. In consideration for granting the easement, the utility company made a one-time payment of \$352,200 to the Company which is included in other income in the nine month period ended July 31, 2007.

Interest, dividends and other investment income decreased by \$297,000 in the nine month period ended July 31, 2007 compared to the same period in 2006. This decrease reflects the use of available cash in 2006 of the remaining proceeds received from the 2005 Series D preferred stock sale (that were invested in short-term securities) for the purchase of properties during 2006.

**Expenses**

Operating expenses for properties held in both periods increased \$266,000 and \$530,000 in the nine months and three months ended July 31, 2007, respectively, compared to the same periods a year ago primarily as a result of increased utility costs and repairs to utility systems, and parking area maintenance expenses.

Property taxes for properties held in both periods increased 4.7% and 4.3% during the nine month and three month periods ended July 31, 2007 compared to the same periods a year ago as a result of increased assessments and municipal tax rates on certain properties.

Interest expense decreased \$391,000 and \$108,000 in the nine months and three months ended July 31, 2007 respectively, compared to the same periods in fiscal 2006 as a result of scheduled principal payments on mortgage notes, the repayments of mortgage notes of \$1,579,000 and \$4,975,000 during 2007 and 2006, respectively and a

reduction in bank fees from the termination of the Company's \$20 million unsecured revolving bank credit line in June 2006.

Depreciation and amortization expense from properties held in both periods were unchanged during the nine month and three month periods ended July 31, 2007.

General and administrative expenses decreased by 1.5% and 3.5% for the nine and three months period ended July 31, 2007 compared to the same periods in fiscal 2006, reflecting lower professional and administrative expenses which was offset by a general increase in employee compensation during the periods.

#### **Discontinued Operations**

During the second quarter of fiscal 2007 the Company sold its non core retail property in Tempe, Arizona. In accordance with SFAS No. 144 "Accounting for the Impairment or Disposal of Long-lived Assets" the results of operations of the property that was sold has been reclassified as discontinued operations for the nine month and three month periods ended July 31, 2007 and 2006. The Company recorded a gain on the sale of the property of \$11.4 million during the second quarter of fiscal 2007. Net proceeds from the sale were utilized to complete the purchase of the Emerson, New Jersey property.

### **Inflation**

The Company's long-term leases contain provisions to mitigate the adverse impact of inflation on its operating results. Such provisions include clauses entitling the Company to receive (a) scheduled base rent increases and (b) percentage rents based upon tenants' gross sales, which generally increase as prices rise. In addition, many of the Company's non-anchor leases are for terms of less than ten years, which permits the Company to seek increases in rents upon renewal at then current market rates if rents provided in the expiring leases are below then existing market rates. Most of the Company's leases require tenants to pay a share of operating expenses, including common area maintenance, real estate taxes, insurance and utilities, thereby reducing the Company's exposure to increases in costs and operating expenses resulting from inflation.

### **Environmental Matters**

Based upon management's ongoing review of its properties, management is not aware of any environmental condition with respect to any of the Company's properties that would be reasonably likely to have a material adverse effect on the Company. There can be no assurance, however, that (a) the discovery of environmental conditions, which were previously unknown, (b) changes in law, (c) the conduct of tenants or (d) activities relating to properties in the vicinity of the Company's properties, will not expose the Company to material liability in the future. Changes in laws increasing the potential liability for environmental conditions existing on properties or increasing the restrictions on discharges or other conditions may result in significant unanticipated expenditures or may otherwise adversely affect the operations of the Company's tenants, which would adversely affect the Company's financial condition and results of operations.

## **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

Market risk is the exposure to loss resulting from changes in interest rates, foreign currency exchange rates, commodity prices and equity prices. The primary market risk to which we are exposed is interest rate risk, which is sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors that are beyond the Company's control.

### *Interest Rate Risk*

The Company is exposed to interest rate risk primarily through its borrowing activities. There is inherent rollover risk for borrowings as they mature and are renewed at current market rates. The extent of this risk is not quantifiable or predictable because of the variability of future interest rates and the Company's future financing requirements.

At July 31, 2007, the Company had variable rate debt of \$3,000,000 outstanding. During the nine months ended July 31, 2007, the weighted average interest rate on outstanding variable rate debt during the period was approximately 6.9%. A hypothetical 1% increase in interest rates would have had an immaterial effect on the Company's interest expense. The Company does not enter into derivative financial instrument transactions for speculative or hedging purposes.

The Company believes that its weighted average interest rate of 7.29% on its fixed rate debt is not materially different from current fair market interest rates for debt instruments with similar risks and maturities.

## **Item 4. Controls and Procedures**

### **Evaluation of Disclosure Controls and Procedures**

The Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive

Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective.

**Changes in Internal Controls**

During the quarter ended July 31, 2007, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## Part II – Other Information

**Item 1.                      Legal Proceedings**

The Company is not involved in any litigation, nor to its knowledge is any litigation threatened against the Company or its subsidiaries, that in management's opinion, would result in a material adverse effect on the Company's ownership, management or operation of its properties, or which is not covered by the Company's liability insurance.

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

In October 2005, the Company's Board of Directors approved a share repurchase program ("Program") of up to 500,000 shares, in the aggregate, of the Company's Common and Class A Common Stock. The Program does not have a specific expiration date and may be discontinued at any time.

The following table sets forth the shares repurchased by the Company during the nine months and three months ended July 31, 2007:

| Period                   | Total<br>Number<br>of Shares<br>Purchased | Average<br>Price<br>Per Share<br>Purchased | Total<br>Number<br>Shares Re-<br>purchased<br>as<br>Part of<br>Publicly<br>Announced<br>Plan or<br>Program | Maximum<br>Number of<br>Shares That<br>May be<br>Purchased<br>Under the<br>Plan<br>or Program |
|--------------------------|-------------------------------------------|--------------------------------------------|------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
| July 30-July 31,<br>2007 | 3,000                                     | \$15.00                                    | 3,000                                                                                                      | 452,000                                                                                       |

There is no assurance that the Company will repurchase the full amount of shares authorized. The Company did not repurchase any Common or Class A Common Shares during the fiscal year ended 2006. Any combination of Common or Class A Common may be repurchased under the program.

**Item 6.** **Exhibits**

31.1 Certification of the Chief Executive Officer of Urstadt Biddle Properties Inc. pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.

31.2 Certification of the Chief Financial Officer of Urstadt Biddle Properties Inc. pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.

32 Certification of the Chief Executive Officer and Chief Financial Officer of Urstadt Biddle Properties Inc. pursuant to Section 906 of Sarbanes-Oxley Act of 2002.

**S I G N A T U R E S**

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.

URSTADT BIDDLE PROPERTIES INC.  
(Registrant)

/s/ Charles J. Urstadt  
Charles J. Urstadt  
Chairman and Chief Executive Officer

/s/ James R. Moore  
James R. Moore  
Executive Vice President and Chief  
Financial Officer  
(Principal Financial Officer

Dated: September 7, 2007 and Principal Accounting Officer)



EXHIBIT INDEX

Exhibit No.

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31.2 Certification of the Chief Financial Officer of Urstadt Biddle Properties Inc. pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.

32 Certification of the Chief Executive Officer and Chief Financial Officer of Urstadt Biddle Properties Inc. pursuant to Section 906 of Sarbanes-Oxley Act of 2002