



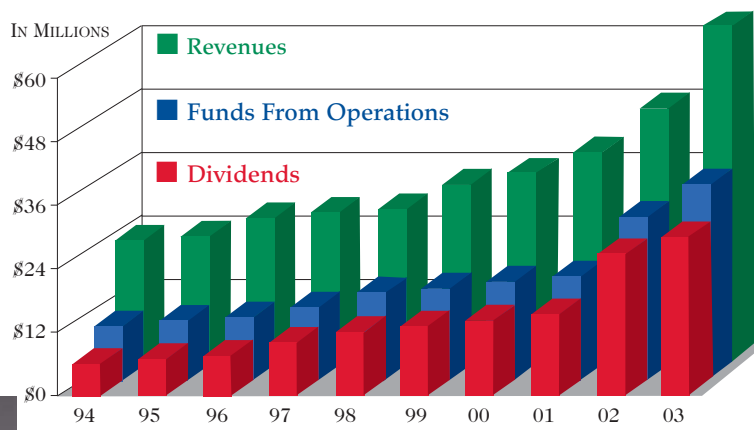
# URSTADT BIDDLE PROPERTIES INC.

## 2003 ANNUAL REPORT

### STOCK PRICES ARE OPINIONS — BUT DIVIDENDS ARE FACTS

OVER THE LAST TEN YEARS:

- **DIVIDENDS PER SHARE INCREASED AN AVERAGE OF 4% EACH YEAR**
- **TOTAL FUNDS FROM OPERATIONS INCREASED AN AVERAGE OF 13% EACH YEAR**
- **TOTAL REVENUES INCREASED AN AVERAGE OF 12% EACH YEAR**



(Above)  
Somers Commons,  
Somers, NY  
(Acquired 2003)



(Left)  
Greens Farms  
Plaza,  
Westport, CT  
(Acquired 2003)

# URSTADT BIDDLE PROPERTIES INC.

Urstadt Biddle Properties Inc. (UBP) is a self-administered publicly held real estate investment trust providing investors with a means of participating in the ownership of income-producing properties. UBP's core properties consist of neighborhood and community shopping centers in the suburban areas of the northeastern United States with a primary concentration in Fairfield County, Connecticut and Westchester and Putnam Counties, New York. Non-core assets consist of office and retail buildings, industrial properties and mortgages.

Class A Common Shares and Common Shares of the Company trade on the New York Stock Exchange under the symbols "UBA" and "UBP."

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# SELECTED FINANCIAL DATA

(In thousands, except per share data)

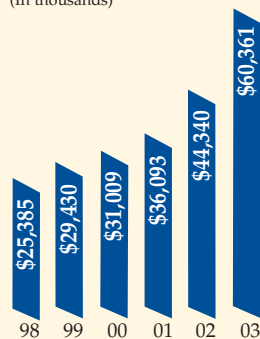
Year Ended October 31,	2003	2002	2001	2000	1999	1998
<b>Balance Sheet Data:</b>						
Total Assets	\$392,718	\$353,633	\$218,352	\$180,792	\$183,774	\$165,039
Mortgage Notes Payable	\$104,588	\$106,429	\$ 47,115	\$ 51,903	\$ 51,263	\$ 32,900
Preferred Stock	\$ 52,747	\$ 14,341	\$ 33,462	\$ 33,462	\$ 33,462	\$ 33,462
<b>Operating Data:</b>						
Total Revenues	\$ 60,361	\$ 44,340	\$ 36,093	\$ 31,009	\$ 29,430	\$ 25,385
Total Operating Expenses	\$ 39,626	\$ 29,438	\$ 26,154	\$ 23,281	\$ 21,596	\$ 17,252
Net Income Applicable to Common and Class A Common Stockholders	\$ 17,576	\$ 16,080	\$ 10,540	\$ 5,442	\$ 6,043	\$ 5,615
<b>Other Data:</b>						
Net Cash Provided by (Used in):						
Operating Activities	\$ 31,176	\$ 18,532	\$ 21,308	\$ 14,262	\$ 14,423	\$ 13,901
Investing Activities	\$(69,818)	\$(64,960)	\$(11,394)	\$ (3,713)	\$ (10,556)	\$(31,130)
Financing Activities	\$ 14,749	\$ 59,023	\$ 22,040	\$(11,436)	\$ (5,009)	\$ 19,207
<b>Per Share Data:</b> (Note 1)						
Net Income – Basic:						
Class A Common Stock	\$ .74	\$ .89	\$1.01	\$ .55	\$ .62	\$ .57
Common Stock	\$ .67	\$ .80	\$ .91	\$ .50	\$ .55	\$ .52
Net Income – Diluted:						
Class A Common Stock	\$ .73	\$ .87	\$ .97	\$ .55	\$ .61	\$ .57
Common Stock	\$ .66	\$ .78	\$ .88	\$ .49	\$ .54	\$ .52
Cash Dividends on:						
Class A Common Stock	\$ .84	\$ .82	\$ .80	\$ .78	\$ .76	\$ .19
Common Stock	\$ .76	\$ .74	\$ .72	\$ .70	\$ .68	\$1.13
	<u>\$1.60</u>	<u>\$1.56</u>	<u>\$1.52</u>	<u>\$1.48</u>	<u>\$1.44</u>	<u>\$1.32</u>
<b>Funds from Operations</b> (Note 2)	<u>\$ 27,964</u>	<u>\$ 24,144</u>	<u>\$ 14,611</u>	<u>\$ 11,914</u>	<u>\$ 11,878</u>	<u>\$ 11,782</u>
Cash Dividends on Common and Class A Common Stock as a Percentage of Funds from Operations						
	<u>74%</u>	<u>62%</u>	<u>60%</u>	<u>65%</u>	<u>63%</u>	<u>58%</u>

Note (1): In August 1998, the Company declared a one-for-one stock dividend effected in the form of a new issue of Class A Common Stock.

Note (2): The Company considers Funds from Operations (FFO) to be a supplemental measure of operating performance. FFO is calculated as net income (computed in accordance with generally accepted accounting principles), excluding gains (or losses) from sales of properties and debt restructuring, plus depreciation and amortization, and after adjustments for unconsolidated joint ventures. FFO does not represent cash flows from operations as defined by GAAP and should not be considered an alternative to net income as an indication of the Company's operating performance or for cash flows as a measure of liquidity or its dividend paying capacity. Furthermore, FFO as disclosed by other REITs may not be comparable to the Company's calculation of FFO. FFO for 2002 has been adjusted to conform with revised guidance provided by NAREIT (see further discussion of FFO, in Management's Discussion and Analysis section on page 31).

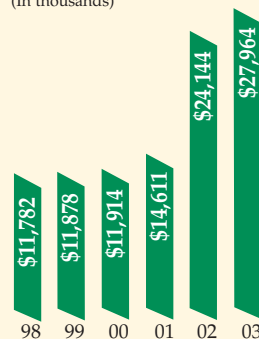
## Total Revenues

(In thousands)



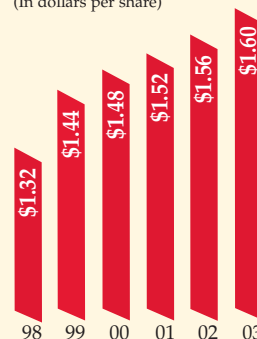
## Funds From Operations

(In thousands)



## Combined Dividends Paid on Common and Class A Common Shares (Note 1)

(In dollars per share)



## To Our STOCKHOLDERS

*Most importantly,  
our goal is to pro-  
tect the dividends  
we pay and to keep  
the rate growing  
each year.*



Charles J. Urstadt  
*Chairman*

In last year's report to you we said that "2002 was a great year for your Company." Well, 2003 was even better!! This is a tribute to our talented, hard-working, dedicated staff and our excellent Board of Directors.

Fourteen years ago we adopted an overall strategy that we have steadfastly followed and it has served us well:

... to invest primarily in shopping centers in an area close to our home office in Greenwich, Connecticut, while maintaining a modest level of debt and few partnership interests.

Most importantly, our goal is to protect the dividends we pay and to keep the rate of dividends growing each year.

The results have been satisfying. In 2003, our gross revenues, funds from operations and earnings increased significantly and our real estate portfolio grew by 28% from the purchase of more than \$83 million in properties.

Funds from operations increased to \$28 million from \$24.1 million last year. Our growth came from accretive acquisitions and higher portfolio occupancy. A significant event of 2003 was our successful sale of a \$40 million new issue of Series C Senior Cumulative Preferred Stock. We used a portion of the proceeds to buy property and the balance will be used for additional property acquisitions in 2004.

And for the tenth consecutive year — **we increased dividends to our stockholders.**

By most financial measurements, we equaled or exceeded our peers in the REIT shopping center sector, particularly in our debt coverage ratios where we were among the highest in 2003. We were also named one of the 100 fastest growing public small companies in the country by Fortune's Small Business Magazine.

In spite of all the positive results we should bear in mind some words of caution.

Because of historically low interest rates and an abundance of capital seeking a reasonable yield, the acquisition market for shopping centers has

*Our gross revenues, funds from operations and earnings increased significantly and our real estate portfolio grew by 28% from the purchase of more than \$83 million in properties.*



Willing L. Biddle  
President

*By most financial measurement standards, we equaled or exceeded our peers in the REIT shopping center sector.*



James R. Moore  
Chief Financial Officer

become a “seller’s market.” In terms of basic economics, the demand is exceeding the supply and has caused an increase in prices and a reduction in yields. Although we have demonstrated an ability to buy superior properties in our target area, it may not be appropriate at this time to make purchases for the sake of growth without due regard to receiving a reasonable return on our investment. In the near term, unless the market changes, we cannot predict that we will be able to grow our portfolio as quickly as we have in the last few years, nor do we feel that there is a strategic necessity to sell equity securities or increase our debt levels — only to have the proceeds invested in cash in the short term — yielding historically low returns. We have always felt that — **size is vanity but profits are sanity.**

Real estate in general and our stock price specifically, is strongly affected by economic factors other than our own performance, especially interest rates. Because REIT stock prices tend to react to interest rates, a change in monetary policy or an increase in rates may adversely affect our stock price. We believe that **stock prices are opinions — but dividends are facts** and it is our intention to do what we can to preserve or enhance our dividends.

Finally, a word about the impact that recent changes in the regulatory climate have had on public companies. Over the last two years, all of the regulatory agencies including the Securities and Exchange Commission, the New York Stock Exchange and the Financial Accounting Standards Board have greatly added to our legal and financial accounting requirements, mostly under the aegis of ‘restoring investor confidence.’ We are dedicated to making certain the Company complies with these new regulatory changes although the burden of compliance falls disproportionately on smaller companies such as ours. We try to present our story in a straight forward and direct manner. We believe our financial statements are clear and simple to read and are not aware of any lack of confidence by our stockholders in our strategy. We plan to keep it that way!

**TO OUR  
STOCKHOLDERS**

We are pleased that Robert J. Mueller, Senior Executive Vice President of The Bank of New York has agreed to be nominated for election to our Board of Directors at this year's stockholders meeting. His knowledge of finance and real estate will be of great value to the Company and we wholeheartedly endorse his election.

In closing, we are confident in the quality of our properties and tenants. We have a highly efficient Company and are optimistic about our outlook. We extend our thanks to our outstanding directors and staff for their hard work which has made this year another success and to you, our stockholders, for your continued support.

Sincerely yours,

Charles J. Urstadt



*Chairman*

Willing L. Biddle



*President*

January 14, 2004

## PORTFOLIO REVIEW

Our strategy is to concentrate our portfolio of properties in a geographic area close to our headquarters and primarily in one property type — grocery-anchored shopping centers. Our focus is on well-located neighborhood shopping centers leased to retailers who deliver basic services and products to consumers. We are also receptive to acquiring office properties near our executive offices in Greenwich, Connecticut.

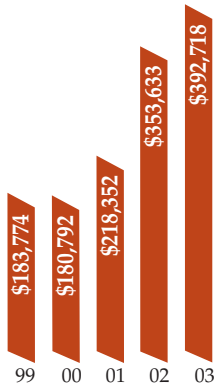


*Urstadt Biddle Properties  
Executive Offices  
Greenwich, Connecticut*

## PORTFOLIO REVIEW

### Total Assets

(In 000's of Dollars)



## ACQUISITIONS

In 2003 we acquired 436,000 square feet of prime shopping centers in the Fairfield and Westchester County market at a cost of \$83 million. At the beginning of the year, we purchased the **Westchester Pavilion** in White Plains, New York. This 185,000 sf property is located adjacent to the premier regional mall in Westchester County and is leased to strong national tenants such as Toys R Us, The Sports Authority, Borders Books and Office Max. We also acquired the **Orange Meadows Shopping Center**, a 78,000 sf shopping center located on the high traffic Route 1 corridor in Orange Connecticut. Orange Meadows contained a 15% vacancy at closing but is now 96% leased to tenants such as Trader Joe's, a specialty grocer, Talbots Clothing, Seamans Furniture and Thomasville Furniture.

In February 2003, we purchased **Greens Farms Plaza** in Westport, Connecticut. Greens Farms, a 38,000 sf center, is also located on Route 1 and is 100% leased to nine tenants including Pier One Imports, a national home furnishings retailer. In June 2003, we purchased seven retail units containing 135,000 sf in **Somers Commons** in Somers, New York. The property (which is owned in condominium form) is "shadow" anchored by a 72,000 sf Stop & Shop supermarket and leased to 25 tenants including Homegoods (a division of TJX Co.). Somers Commons is 95% leased and represents our third property investment in the affluent Westchester County community of Somers, New York.

## URSTADT BIDDLE PROPERTIES STAFF

### ACQUISITIONS AND LEASING

(Left to right)  
Philip Dunn, Linda Lacey,  
John Merritt, Wanda Correa-Sosa,  
James Aries, Donna Borchers and  
Charles Davis







2003 acquisitions: Westchester Pavilion, White Plains, New York (top left); Orange Meadows Shopping Center, Orange, Connecticut (top right); Somers Commons, Somers, New York (above left); Greens Farms Plaza, Westport, Connecticut (above right).

We continue to actively pursue quality shopping centers in our target market. We will resist the temptation to stray outside of our target market. While doing so would enable us to grow more quickly because of the increased investment opportunities, we do not feel the demographics are as attractive to create long term value. We believe that over the long run our patient focused approach will yield superior results. We do not believe in growth simply for growth's sake.

**ACCOUNTING/ADMINISTRATIVE**

(Left to right)  
Joseph LoParrino, Heidi Bramante,  
James R. Moore, Robert Pappa and  
Suzanne Moore



## PORTFOLIO REVIEW

### Core Property Portfolio Leased Rate

(Percent)



### Core Property Portfolio Total Gross Leasable Square Footage

(In thousands)



## LEASING

Our core property portfolio is in great shape! In 2003, we leased or renewed 375,000 sf of retail space, (about 14% of the Company's total core property portfolio). Core property portfolio was 97% leased by year-end and we successfully renewed some key tenants during the year. Our lease expiration exposure over the next two years is relatively modest with less than 5% of our core portfolio's leasable space expiring in each of 2004 and 2005.

At **Five Town Plaza**, Burlington Coat Factory (82,500 sf) and World Gym (33,000 sf) opened for business during the year. Both new tenants are reporting strong sales at these new stores which is facilitating our leasing of several undeveloped out-parcels of land at the center. At the **Ridgeway Shopping Center**, we signed a 42,700 sf lease with LA Fitness, a national chain of upscale fitness centers. This tenant will fill the remaining vacancy at the Ridgeway property in Stamford Connecticut. We still need zoning approvals to put this tenant in place, but we are optimistic that they will be received shortly. Throughout the core portfolio nearly all lease renewals or new leases signed were at higher effective rents than the expiring leases.

We expect to invest an additional \$4 million in building and tenant improvements at our properties in 2004. The majority of this investment will contribute to an increase in occupancy levels and add to our revenues.

Our single concern in the portfolio continues to be at the **Southfield Michigan** office building where we have a 60,000 sf vacancy (and the possible loss of another 40,000 sf tenant). The Southfield, Michigan office market is weak

## LEGAL

(Left to right)  
Thomas Myers, Janine Iarossi  
and Raymond Argila





Renovations were completed in 2003 at the Eastchester Mall, Eastchester, New York.

and we do not anticipate a quick recovery; however, we are working hard to find alternate solutions to this leasing problem. Our other non-core properties remained fully tenanted during the year.

### OUTLOOK

The demand for quality shopping centers in our target market is at an all time high. Our target market of Fairfield County, Connecticut and Westchester and Putnam Counties, New York are strong economically. The good news is that the value of our properties has increased. Rising prices and increased competition also make our acquisition strategy more challenging. Knowing our market well and having relationships with owners within the market provides us a competitive advantage in addition to being a buyer with a solid reputation. One of our goals in 2004 is to purchase property in our market sufficient to fully invest our available capital. We have nearly \$30 million in cash and \$40 million of available credit lines. Our “powder is dry” and we have the ability to react quickly when we find attractive investment prospects.

### CONSTRUCTION AND MANAGEMENT

(Left to right)  
Thomas Griffith, Kevin Mugford,  
Mary Murray, Andrew Albrecht,  
Mario Barone, John Grillo,  
Elaine Kennedy and Wayne Wirth



# URSTADT BIDDLE PROPERTIES INC.

*Carmel ShopRite Center  
Carmel, New York*



*Towne Centre Shopping Center  
Somers, New York*



*Arcadian Shopping Center  
Briarcliff Manor, New York*



*Heritage 202 Center  
Somers, New York*



*Chilmark Shopping Center  
Briarcliff Manor, New York*



*Somers Commons  
Somers, New York*

*25 Valley Drive  
Greenwich, Connecticut*



*7 Riversville Road  
Greenwich, Connecticut*



*530 Old Post Road  
Greenwich, Connecticut*



*Westchester Pavilion  
White Plains, New York*



*Eastchester Mall  
Eastchester, New York*



**URSTADT  
BIDDLE  
PROPERTIES**  
Greenwich,  
Connecticut



*Valley Ridge Shopping Center  
Wayne, New Jersey*



*Bi-County Shopping Center  
Farmingdale, New York*



Five Town Plaza  
Springfield, Massachusetts



Newington Park  
Newington, New Hampshire

Danbury Square  
Danbury, Connecticut



Townline Square  
Meriden, Connecticut



Airport Plaza  
Danbury, Connecticut



Ridgefield Center  
Ridgefield, Connecticut



Orange Meadows Shopping Center  
Orange, Connecticut



Goodwives Shopping Center  
Darien, Connecticut



Ridgeway Shopping Center  
Stamford, Connecticut



Greens Farms Plaza  
Westport, Connecticut



# CORE PROPERTIES



# INVESTMENT PORTFOLIO

## URSTADT BIDDLE PROPERTIES INC.

### CORE PROPERTIES

UBP owns or has interests in twenty one shopping centers and five office buildings which total 2,659,000 square feet.

Location	Square Feet	Principal Tenants	Property Type
Stamford, Connecticut	360,000	Stop & Shop, Bed Bath & Beyond	Shopping center
Springfield, Massachusetts	323,000	Big Y, Burlington Coat, World Gym	Shopping center
Meriden, Connecticut	313,000	ShopRite, Old Navy, Linens 'N Things	Shopping center
Danbury, Connecticut	194,000	Barnes & Noble, Christmas Tree Shops	Shopping center
White Plains, New York	185,000	Toys R Us, The Sports Authority	Shopping center
Briarcliff Manor, New York	161,000	Stop & Shop, Toy Works, Mandeess	Shopping center
Somers, New York	135,000	Home Goods	Shopping center
Carmel, New York	126,000	ShopRite, Eckerd Drugs	Shopping center
Wayne, New Jersey	102,000	A&P, PNC Bank	Shopping center
Newington, New Hampshire	102,000	Linens 'N Things	Shopping center
Darien, Connecticut	95,000	Shaw's Supermarket	Shopping center
Somers, New York	78,000	Gristede's, US Post Office	Shopping center
Orange, Connecticut	78,000	Trader Joe's, Seamans Furniture	Shopping center
Farmingdale, New York	70,000	King Kullen, Eckerd Drugs	Shopping center
Eastchester, New York	70,000	Food Emporium (A&P)	Shopping center
Ridgefield, Connecticut	51,000	Chico's	Shopping center
Westport, Connecticut	38,000	Pier One Imports	Shopping center
Briarcliff Manor, New York	38,000	Dress Barn, Radio Shack	Shopping center
Danbury, Connecticut	33,000	Boston Billards	Shopping center
Briarcliff Manor, New York	29,000	Party Plus Warehouse	Shopping center
Somers, New York	19,000	Putnam County Savings Bank	Shopping center
Greenwich, Connecticut	59,000	Greenwich Hospital, Urstadt Biddle Properties (Executive Offices)	5 Office buildings

### NON-CORE PROPERTIES

UBP owns one office building containing 202,000 square feet, one retail property containing 126,000 square feet and two industrial properties with a total of 447,000 square feet. The Company also holds long-term mortgages.

Location	Square Feet	Principal Tenant	Property Type
Southfield, Michigan	202,000	Arcadis	Office building
Tempe, Arizona	126,000	Mervyn's	Shopping center
Dallas, Texas	255,000	DaimlerChrysler	Parts distribution facility
St. Louis, Missouri	192,000	DaimlerChrysler	Parts distribution facility

# FINANCIALS

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## CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

	October 31,	
	2003	2002
<b>ASSETS</b>		
Real Estate Investments:		
Core properties — at cost, net of accumulated depreciation	\$330,920	\$252,711
Non-core properties — at cost, net of accumulated depreciation	11,215	11,944
Mortgage notes and other receivable	2,184	3,447
	<u>344,319</u>	<u>268,102</u>
Cash and cash equivalents	22,449	46,342
Restricted cash	516	514
Short-term investments	9,532	25,145
Tenant receivables, net of allowances of \$1,369 and \$1,169	8,815	5,695
Prepaid expenses and other assets	3,858	4,541
Deferred charges, net of accumulated amortization	3,229	3,294
	<u>392,718</u>	<u>353,633</u>
Total Assets		
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Liabilities:</b>		
Mortgage notes payable	\$104,588	\$106,429
Accounts payable and accrued expenses	2,743	1,021
Deferred officers' compensation	401	287
Other liabilities	5,243	4,218
	<u>112,975</u>	<u>111,955</u>
Total Liabilities		
Minority Interests	7,320	7,320
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 and -0- shares issued and outstanding	38,406	—
	<u>52,747</u>	<u>14,341</u>
Total Preferred Stock		
Commitments and Contingencies		
<b>Stockholders' Equity:</b>		
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; 6,817,771 and 6,578,572 issued and outstanding shares, respectively	68	66
Class A Common stock, par value \$.01 per share; 40,000,000 shares authorized; 18,548,453 and 18,449,472 issued and outstanding shares, respectively	185	185
Additional paid in capital	258,296	254,266
Cumulative distributions in excess of net income	(33,611)	(30,487)
Unamortized restricted stock compensation and officers notes receivable	(5,262)	(4,013)
	<u>219,676</u>	<u>220,017</u>
Total Stockholders' Equity		
Total Liabilities and Stockholders' Equity	<u>\$392,718</u>	<u>\$353,633</u>

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



**CONSOLIDATED STATEMENTS OF INCOME**

(In thousands, except per share data)

	Year Ended October 31,		
	<u>2003</u>	<u>2002</u>	<u>2001</u>
<b>Revenues</b>			
Operating leases	\$59,247	\$42,206	\$34,209
Lease termination income	80	765	1,137
Interest and other	1,034	1,369	747
	<u>60,361</u>	<u>44,340</u>	<u>36,093</u>
<b>Operating Expenses</b>			
Property expenses	17,805	12,781	11,502
Interest	8,094	5,584	4,456
Depreciation	9,919	7,547	6,697
Amortization	469	517	871
General and administrative expenses	3,154	2,836	2,484
Directors' fees and expenses	185	173	144
	<u>39,626</u>	<u>29,438</u>	<u>26,154</u>
<b>Operating Income</b>	<u>20,735</u>	<u>14,902</u>	<u>9,939</u>
<b>Equity in Earnings of Unconsolidated Joint Venture</b>	—	—	3,864
<b>Minority Interests in Results of Consolidated Joint Ventures</b>	(365)	(395)	(432)
<b>Gains on Sales of Real Estate Investments</b>	—	—	316
<b>Net Income</b>	<u>20,370</u>	<u>14,507</u>	<u>13,687</u>
Preferred Stock Dividends	(2,794)	(1,498)	(3,147)
Excess of Carrying Value over Cost to Repurchase Preferred Shares	—	3,071	—
<b>Net Income Applicable to Common and Class A Common Stockholders</b>	<u>\$17,576</u>	<u>\$16,080</u>	<u>\$10,540</u>
<b>Basic Earnings Per Share:</b>			
Common	<u>\$.67</u>	<u>\$.80</u>	<u>\$.91</u>
Class A Common	<u>\$.74</u>	<u>\$.89</u>	<u>\$1.01</u>
<b>Diluted Earnings Per Share:</b>			
Common	<u>\$.66</u>	<u>\$.78</u>	<u>\$.88</u>
Class A Common	<u>\$.73</u>	<u>\$.87</u>	<u>\$.97</u>
<b>Dividends Per Share:</b>			
Common	<u>\$.76</u>	<u>\$.74</u>	<u>\$.72</u>
Class A Common	<u>\$.84</u>	<u>\$.82</u>	<u>\$.80</u>

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

	Year Ended October 31,		
	2003	2002	2001
<b>Operating Activities:</b>			
Net income	\$20,370	\$14,507	\$13,687
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	10,388	8,064	7,568
Amortization of restricted stock	1,105	942	769
Recovery of investment in properties owned subject to financing leases	—	—	191
Equity in income of unconsolidated joint venture	—	—	(3,864)
Minority interests	365	395	432
Gains on sales of real estate investments	—	—	(316)
Increase in restricted cash	(2)	(181)	(174)
(Increase) decrease in tenant receivables	(3,120)	(1,871)	98
Increase (decrease) in accounts payable and accrued expenses	243	(1,649)	1,448
Increase (decrease) in other assets and other liabilities, net	1,827	(1,675)	1,469
<b>Net Cash Provided by Operating Activities</b>	<b>31,176</b>	<b>18,532</b>	<b>21,308</b>
<b>Investing Activities:</b>			
Sales (purchases) of short term investments	15,613	(25,145)	—
Acquisitions of properties	(83,485)	(34,785)	(5,606)
Acquisition of minority interest	—	(1,258)	(1,013)
Improvements to properties and deferred charges	(2,844)	(2,814)	(11,695)
Investment in unconsolidated joint venture	—	—	(480)
Net proceeds from sales of properties	—	275	1,216
Distributions to limited partners of consolidated joint venture	(365)	(395)	(432)
Distributions received from unconsolidated joint venture	—	—	6,544
Payments to limited partners of unconsolidated joint venture	—	(600)	—
Payments received on mortgage notes and other receivables	1,263	62	72
Deposits on acquisitions of properties	—	(300)	—
<b>Net Cash Used in Investing Activities</b>	<b>(69,818)</b>	<b>(64,960)</b>	<b>(11,394)</b>
<b>Financing Activities:</b>			
Net proceeds from sale of Series C Preferred Stock	38,406	—	—
Sales of additional Common and Class A Common shares	1,366	88,523	42,959
Proceeds from mortgage notes payable and bank loans	—	17,200	26,250
Payments on mortgage notes payable and bank loans	(1,841)	(17,256)	(35,190)
Dividends paid — Common and Class A Common shares	(20,700)	(14,913)	(8,797)
Dividends paid — Preferred Stock	(2,794)	(1,498)	(3,147)
Purchases of Common and Class A Common shares	—	—	(35)
Repurchase of preferred shares	—	(16,050)	—
Repayments of notes from officers	312	3,017	—
<b>Net Cash Provided by Financing Activities</b>	<b>14,749</b>	<b>59,023</b>	<b>22,040</b>
<b>Net (Decrease) Increase In Cash and Cash Equivalents</b>	<b>(23,893)</b>	<b>12,595</b>	<b>31,954</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>46,342</b>	<b>33,747</b>	<b>1,793</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$22,449</b>	<b>\$46,342</b>	<b>\$33,747</b>

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

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands, except shares and per share data)

	Common Stock		Class A Common Stock			(Cumulative Distributions In Excess of Net Income)	Unamortized Restricted Stock Compensation and Notes Receivable	Total
	Outstanding Number of Shares	Par Value	Outstanding Number of Shares	Par Value	Additional Paid In Capital			
<b>Balances — October 31, 2000</b>	5,557,387	\$55	5,356,249	\$54	\$122,448	\$(33,397)	\$(1,979)	\$87,181
Net Income applicable to Common and Class A Common stockholders	—	—	—	—	—	10,540	—	10,540
Cash dividends paid:								
Common stock (\$.72 per share)	—	—	—	—	—	(4,487)	—	(4,487)
Class A common stock (\$.80 per share)	—	—	—	—	—	(4,310)	—	(4,310)
Sale of additional shares	200,000	2	4,805,000	48	42,521	—	—	42,571
Sale of additional shares under dividend reinvestment plan	18,652	—	23,257	—	343	—	—	343
Shares issued under restricted stock plan	48,000	—	48,000	—	686	—	(686)	—
Amortization of restricted stock compensation	—	—	—	—	—	—	769	769
Purchases of shares	(900)	—	(2,800)	—	(35)	—	—	(35)
Exercises of stock options	419,000	5	24,859	—	3,043	—	—	3,048
Note from officer upon exercise of stock options	—	—	—	—	—	—	(3,003)	(3,003)
Deemed repurchase of shares	—	—	(654,546)	(6)	(6,243)	—	—	(6,249)
<b>Balances — October 31, 2001</b>	6,242,139	62	9,600,019	96	162,763	(31,654)	(4,899)	126,368
Net income applicable to Common and Class A common stockholders	—	—	—	—	—	16,080	—	16,080
Cash dividends paid:								
Common stock (\$.74 per share)	—	—	—	—	—	(4,750)	—	(4,750)
Class A common stock (\$.82 per share)	—	—	—	—	—	(10,163)	—	(10,163)
Sales of Class A common shares	—	—	8,749,222	88	87,835	—	—	87,923
Sales of additional shares under dividend reinvestment plan	14,296	—	19,494	—	364	—	—	364
Shares issued under restricted stock plan	110,375	2	43,425	1	1,577	—	(1,580)	—
Amortization of restricted stock compensation	—	—	—	—	—	—	942	942
Exercises of stock options	211,762	2	37,312	—	1,727	—	—	1,729
Notes from officers upon exercises of stock options	—	—	—	—	—	—	(1,493)	(1,493)
Repayment of notes receivable from officers	—	—	—	—	—	—	3,017	3,017
<b>Balances — October 31, 2002</b>	6,578,572	66	18,449,472	185	254,266	(30,487)	(4,013)	220,017
Net income applicable to Common and Class A common stockholders	—	—	—	—	—	17,576	—	17,576
Cash dividends paid:								
Common stock (\$.76 per share)	—	—	—	—	—	(5,135)	—	(5,135)
Class A common stock (\$.84 per share)	—	—	—	—	—	(15,565)	—	(15,565)
Sales of additional shares under dividend reinvestment plan	61,699	1	18,704	—	1,051	—	—	1,052
Shares issued under restricted stock plan	159,500	1	56,200	—	2,665	—	(2,666)	—
Amortization of restricted stock compensation	—	—	—	—	—	—	1,105	1,105
Exercises of stock options	18,000	—	24,077	—	314	—	—	314
Repayment of notes receivable from officers	—	—	—	—	—	—	312	312
<b>Balances — October 31, 2003</b>	<u>6,817,771</u>	<u>\$68</u>	<u>18,548,453</u>	<u>\$185</u>	<u>\$258,296</u>	<u>\$(33,611)</u>	<u>\$(5,262)</u>	<u>\$219,676</u>

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## (1) 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. Other assets include office and retail buildings and industrial properties. The Company's major tenants include supermarket chains and other retailers who sell basic necessities. At October 31, 2003, the Company owned or had interests in 30 properties containing a total of 3.4 million square feet of leasable area.

### **Principles of Consolidation and Use of Estimates**

The consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, and joint ventures in which the Company has the ability to control the affairs of the venture. Since the Company has operating control over the joint ventures, the joint ventures are consolidated into the consolidated financial statements of the Company. All significant intercompany transactions and balances have been eliminated in consolidation.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make use of estimates and assumptions that affect amounts reported in the financial statements as well as certain disclosures. Actual results could differ from those estimates.

### **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 has distributed all of its taxable income for the fiscal years through 2003 in accordance with the provisions of the Code. Accordingly, no provision has been made for Federal income taxes in the accompanying consolidated financial statements.

### **Depreciation and Amortization**

The Company uses the straight-line method for depreciation and amortization. Core and non-core properties are depreciated over the estimated useful lives of the properties, which range from 30 to 40 years. Property improvements are depreciated over the estimated useful lives that range from 10 to 20 years. Furniture and fixtures are depreciated over the estimated useful lives that range from 3 to 10 years. Tenant improvements are amortized over the life of the related leases.

### **Deferred Charges**

Deferred charges consist principally of leasing commissions, which are amortized ratably over the life of the tenant leases and financing fees which are amortized over the terms of the respective agreements. Deferred charges in the accompanying consolidated balance sheets are shown at cost, net of accumulated amortization of \$1,729,000 and \$1,485,000 as of October 31, 2003 and 2002, respectively.

### **Real Estate Investment Impairment**

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to aggregate future net cash flows, (undiscounted and without interest), expected to be generated by the asset. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the fair value less costs to sell. It is the Company's policy to reclassify properties as assets to be disposed of upon determination that such properties will be sold within one year.

### **Capitalization**

Acquisition of real estate investments, including brokerage, legal and other external costs incurred in acquiring new properties are capitalized as incurred. Additions, renovations and improvements that enhance and/or extend the useful life of a property are also capitalized. Expenditures for ordinary maintenance, repairs and improvements that do not materially prolong the normal useful life of an asset are charged to operations as incurred.

### 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. Minimum rental income from leases with scheduled rent increases is recognized on a straight-line basis over the lease term. At October 31, 2003 and 2002, approximately \$6,372,000 and \$3,743,000 has been recognized as straight-line rents receivable (representing the current net cumulative rents recognized prior to when billed and collectible as provided by the terms of the leases), all of which is included in tenant receivables in the accompanying consolidated financial statements. Percentage rent is recognized when a specific tenant's sales breakpoint is achieved. Property operating cost recoveries from tenants of common area maintenance, real estate taxes, and other recoverable costs are recognized in the period the related expenses are incurred. Lease termination fees received by the Company from its tenants are recognized as income in the period received. Interest income is recognized as it is earned. Gains and losses on sales of properties are recorded when the criteria for recognizing such gains or losses under generally accepted accounting principles have been met.

The Company provides an allowance for doubtful accounts against the portion of tenant receivables (including an allowance for future tenant credit losses of approximately 10% of the deferred straight-line rents receivable) which is estimated to be uncollectible. Such allowances are reviewed periodically. At October 31, 2003 and 2002, tenant receivables in the accompanying consolidated balance sheets are shown net of allowances for doubtful accounts of \$1,369,000 and \$1,169,000, respectively.

### Cash and Cash Equivalents

The Company considers highly liquid investments with original maturities of 90 days or less when purchased to be cash equivalents.

### Restricted Cash

Restricted cash consists of those tenant security deposits which are required to be held in separate bank accounts.

### Short-Term Investments

Short-term investments consist of investments with original maturities of greater than three months when purchased and are carried at fair value (which approximates cost plus accrued interest). At October 31, 2003 and 2002, short-term investments consists principally of shares of a mutual fund which invests primarily in fixed income securities with an average duration of between three and thirteen months.

### Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, short-term investments, rent receivable, accounts payable, accrued expenses and other assets and liabilities are reasonable estimates of their fair values because of the short maturities of these instruments.

The estimated fair value of mortgage notes receivable collateralized by real property is based on discounting the future cash flows at a year-end risk adjusted lending rate that the Company would utilize for loans of similar risk and duration. At October 31, 2003 and 2002, the estimated aggregate fair value of the mortgage notes and other receivable was \$2,161,000 and \$3,542,000, respectively.

The estimated fair value of mortgage notes payable was \$114,000,000 and \$118,000,000 at October 31, 2003 and 2002, respectively. The estimated fair value of mortgage notes payable is based on discounting the future cash flows at a year-end risk adjusted lending rate currently available to the Company for issuance of debt with similar terms and remaining maturities.

Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date and current estimates of fair value may differ significantly from the amounts presented herein.

### Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, mortgage loans receivable and tenant receivables. The Company places its cash and cash equivalents in excess of insured amounts with high quality financial institutions. Management of the Company performs ongoing credit evaluations of its tenants and requires 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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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):

	2003	2002	2001
<b>Numerator</b>			
Net income applicable to common stockholders – basic	\$4,171	\$4,880	\$5,326
Effect of dilutive securities:			
Operating partnership units	151	160	(32)
Net income applicable to common stockholders – diluted	<u>\$4,322</u>	<u>\$5,040</u>	<u>\$5,294</u>
<b>Denominator</b>			
Denominator for basic EPS – weighted average common shares	6,259	6,089	5,881
Effect of dilutive securities:			
Stock options and awards	252	288	157
Operating partnership units	55	55	—
Denominator for diluted EPS – weighted average common equivalent shares	<u>6,566</u>	<u>6,432</u>	<u>6,038</u>
<b>Numerator</b>			
Net income applicable to Class A common stockholders – basic	\$13,405	\$11,200	\$5,214
Effect of dilutive securities:			
Operating partnership units	215	202	246
Net income applicable to Class A common stockholders – diluted	<u>\$13,620</u>	<u>\$11,402</u>	<u>\$5,460</u>
<b>Denominator</b>			
Denominator for basic EPS – weighted average Class A common shares	18,200	12,615	5,182
Effect of dilutive securities:			
Stock options and awards	210	211	135
Operating partnership units	310	310	289
Denominator for diluted EPS – weighted average Class A common equivalent shares	<u>18,720</u>	<u>13,136</u>	<u>5,606</u>

The weighted average Common equivalent shares and Class A Common equivalent shares for the year ended October 31, 2001 exclude 54,553 Common and 54,553 Class A Common partnership units that are exchangeable into shares. These shares were not included in the calculation of diluted EPS because the effect would be anti-dilutive.

#### Segment Reporting

The Company operates in one industry segment, ownership of commercial real estate properties which are located principally in the northeastern United States. Management reviews operating and financial data for each property separately and independently from all other properties when making resource allocation decisions and measuring performance.

**Recently Issued Accounting Pronouncements**

In January 2003, the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities," which explains how to identify variable interest entities ("VIE") and assess whether to consolidate such entities. The provisions of this interpretation are effective immediately for VIE's formed after January 31, 2003. For VIE's formed prior to January 31, 2003, the provisions of this interpretation apply to the first fiscal year or interim period beginning after December 15, 2003. Management does not believe that the adoption of this pronouncement will have a material effect on its operations or financial position.

In May 2003, the FASB issued SFAS No. 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("Statement"). The Statement establishes standards for classifying and measuring as liabilities certain financial instruments that embody obligations of the issuer and have characteristics of both liabilities and equity. 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 interests 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.

In November 2003, the FASB deferred the classification and measurement provisions of FASB No.150 which apply to certain mandatorily redeemable non-controlling interests. This deferral is expected to remain in effect while these provisions are further evaluated by the FASB. The Company has one finite life joint venture which contains a mandatorily redeemable non-controlling interest. At October 31, 2003 the estimated fair value of the minority interest was approximately \$2.4 million. The joint venture has a termination date of December 31, 2097.

The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation" ("SFAS 123"). Accordingly, no compensation expense has been recognized for stock options granted under the plan. Had compensation cost for stock options granted been determined based on the fair value on the grant date consistent with the provisions of SFAS 123, the effect on the Company's net income and earnings per share in each of the three years ended October 31, 2003 would have been immaterial.

**(2) REAL ESTATE INVESTMENTS**

The Company's investments in real estate, net of depreciation, were composed of the following at October 31, 2003 and 2002 (in thousands):

	Core Properties	Non-core Properties	Mortgage Notes Receivable	2003 Totals	2002 Totals
Retail	\$322,734	\$1,830	\$2,184	\$326,748	\$249,751
Office	7,882	7,821	—	15,703	16,263
Industrial	—	1,564	—	1,564	1,784
Undeveloped Land	304	—	—	304	304
	<u>\$330,920</u>	<u>\$11,215</u>	<u>\$2,184</u>	<u>\$344,319</u>	<u>\$268,102</u>

The Company's investments at October 31, 2003, consisted of equity interests in 30 properties, which are located in various regions throughout the United States and mortgage notes. The Company's primary investment focus is neighborhood and community shopping centers located in the northeastern United States. These properties are considered core properties of the Company. The remaining properties are located outside of the northeastern United States and are considered non-core properties. As a significant concentration of the Company's properties are in the northeast, market changes in this region could have an effect on the

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### (2) REAL ESTATE INVESTMENTS (continued)

Company's leasing efforts and ultimately its overall results of operations. The following is a summary of the geographic locations of the Company's investments at October 31, 2003 and 2002 (in thousands):

	2003	2002
Northeast	\$331,608	\$253,432
Southeast	—	1,196
Midwest	8,704	9,048
Southwest	4,007	4,426
	<u>\$344,319</u>	<u>\$268,102</u>

### (3) CORE PROPERTIES

The components of core properties were as follows (in thousands):

	2003	2002
Land	\$69,756	\$53,021
Buildings and improvements	304,985	236,362
	<u>374,741</u>	<u>289,383</u>
Accumulated depreciation	(43,821)	(36,672)
	<u>\$330,920</u>	<u>\$252,711</u>

Space at the Company's core properties is generally leased to various individual tenants under short and intermediate term leases which are accounted for as operating leases.

Minimum rental payments on non-cancelable operating leases become due as follows: 2004 – \$41,343,000; 2005 – \$38,672,000; 2006 – \$36,745,000; 2007 – \$34,556,000; 2008 – \$31,946,000 and thereafter – \$151,909,000.

Certain of the Company's leases provide for the payment of additional rent based on a percentage of the tenant's revenues. Such additional percentage rents are included in operating lease income and were approximately \$60,000, \$47,000, and \$70,000, in 2003, 2002 and 2001, respectively.

#### Owned Properties

In fiscal 2003, the Company acquired four properties consisting of the Westchester Pavilion in White Plains, New York, a 185,000 square foot property for \$39.9 million, seven retail building units totaling 135,000 square feet in the Somers Commons, in Somers, New York, for \$21.65 million, the Orange Meadows Shopping Center in Orange, Connecticut, a 78,000 square foot property for \$11.3 million, and the Greens Farms Plaza, in Westport, Connecticut, a 38,000 square foot property for \$10.1 million.

In connection with the purchase of Orange Meadows, the Company has agreed to pay the seller approximately \$1.5 million as additional purchase price pursuant to an agreed formula, which amount is included in Accounts Payable in the accompanying consolidated balance sheet at October 31, 2003.

In fiscal 2002, the Company acquired the Airport Plaza shopping center in Danbury, Connecticut for \$7.0 million subject to a first mortgage loan of \$2.0 million at a fixed interest rate of 8.375%. The assumption of the first mortgage represents a non-cash financing activity and is therefore not included in the accompanying 2002 consolidated statement of cash flows.

In fiscal 2001, the Company purchased two properties consisting of an office property in Greenwich, Connecticut and a 38,000 square foot shopping center in Westchester County, New York for a total purchase price of \$9.5 million. In connection with the acquisition of the shopping center, the Company assumed a first mortgage of \$4.2 million. The assumption of the first mortgage represents a non-cash financing activity and is therefore not included in the accompanying 2001 consolidated statement of cash flows.



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 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.

As of October 31, 2003, as a result of its evaluations, the Company has allocated \$192,000 to an asset and \$560,000 to a liability associated with the net fair value assigned to the acquired leases at the properties.

The Company is currently in the process of analyzing the fair value of in-place leases for the Somers Commons property, and consequently, no value has yet been assigned to the leases. Accordingly, the purchase price allocation is preliminary and may be subject to change.

#### **Consolidated Joint Ventures**

The Company is the general partner in an entity that owns the Eastchester Mall in Eastchester, New York. The limited partner is entitled to preferential distributions of cash flow from the property and may put its interest in the entity to the Company for a fixed number of shares of Common Stock and Class A Common stock of the Company. The Company, at its option, may redeem the limited partner's interest for cash. The Company also has an option to purchase the limited partner's interest after a certain period.

The Company is the general partner in an entity that owns the Arcadian Shopping Center in Briarcliff Manor, New York. The limited partners contributed the property, subject to a \$6.3 million first mortgage, in exchange for partnership units (PU's) of the entity. The PU's are exchangeable into an equivalent number of shares of the Company's Class A Common Stock. The limited partners are entitled to preferential distributions of cash flow from the property and may put their partnership interests to the Company for cash or Class A Common Stock of the Company at a unit price as defined in the partnership agreement. The Company, at its option, may redeem the limited partners' interest for cash. In fiscal 2001, the Company redeemed, at net book value, 127,548 PU's for cash of \$1.0 million. At October 31, 2003 and 2002 there were 255,097 PU's outstanding.

The Company has a 90% general partner interest in a partnership that owns the Ridgeway Shopping Center in Fairfield County, Connecticut. The partnership acquired the property in fiscal 2002, subject to a \$57.4 million first mortgage. The partners receive an annual cash preference payable from available cash of the partnership. Any unpaid preferences accumulate and are paid from future available cash, if any. The limited partners' cash preferences are paid after the general partner's preferences are satisfied. The balance of available cash, if any, is distributed in accordance with the respective partners' interests. Upon liquidation, proceeds from the sale of partnership assets are to be distributed in accordance with the respective partners' interests. The partners are not obligated to make any additional capital contributions to the partnership. The Company has 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 for a period of five years ending in June 2007. The assumption of the first mortgage loan represents a non-cash financing activity and is therefore not included in the accompanying 2002 consolidated statement of cash flows.

The limited partnership interests are reflected in the accompanying consolidated financial statements as Minority Interests.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### (4) NON-CORE PROPERTIES

The Board of Directors has authorized a plan to sell all of the non-core properties of the Company over a period of several years. At October 31, 2003, the non-core properties consist of two distribution and service properties, one office building and one retail property located outside of the Northeast region of the United States.

The components of non-core properties were as follows (in thousands):

	2003	2002
Land	\$ 1,943	\$ 1,943
Buildings and improvements	19,433	19,321
	<u>21,376</u>	<u>21,264</u>
Accumulated depreciation	(10,161)	(9,320)
	<u>\$11,215</u>	<u>\$11,944</u>

Minimum rental payments on non-cancelable operating leases of the non-core properties become due as follows: 2004 – \$4,257,000; 2005 – \$4,332,000; 2006 – \$4,408,000; 2007 – \$4,156,000; 2008 – \$1,376,000 and thereafter \$2,170,000.

#### Sales of Properties

In fiscal 2002, the Company sold undeveloped land for a net loss on sale of \$6,200.

In fiscal 2001, the Company sold a non-core property for \$100,000. There was no gain or loss on the sale. The Company also sold undeveloped land for a net gain on the sale of the property of \$316,000.

The operating income of the properties sold during each of the years ended October 31, 2002 and 2001 was less than 1% of the consolidated operating income in each of the years then ended.

In fiscal 2001, the Company had a general partner interest in the Countryside Square Limited Partnership (the "Partnership"), an unconsolidated joint venture, which owned the Countryside Square Shopping Center in Clearwater, Florida. The Company accounted for its investment in the partnership by the equity method of accounting. Under the equity method, only the Company's share of income or loss of the partnership is reflected in the financial statements. During fiscal 2001, the property was sold and the partnership liquidated. Accordingly, through the date of sale, the Company recorded \$3,864,000 as its proportionate share of the income of the joint venture including earnings from the sale of the property.

### (5) MORTGAGE NOTES AND OTHER RECEIVABLE

The components of the mortgage notes and other receivable at October 31, 2003 and 2002 were as follows (in thousands):

	2003	2002
Mortgage notes receivable:		
Remaining principal balance	\$2,577	\$2,685
Unamortized discounts to reflect market interest rates at time of acceptance of notes	(393)	(434)
	<u>2,184</u>	<u>2,251</u>
Other receivable	—	1,196
	<u>\$2,184</u>	<u>\$3,447</u>

Mortgage notes receivable consist of two fixed rate mortgages with contractual interest rates of 9% and 12% which are secured by commercial property.

At October 31, 2003, principal payments on mortgage notes receivable become due as follows: 2004 – \$119,000; 2005 – \$130,000; 2006 – \$142,000; 2007 – \$156,000; 2008 – \$170,000 and thereafter – \$1,860,000.

## (6) MORTGAGE NOTES PAYABLE AND LINES OF CREDIT

At October 31, 2003, the Company had ten non-recourse first mortgage notes payable totaling \$104,588,000 (\$106,429,000 at October 31, 2002) due in installments over various terms extending to fiscal year 2011 at fixed rates of interest ranging from 6.29% to 8.375%. The mortgage notes payable are collateralized by real estate investments having a net carrying value of approximately \$167,000,000 as of October 31, 2003.

Scheduled principal payments during the next five years and thereafter are as follows: 2004 – \$1,985,000; 2005 – \$2,139,000; 2006 – \$8,927,000; 2007 – \$11,225,000; 2008 – \$53,261,000 and thereafter – \$27,051,000.

At October 31, 2003, the Company had a secured revolving line of credit with a bank, which allows for borrowings up to \$18.125 million. The agreement, which expires in October 2005, is secured by first mortgage liens on two properties. Interest on outstanding borrowings is at a variable rate of prime + .5% or LIBOR + 1.5%. The Company can elect a fixed rate option at any time prior to the last year of the agreement. The agreement requires the Company to maintain certain debt service coverage ratios during its term and provides for a permanent reduction in the revolving credit loan amount of \$625,000 annually. At October 31, 2003 and 2002, the Company had no outstanding borrowings under this revolving credit agreement. The Company pays annual fees of .25% on the unused portion of this credit facility.

The Company also has a \$20 million unsecured line of credit arrangement with the same bank. The line of credit expires in fiscal 2004 and, is available to acquire real estate, refinance indebtedness and for working capital needs. Extensions of credit under the arrangement are at the bank's discretion and subject to the bank's satisfaction of certain conditions. Outstanding borrowings bear interest at the prime rate + .5% or LIBOR + 2.5%. The Company pays an annual fee of .25% on unused amounts. There were no borrowings outstanding under this line of credit at October 31, 2003 and 2002.

Interest paid for the years ended October 31, 2003, 2002, and 2001 was \$8,094,000, \$5,584,000 and \$4,456,000, respectively.

## (7) PREFERRED STOCK

The 8.99% Series B Senior Cumulative Preferred Stock ("Series B Preferred Stock") has no stated maturity, is not subject to any sinking fund or mandatory redemption and is not convertible into other securities or property of the Company. On or after January 8, 2008, the Company at its option may redeem the Series B Preferred Stock, 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), (i) each holder of Series B Preferred Stock shall have the right, at such holder's option, to require the Company to repurchase all or any part of such holder's Series B Preferred Stock for cash at a repurchase price of \$100 per share, plus all accrued and unpaid dividends, and (ii) the Company shall have the right, at the Company's option, to redeem all or any part of the Series B Preferred Stock at (a) prior to January 8, 2008, the Make-Whole Price (as defined) and (b) on or subsequent to January 8, 2008, the redemption price of \$100 per share, plus all accrued and unpaid dividends. Holders of the Series B Preferred Stock are entitled to receive cumulative preferential cash dividends equal to 8.99% per annum, payable quarterly in arrears and subject to adjustments under certain circumstances.

In fiscal 2003, the Company sold 400,000 shares of 8.50% Series C Senior Cumulative Preferred stock, ("Series C Preferred Stock") for net proceeds of \$ 38.4 million. The Series C Preferred Stock has no stated maturity and is not convertible into other securities of the Company. On or after May 29, 2013, the Series C Preferred Stock may be redeemed by the Company, at its option, at a redemption price of \$100 per share.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### (7) PREFERRED STOCK (continued)

The Series B Preferred Stock and Series C Preferred Stock contain covenants, which 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 October 31, 2003 and 2002.

In fiscal 2002, the Company repurchased 200,000 shares of its Series B Preferred Stock for \$16,050,000 in a negotiated transaction with a holder of the preferred shares. The Company recorded the excess of the carrying value over the cost to repurchase the preferred shares of \$3,071,000 as an increase in net income applicable to Common and Class A Common stockholders.

### (8) STOCKHOLDERS' EQUITY

In fiscal 2002, the Company completed a secondary offering of 8,050,000 shares of its Class A Common Stock in an underwritten public offering. The net proceeds to the Company (after deducting underwriting fees and expenses) were \$81,854,000. In November 2001, the Company also sold 699,222 shares to its underwriters to cover over allotments in connection with the Company's secondary stock offering of 4,800,000 shares in fiscal 2001. Net proceeds to the Company amounted to \$6,069,000.

In fiscal 2001, the Company sold 4,800,000 shares of its Class A Common Stock in an underwritten public offering. The net proceeds to the Company (after deducting underwriting fees and expenses) were \$41,136,000. The Company also sold 200,000 shares of Common Stock and 5,000 shares of Class A Common Stock for total proceeds of \$1,435,000 in a private placement offering with two entities controlled by an officer of the Company.

Underwriting commissions and costs incurred in connection with the Company's stock offerings are reflected as a reduction of additional paid in capital.

The Class A Common Stock entitles the holder to 1/20 of one vote per share. Each share of Common Stock and Class A Common Stock have identical rights with respect to dividends except that each share of Class A Common Stock will receive not less than 110% of the regular quarterly dividends paid on each share of Common Stock.

The Company has a Dividend Reinvestment and Share Purchase Plan that allows shareholders to acquire additional shares of Common Stock and Class A Common Stock by automatically reinvesting dividends. The Company issued 61,699 shares of Common Stock and 18,704 shares of Class A Common Stock in fiscal 2003 (14,296 shares of Common Stock and 19,494 shares of Class A Common Stock in fiscal 2002) through the Plan.

The Company has a stockholders rights agreement, which expires on November 12, 2008. The rights are not currently exercisable. When they are exercisable, the holder will be entitled to purchase from the Company one one-hundredth of a share of a newly-established Series A Participating Preferred Stock at a price of \$65 per one one-hundredth of a preferred share, subject to certain adjustments. The distribution date for the rights will occur 10 days after a person or group either acquires or obtains the right to acquire 10% ("Acquiring Person") or more of the combined voting power of the Company's common shares, or announces an offer the consummation of which would result in such person or group owning 30% or more of the then outstanding common shares. Thereafter, shareholders other than the Acquiring Person will be entitled to purchase original common shares of the Company having a value equal to two times the exercise price of the right.

If the Company is involved in a merger or other business combination at any time after the rights become exercisable, and the Company is not the surviving corporation or 50% or more of the Company assets are sold or transferred, the rights agreement provides that the holder other than the Acquiring Person will be entitled to purchase a number of shares of common stock of the acquiring company having a value equal to two times the exercise price of each right.

The Company's articles of incorporation provide that if any person acquires more than 7.5% of the aggregate value of all outstanding stock, except, among other reasons, as approved by the Board of Directors, such shares in excess of this limit shall automatically be exchanged for an equal number of shares of Excess Stock. Excess Stock has limited rights, may not be voted and is not entitled to any dividends.

**(9) STOCK OPTION AND OTHER BENEFIT PLANS**

The Company has a stock option plan whereby 824,093 Common shares and 743,003 Class A Common shares are reserved for issuance to key employees and non-employee Directors of the Company. Options are granted at fair market value on the date of the grant, have a duration of ten years from the date of grant, and vest over a maximum period of four years from the date of grant.

A summary of stock option transactions during the periods covered by these financial statements is as follows:

Year ended October 31,	2003		2002		2001	
	Number of Shares	Weighted Average Exercise Prices	Number of Shares	Weighted Average Exercise Prices	Number of Shares	Weighted Average Exercise Prices
<b>Common stock:</b>						
Balance at beginning of period	91,570	\$7.50	315,060	\$7.00	739,958	\$6.91
Granted	—	—	—	—	—	—
Exercised	(18,000)	\$7.22	(211,762)	\$6.88	(419,000)	\$6.83
Canceled/Forfeited	(17,694)	\$7.44	(11,728)	\$7.03	(5,898)	\$7.54
Balance at end of period	55,876	\$7.62	91,570	\$7.50	315,060	\$7.00
Exercisable	55,876		91,570		222,060	
<b>Class A Common Stock:</b>						
Balance at beginning of period	66,810	\$7.71	314,605	\$7.50	739,464	\$7.48
Granted	—	—	—	—	—	—
Exercised	(24,077)	\$7.61	(37,312)	\$7.26	(24,859)	\$7.38
Canceled/Forfeited	—	—	(210,483)	\$7.16	(400,000)	\$7.13
Balance at end of period	42,733	\$7.83	66,810	\$7.71	314,605	\$7.50
Exercisable	42,733		66,810		221,605	

At October 31, 2003, exercise prices of shares of Common Stock and Class A Common Stock under option ranged from \$6.60 to \$9.03, for the Common Stock and \$6.65 to \$9.09, for the Class A Common Stock. Option expiration dates range for both classes of stock from April 2004 through April 2009 and the weighted average remaining contractual life of these options is 3.5 years.

As of October 31, 2003, outstanding options to acquire approximately 21,000 shares each of Common Stock and Class A Common stock permit the optionee to elect to receive either shares of Common stock, Class A Common Stock or a combination of both. Upon an election to exercise shares of a class of common stock by the optionee, a comparable number of shares of the class of common stock not elected by such optionee is deemed cancelled and no longer available for future grants.

In connection with the exercise of stock options certain officers of the Company executed full recourse promissory notes equal to the purchase price of the shares. At October 31, 2003, notes from officers totaled \$1,434,000 (\$1,746,000 at October 31, 2002). The notes have 10-year terms and bear fixed rates of interest ranging from 6.8% to 8%. The shares are pledged as additional collateral for the notes. Interest is payable quarterly. The exercise of the stock options and the issuance of the notes represent non-cash financing activities and are therefore not included in the accompanying consolidated statements of cash flows.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### (9) STOCK OPTION AND OTHER BENEFIT PLANS (continued)

The Company has a restricted stock plan for key employees and directors of the Company. The plan authorizes grants of restricted stock of up to 1,050,000 shares (350,000 shares each of Common Stock and Class A Common Stock and 350,000 shares which, at the discretion of the Company's compensation committee, may be awarded in any combination of Common stock or Class A Stock). As of October 31, 2003, the Company has awarded 509,500 shares of Common Stock and 242,500 shares of Class A Common Stock to participants as an incentive for future services. The shares vest between five and ten years after the date of grant. At October 31, 2003, 13,250 shares each of Common Stock and Class A Common Stock were vested (3,500 shares each of Common and Class A Common Stock at October 31, 2002). Dividends on vested and non-vested shares are paid as declared. The market value of shares awarded has been recorded as unamortized restricted stock compensation. Unamortized restricted stock compensation is charged to expense over the respective vesting periods. For the years ended October 31, 2003, 2002 and 2001 amounts charged to expense totaled \$1,105,000, \$942,000 and \$769,000, respectively.

The Company has a profit sharing and savings plan (the "401K Plan"), which permits all eligible employees to defer a portion of their compensation in accordance with the Internal Revenue Code. Under the 401K Plan, the Company may make discretionary contributions on behalf of eligible employees. For the years ended October 31, 2003, 2002 and 2001, the Company made contributions to the 401K Plan of \$95,000, \$93,000 and \$88,000, respectively. The Company also has an Excess Benefits and Deferred Compensation Plan that allow eligible employees to defer benefits in excess of amounts provided under the Company's 401K Plan and a portion of the employee's current compensation.

### (10) PRO FORMA FINANCIAL INFORMATION (UNAUDITED)

The unaudited pro forma financial information set forth below is based upon the Company's historical consolidated statements of income for the years ended October 31, 2003 and 2002 adjusted to give effect to the acquisitions of the Ridgeway Shopping Center, (June 2002) Westchester Pavilion (December 2002), Orange Meadows Shopping Center (December 2002), Greens Farms Plaza (February 2003), and Somers Commons (June 2003) as though these transactions were completed on November 1, 2001. The pro forma information also gives effect to the issuance of 8,050,000 shares of Class A Common stock (July 2002) and 400,000 shares of Series C Preferred Stock (May 2003) as though these transactions were also completed on November 1, 2001.

The pro forma financial information is presented for informational purposes only and may not be indicative of what the actual results of operations would have been had the transactions occurred as of November 1, 2001, nor does it purport to represent the results of future operations. (Amounts in thousands, except per share figures).

	Year ended October 31,	
	2003	2002
Pro forma revenues:	\$63,302	\$61,442
Pro forma net income applicable to Common and Class A Common Stockholders:	\$17,064	\$18,526
Pro forma basic shares outstanding:		
Common and Common Equivalent	<u>6,259</u>	<u>6,089</u>
Class A Common and Class A Common Equivalent	<u>18,200</u>	<u>18,097</u>
Pro forma diluted shares outstanding:		
Common and Common Equivalent	<u>6,566</u>	<u>6,432</u>
Class A Common and Class A Common Equivalent	<u>18,720</u>	<u>18,618</u>
Pro forma earnings per share:		
Basic:		
Common	<u>\$.65</u>	<u>\$.71</u>
Class A Common	<u>\$.72</u>	<u>\$.79</u>
Diluted:		
Common	<u>\$.64</u>	<u>\$.70</u>
Class A Common	<u>\$.71</u>	<u>\$.77</u>

**(11) QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)**

The unaudited quarterly results of operations for the years ended October 31, 2003 and 2002 are as follows (in thousands, except per share data):

	<u>Year Ended October 31, 2003</u>				<u>Year Ended October 31, 2002</u>			
	<u>Quarter Ended</u>				<u>Quarter Ended</u>			
	<u>Jan 31</u>	<u>Apr 30</u>	<u>July 31</u>	<u>Oct 31</u>	<u>Jan 31</u>	<u>Apr 30</u>	<u>July 31</u>	<u>Oct 31</u>
Revenues	<u>\$13,681</u>	<u>\$15,027</u>	<u>\$15,413</u>	<u>\$16,240</u>	<u>\$10,014</u>	<u>\$9,971</u>	<u>\$11,223</u>	<u>\$13,132</u>
Net Income	<u>\$4,197</u>	<u>\$4,870</u>	<u>\$5,459</u>	<u>\$5,844</u>	<u>\$3,508</u>	<u>\$3,368</u>	<u>\$3,295</u>	<u>\$4,336</u>
Preferred Stock Dividends	(337)	(337)	(932)	(1,188)	(487)	(337)	(337)	(337)
Excess of Carrying Value over Cost to Repurchase Preferred Shares	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,071</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net Income Applicable to Common and Class A Common Stockholders	<u>\$3,860</u>	<u>\$4,533</u>	<u>\$4,527</u>	<u>\$4,656</u>	<u>\$6,092</u>	<u>\$3,031</u>	<u>\$2,958</u>	<u>\$3,999</u>
<b>Basic Earnings per Share:</b>								
Common	<u>\$ .15</u>	<u>\$ .17</u>	<u>\$ .17</u>	<u>\$ .18</u>	<u>\$ .36</u>	<u>\$ .18</u>	<u>\$ .15</u>	<u>\$ .15</u>
Class A Common	<u>\$ .16</u>	<u>\$ .19</u>	<u>\$ .19</u>	<u>\$ .19</u>	<u>\$ .40</u>	<u>\$ .20</u>	<u>\$ .17</u>	<u>\$ .17</u>
<b>Diluted Earnings per Share:</b>								
Common	<u>\$ .15</u>	<u>\$ .17</u>	<u>\$ .17</u>	<u>\$ .17</u>	<u>\$ .35</u>	<u>\$ .17</u>	<u>\$ .15</u>	<u>\$ .15</u>
Class A Common	<u>\$ .16</u>	<u>\$ .19</u>	<u>\$ .19</u>	<u>\$ .19</u>	<u>\$ .38</u>	<u>\$ .19</u>	<u>\$ .16</u>	<u>\$ .17</u>

**(12) 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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders of Urstadt Biddle Properties Inc.:

We have audited the accompanying consolidated balance sheets of Urstadt Biddle Properties Inc. (the "Company") as of October 31, 2003 and 2002, and the related consolidated statements of income, cash flows and stockholders' equity for each of the two years in the period ended October 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. Other auditors who have ceased operations audited the financial statements of Urstadt Biddle Properties Inc. for the year ended October 31, 2001. Those auditors expressed an unqualified opinion on those financial statements in their report dated December 12, 2001.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Urstadt Biddle Properties Inc. at October 31, 2003 and 2002 and the consolidated results of its operations and its cash flows for each of the two years in the period ended October 31, 2003 in conformity with accounting principles generally accepted in the United States.

ERNST & YOUNG LLP

New York, New York  
December 10, 2003



# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the consolidated financial statements of the Company and the notes thereto included elsewhere in this report.

## OVERVIEW

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. Other real estate assets include office and retail buildings and industrial properties. The Company's major tenants include supermarket chains and other retailers who sell basic necessities. At October 31, 2003, the Company owned or had controlling interests in 30 properties containing a total of 3.4 million square feet of leasable area.

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.

## FORWARD LOOKING STATEMENTS

Certain statements made in this section or elsewhere in this report may be deemed "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Although the Company believes the expectations reflected in any forward-looking statements are based on reasonable assumptions, it can give no assurance that expectations will be attained, and it is possible that actual results may differ materially from those indicated by these forward-looking statements due to a variety of risks and uncertainties. Those risks and uncertainties incidental to the ownership and operation of commercial real estate include, but are not limited to: national, regional and local economic climates, competitive market forces, changes in market rental rates, trends in the retail industry, the inability to collect rent due to the bankruptcy or insolvency of tenants or otherwise, risks associated with acquisitions, environmental liabilities, maintenance of REIT status, the availability of financing, and changes in market rates of interest. The Company undertakes no duty or obligation to update or revise these forward-looking statements, whether as a result of new information, future developments, or otherwise.

## 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.

### *Revenue Recognition*

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. These amounts are recognized in the period the related expenses are incurred. Expense reimbursement payments generally are made monthly based on an estimated amount determined at the beginning of the year. The difference between the actual amount due and the estimated amounts paid by the tenant throughout the year is billed or credited to the tenant.

### *Allowance for Doubtful Accounts*

The allowance for doubtful accounts and mortgage notes receivable 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 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. It is the Company's policy to maintain an allowance for future tenant credit losses of approximately 10% of the deferred straight-line rents receivable balance.

### *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.

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
Property Improvements	10-20 years
Furniture/Fixtures	3-10 years
Tenant Improvements	Lease term

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

Assessments by the Company of certain other lease related costs are made when the Company has a reason to believe that the tenant may not be able to perform under the terms of the lease as originally expected. This requires management to make estimates as to the recoverability of such assets.

### *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 only if management's estimate of current and projected operating cash flows (undiscounted and without interest charges) 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, trend 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. Management does not believe that the value of any of its rental properties or mortgage notes receivable is impaired at October 31, 2003.

## LIQUIDITY AND CAPITAL RESOURCES

At October 31, 2003, the Company had unrestricted cash and cash equivalents of \$22.4 million compared to \$46.3 million in 2002. The Company also had \$9.5 million and \$25.1 million in short-term investments as of October 31, 2003 and 2002, respectively. The Company's cash positions and short-term investments include the remaining proceeds from the sales of equity securities of the Company during fiscal 2003 and 2002.

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. 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 fiscal 2004 and to meet its dividend requirements necessary to maintain its REIT status. In fiscal 2003, 2002 and 2001, net cash provided by operations amounted to \$31.2 million, \$18.5 million and \$21.3 million, respectively. The increase in net cash from operating activities in fiscal 2003 reflects the additional operating income from a greater number of properties in the year. Cash dividends

paid increased to \$23.5 million in 2003 compared to \$16.4 million in 2002 and \$11.9 million in 2001. 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 due to property acquisitions and growth in operating income in the existing portfolio and from other sources. 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.

### *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.

In May 2003, the Company sold 400,000 shares of a new issue of Series C Cumulative Preferred Stock (Series C Preferred Stock) for proceeds of \$38.4 million. The preferred shares are redeemable at the option of the Company after ten years. The Series C Preferred Stock issue entitles the holders to a 8.5% cumulative dividend. The Company used a portion of the proceeds to purchase a shopping center in June 2003. The Company intends to use the balance of the proceeds for property acquisitions.

In fiscal 2002, the Company sold 8,050,000 shares of its Class A Common stock for net proceeds to the Company of \$81.9 million. The net proceeds were used to repay \$16

million of outstanding revolving credit line indebtedness and the acquisitions of three properties.

In fiscal 2001, the Company sold 5,499,222 shares of its Class A Common stock for net proceeds of \$47.2 million of which \$6.1 million was received in fiscal 2002. The Company also sold 200,000 shares of Common stock and 5,000 shares of Class A Common stock in a private placement for proceeds of \$1.4 million. The proceeds of these equity sales were used to complete the acquisitions of two properties, repay outstanding credit line borrowings and repurchase 200,000 shares of Series B Preferred Stock at a cost of \$16.1 million.

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 October 31, 2003, the Company's contractual obligations for borrowings are as follows:

Payments Due by Period	Amount
Less than 1 year	\$1,985,000
1 to 3 years	\$11,066,000
4 to 5 years	\$64,486,000
After 5 years	\$27,051,000

Borrowings consist of \$104,588,000 of fixed rate mortgage loan indebtedness with a weighted average interest rate of 7.53% at October 31, 2003. The mortgage loans are secured by fourteen properties and have fixed rates of interest ranging from 6.29% to 8.375%. The Company may refinance certain of these borrowings, at or prior to maturity, through new mortgage loans on real estate. 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 refinancing can be achieved.

At October 31, 2003, the Company had a secured revolving credit facility with a bank which expires in fiscal 2005 and allows for borrowings up to \$18.125 million. The secured line is collateralized by two properties having a net book value of \$29.4 million at October 31, 2003. The terms of the credit facility require a permanent reduction in the credit loan amount of \$625,000 annually. The Company also has a \$20 million unsecured revolving line of credit with the same bank which expires in fiscal 2004. The revolving credit lines are available to finance the acquisition, management and/or development of commercial real estate, refinance indebtedness and for working capital purposes. Extensions of credit under the unsecured credit line are at the bank's discretion and subject to the bank's satisfaction of certain conditions. There were no borrowings during the year on either credit line and there were no outstanding borrowings at October 31, 2003.

### **Capital Expenditures**

The Company invests in its existing properties and regu-

larly 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. In fiscal 2003, the Company incurred \$2.8 million for capital expenditures including \$1.9 million related to tenant allowances and commissions in connection with the Company's leasing activities. The amounts of these expenditures can vary significantly depending on tenant negotiations, market conditions and rental rates. The Company expects to incur an additional \$4.3 million for known capital improvements and leasing costs in fiscal 2004. These expenditures are generally funded from operating cash flows or borrowings on its credit facilities.

### **Acquisitions and Sales**

The Company seeks to acquire properties which are primarily shopping centers located in the northeastern part of the United States.

In fiscal 2003, the Company acquired four properties totaling 436,000 square feet in separate transactions for approximately \$83 million. The properties were purchased with cash raised from sales of equity securities and consisted of: the Westchester Pavilion in White Plains, New York, a 185,000 square foot property for \$39.9 million, the Orange Meadows Shopping Center in Orange, Connecticut, a 78,000 square foot property for \$11.3 million, the Greens Farms Plaza in Westport, Connecticut, a 38,000 square foot property for \$10.1 million and seven retail building units totaling 135,000 square feet in Somers Commons for \$21.65 million.

In fiscal 2002, the Company acquired a 90% general partner interest in a shopping center in Stamford, Connecticut for \$86.8 million. The property was acquired subject to a \$57.4 million first mortgage loan. The Company also purchased a shopping center in Danbury, Connecticut for \$7.0 million subject to a first mortgage loan of \$2.0 million and acquired the remaining 15% interest in an office building that it did not own for a purchase price of \$1.25 million.

In fiscal 2001, the Company acquired two properties for \$9.5 million. One property was acquired subject to a first mortgage loan of \$4.2 million.

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 a plan to sell the Company's non-core properties in the normal course of business over a period of several years. The non-core properties consist of two distribution service facilities, one office building and one retail property (all of which are located outside of the northeast region of the United States). The Company intends to sell its 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. There were no sales of properties during fiscal 2003. At October 31, 2003, the non-core properties total four properties with a net book value of approximately \$11 million.

## FUNDS FROM OPERATIONS

The Company considers Funds from Operations ("FFO") as defined by The National Association of Real Estate Investment Trusts ("NAREIT") to be one supplemental financial measure of an equity REIT's operating performance. FFO is calculated as net income (computed in accordance with generally accepted accounting principles (GAAP)), plus real estate related depreciation and amortization, excluding gains (or losses) from sales of property and debt restructuring and after adjustments for unconsolidated joint ventures. FFO does not represent cash flows from operations as defined by GAAP and should not be considered an alternative to net income as an indication of the Company's operating performance or for cash flows as a measure of liquidity or its dividend paying capacity. Furthermore, FFO as disclosed by other REITs might not be comparable to the Company's calculation of FFO. The table below provides a reconciliation of net income in accordance with GAAP to FFO for each of the three years in the period ended October 31, 2003 (amounts in thousands).

	2003	2002	2001
Net Income Applicable to Common and Class A Common Stockholders	\$17,576	\$16,080	\$10,540
Plus: Real property depreciation	7,831	5,459	4,463
Amortization of tenant improvements and allowances	2,088	2,088	2,325
Amortization of deferred leasing cost	469	517	851
Less: Adjustments for unconsolidated joint venture	—	—	(3,252)
Gains on sales of real estate investments	—	—	(316)
Funds from Operations Applicable to Common and Class A Common Stockholders (1)	<u>\$27,964</u>	<u>\$24,144</u>	<u>\$14,611</u>
Net Cash Provided by (Used in):			
Operating Activities	<u>\$31,176</u>	<u>\$18,532</u>	<u>\$21,308</u>
Investing Activities	<u>\$(69,818)</u>	<u>\$(64,960)</u>	<u>\$(11,394)</u>
Financing Activities	<u>\$14,749</u>	<u>\$59,023</u>	<u>\$22,040</u>

(1) Funds from Operations for 2002 has been adjusted to conform with revised guidance provided by NAREIT regarding the calculation for FFO. This revised guidance provides that amounts associated with preferred stock that has been redeemed or repurchased should be factored into the calculation of FFO. As a result, the Company has adjusted its fiscal 2002 FFO to include a \$3,071,000 adjustment to record the excess of the carrying value over the cost to repurchase \$20 million of its Series B Preferred shares in that year in accordance with NAREIT's revised guidance. The adjustment to fiscal 2002 FFO did not affect net income applicable to Common and Class A Common stockholders in that year.

## RESULTS OF OPERATIONS

### Fiscal 2003 vs. Fiscal 2002

#### Revenues

Revenues from operating rents increased 40.4% to \$59.2 million in fiscal 2003 compared to \$42.2 million in fiscal 2002. The net increase in rents resulted primarily from (i) the acquisition of four properties in fiscal 2003 containing 436,000 square feet of leasable space, providing revenues of \$8.3 million in the year (ii) the full year impact related to two operating properties acquired in 2002, providing incremental revenues of \$6.5 million in fiscal 2003 (iii) an increase in recoveries of property operating expenses and property taxes from tenants of \$700,000 in fiscal 2003 and (iv) an overall increase in the leasing levels at the Company's properties.

At October 31, 2003, the Company's total portfolio was 96% leased compared to 95% leased in fiscal 2002. During fiscal 2003, the Company renewed or signed new leases totaling 375,000 square feet of space. The Company has leases totaling 126,000 square feet of leasable space or 3.8% of total GLA expiring in fiscal 2004.

Lease termination income of \$80,000 represents a lease cancellation payment from a tenant who terminated its lease early. This space was re-leased during the year.

Interest income in fiscal 2003 decreased due to the utilization of cash from the Company's sale of 8,050,000 shares of Class A common stock in fiscal 2002. The cash was used to acquire properties in fiscal 2003.

#### Expenses

Operating expenses, including depreciation and amortization increased to \$39.6 million in fiscal 2003 from \$29.4 million in fiscal 2002. Property expenses increased \$5.0 million from the incremental expense of recently acquired properties, which increased property expenses by \$4.6 million. Property expenses for properties owned during both periods increased 4.0% from higher snow removal and property tax costs, which increased \$475,000 and \$171,000, respectively in fiscal 2003.

Interest expense increased to \$8.1 million from \$5.6 million principally from the full year impact of approximately \$60 million in first mortgage loans assumed in connection with property acquisitions in fiscal 2002.

Depreciation expense increased by \$2.4 million in fiscal 2003 from the additional depreciation on recent property acquisitions.

General and administrative expenses increased to \$3.2 million in fiscal 2003 as compared to \$2.8 million in fiscal 2002 due to increased compensation costs.

## Fiscal 2002 vs. Fiscal 2001

### Revenues

Revenues from operating leases increased 23.4% to \$42.2 million in fiscal 2002 compared to \$34.2 million in fiscal 2001. The increase in revenues resulted from the addition of new rents from properties acquired and leasing of previously vacant space at properties owned in both years. During fiscal 2002 and 2001, the Company acquired four properties which increased operating lease income by approximately \$5.5 million in fiscal 2002. In 2002 the Company renewed or signed new leases totaling 236,000 square feet of space, however the overall leasing levels at the Company's properties decreased to 95% by the end of fiscal 2002 compared to 98% leased at the end of fiscal 2001. The decrease in leasing levels reflected the loss of a tenant occupying 115,390 square feet at the Company's Five Town Plaza shopping center and a tenant occupying 94,000 square feet at the Company's office property in Southfield, Michigan who re-leased 32,400 square feet of its previously occupied space.

Lease termination income of \$765,000 in fiscal 2002 represents lease cancellation payments from tenants who terminated leases in the year.

Interest income increased in fiscal 2002 from the investment of cash proceeds during the year into short-term investments at generally lower yields and the addition of a \$1.2 million note receivable.

### Expenses

Total expenses increased to \$29.4 million in fiscal 2002 from \$26.2 million in fiscal 2001. Property expenses increased 11.1% to \$12.8 million from \$11.5 million principally from the incremental expense of new properties, which increased property expenses by \$1.4 million in fiscal 2002. Property expenses for properties owned during 2002 and 2001 were generally unchanged. Snow removal costs decreased by approximately \$250,000, which was largely offset by increases in property taxes and insurance costs.

Interest expense increased from new mortgage loans totaling \$59.4 million assumed in connection with property acquisitions. The increase in interest expense was partially offset by lower outstanding bank credit line borrowings during the year.

Depreciation expense increased \$850,000 from the additional expense related to property acquisitions in that year. Amortization expense decreased by \$354,000 principally from the write-off in fiscal 2001 of unamortized leasing commissions for tenants who vacated during the year.

General and administrative expenses increased to \$2.8 million in fiscal 2002 as compared to \$2.5 million in fiscal 2001. The increase was due primarily to increased compensation costs.

The Company repurchased 200,000 shares of its Series B Preferred Stock for \$16,050,000 in a negotiated transaction with a holder of the preferred shares. The Company recorded the excess of the carrying value over the cost to repurchase the preferred shares of \$3,071,000 as an increase in net income applicable to Common and Class A Common stockholders.

## 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 (i) scheduled base rent increases and (ii) percentage rents based upon tenants' gross sales, which generally increase as prices rise. In addition, the majority 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, which would be reasonably likely to have a material adverse effect on the Company. There can be no assurance, however, that (i) the discovery of environmental conditions, which were previously unknown, (ii) changes in law, (iii) the conduct of tenants or (iv) 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.

## TAX STATUS

The Company has elected to be treated as a real estate investment trust under the Internal Revenue Code. Thus, generally it will be subject to Federal income taxes only on that part of its taxable income not distributed as dividends so long as 90% of such taxable income is distributed. The Company has distributed all of its taxable income for fiscal 2003 and, accordingly, no provision has been made for Federal income taxes.

### INCOME TAX INFORMATION

Dividends paid by the Company during fiscal 2003 were all considered ordinary income for Federal income tax purposes and were paid as follows:

Dividend Payment Date	Dividends Paid Per	
	Common Share	Class A Common Share
January 17, 2003	\$ .19	\$ .21
April 18, 2003	\$ .19	\$ .21
July 18, 2003	\$ .19	\$ .21
October 17, 2003	\$ .19	\$ .21
Total	\$ .76	\$ .84

Dividend Payment Date	Series B Senior Cumulative Preferred Share	Series C Senior Cumulative Preferred Share (a)
January 31, 2003	\$2.2475	\$ —
April 30, 2003	\$2.2475	\$ —
July 31, 2003	\$2.2475	\$1.4875
October 31, 2003	\$2.2475	\$2.1250
Total	\$8.99	\$3.6125

(a) Issued May 29, 2003

## MARKET PRICE RANGES

The following sets forth, for the fiscal years ended October 31, 2003 and 2002, the low and high closing sales price per Common Share and Class A Common Share as quoted on The New York Stock Exchange.

Shares trade on the New York Stock Exchange under the Symbols: UBP and UBA.

	Fiscal 2003		Fiscal 2002	
	Low	High	Low	High
Common Shares				
First Quarter	\$11.00	\$12.70	\$8.60	\$10.65
Second Quarter	\$11.95	\$13.03	\$10.25	\$12.28
Third Quarter	\$12.70	\$13.80	\$9.95	\$12.80
Fourth Quarter	\$12.60	\$13.40	\$10.77	\$11.60
Class A Common Shares				
First Quarter	\$10.85	\$11.72	\$9.35	\$10.28
Second Quarter	\$11.00	\$12.54	\$9.88	\$12.00
Third Quarter	\$12.15	\$13.80	\$10.60	\$12.00
Fourth Quarter	\$13.10	\$14.30	\$10.80	\$11.97

## DIRECTORS

CHARLES J. URSTADT  
Chairman, Urstadt Biddle Properties Inc.

ROBERT R. DOUGLASS  
Vice Chairman, Urstadt Biddle Properties Inc.  
Of Counsel, Milbank, Tweed, Hadley and McCloy

WILLING L. BIDDLE  
President, Urstadt Biddle Properties Inc.

E. VIRGIL CONWAY  
Retired Chairman, New York State Metropolitan  
Transportation Authority

PETER HERRICK  
Retired Vice Chairman, The Bank of New York

GEORGE H.C. LAWRENCE  
Chairman and Chief Executive Officer  
Lawrence Properties

CHARLES D. URSTADT  
President, Urstadt Property Co, Inc.

GEORGE J. VOJTA  
Retired Vice Chairman  
Bankers Trust Company

## Directors Emeriti

GEORGE T. CONKLIN, JR.  
GEORGE M. HUBBARD, JR.  
JAMES O. YORK

## Officers

CHARLES J. URSTADT  
Chairman and Chief Executive Officer

WILLING L. BIDDLE  
President and Chief Operating Officer

JAMES R. MOORE  
Executive Vice President, Chief Financial Officer  
and Treasurer

RAYMOND P. ARGILA  
Senior Vice President, Legal and Assistant Secretary

THOMAS D. MYERS  
Senior Vice President and Secretary

JOHN C. MERRITT  
Vice President, Acquisitions

LINDA L. LACEY  
Vice President, Leasing

JAMES M. ARIES  
Vice President, Acquisitions and Leasing

JOSEPH V. LoPARRINO  
Vice President, Controller

WAYNE W. WIRTH  
Vice President, Construction

HEIDI R. BRAMANTE  
Assistant Vice President and Assistant Controller

CHARLES R. DAVIS, JR.  
Assistant Vice President, Leasing

## Securities Traded

New York Stock Exchange  
Symbols: UBA and UBP  
Stockholders of Record as of December 31, 2003:  
Common Stock: 1,379 and Class A Common Stock: 1,393

## Annual Meeting

The annual meeting of stockholders will be held at 11:00 A.M. March 10, 2004 at Doral Arrowwood, Rye, New York.

## Form 10-K

A copy of the Company's 2003 Annual Report on Form 10-K filed with the Securities and Exchange Commission may be obtained by stockholders without charge by writing to the Secretary of the Company at its executive office.

## Shareholder Information and Dividend Reinvestment Plan

Inquiries regarding stock ownership, dividends or the transfer of shares can be addressed to our Transfer Agent, The Bank of New York, Shareholder Relations Department-11E, P.O. Box 11258, Church Street Station, New York, NY 10286-1258 or call toll-free at 1-800-524-4458. The Company has a dividend reinvestment plan which provides stockholders with a convenient means of increasing their holdings without incurring commissions or fees. For information about the plan, stockholders should contact the Transfer Agent. Other shareholder inquiries should be directed to Thomas D. Myers, Secretary, telephone (203)-863-8200.

## Investor Relations

Investors desiring information about the Company can contact James R. Moore, Executive Vice President, telephone (203) 863-8200. Investors are also encouraged to visit our web site at: [www.ubproperties.com](http://www.ubproperties.com)

## Auditors

Ernst & Young LLP

## General Counsel

Coudert Brothers

## Executive Office of the Company

321 Railroad Avenue  
Greenwich, CT 06830  
Tel: (203) 863-8200  
Fax: (203) 861-6755  
Website: [www.ubproperties.com](http://www.ubproperties.com)

## Memberships

National Association of Real Estate Investment Trusts, Inc. (NAREIT)  
International Council of Shopping Centers (ICSC)



# URSTADT BIDDLE PROPERTIES INC.

321 RAILROAD AVENUE  
GREENWICH, CONNECTICUT 06830

**We have always believed —  
we are the RIGHT Company.**

**In the RIGHT Business.**

**In the RIGHT Place.**

**At the RIGHT Time.**

*Townline  
Square  
Meriden,  
Connecticut*



*Danbury  
Square  
Danbury,  
Connecticut*



*Ridgeway  
Shopping Center  
Stamford,  
Connecticut*



*Goodwives  
Shopping Center  
Darien,  
Connecticut*