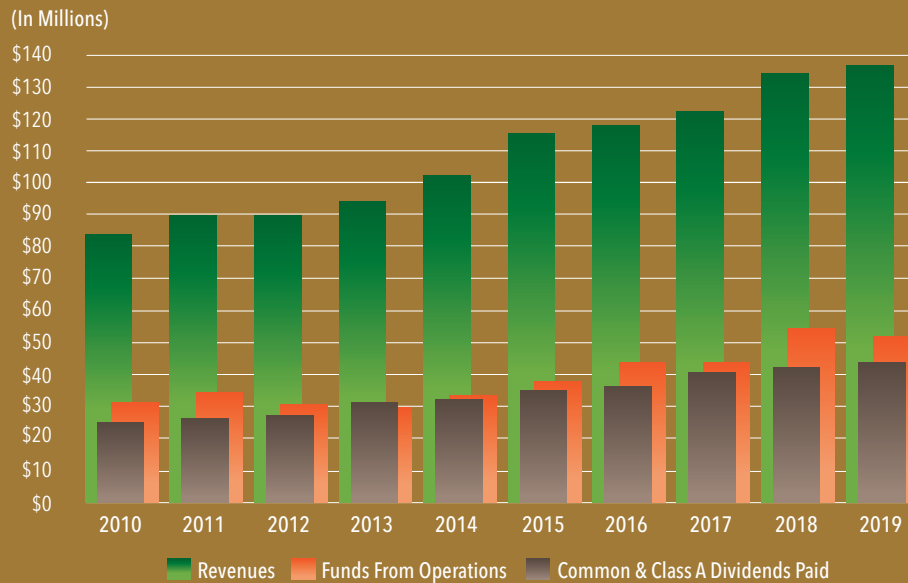




# 50 Years

50 CONSECUTIVE YEARS OF UNINTERRUPTED DIVIDENDS.  
 26 CONSECUTIVE YEARS OF INCREASED DIVIDENDS.



STOCK PRICES ARE ONLY OPINIONS. BUT DIVIDENDS ARE FACTS.

## URSTADT BIDDLE PROPERTIES INC.



Urstadt Biddle Properties Inc. is a self-administered publicly held real estate investment trust providing investors with a means of participating in the ownership of income-producing properties. Our investment properties consist primarily of neighborhood and community shopping centers in the northeastern part of the United States with a concentration in the Metropolitan New York tri-state area outside of the City of New York.

Class A Common Shares, Common Shares, Series H Preferred Shares and Series K Preferred Shares of the Company trade on the New York Stock Exchange under the symbols “UBA,” “UBP,” “UBPPRH” and “UBPPRK.”

# 50 Years

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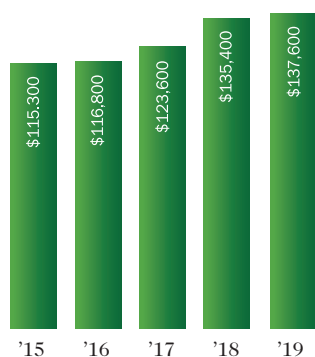
## SELECTED FINANCIAL DATA

(Amounts in thousands, except share data)

Year Ended October 31,	2019	2018	2017	2016	2015
<b>Balance Sheet Data:</b>					
Total Assets	\$1,072,304	\$1,008,233	\$996,713	\$931,324	\$861,075
Revolving Credit Lines and Unsecured Term Loan	\$ —	\$ 28,595	\$ 4,000	\$ 8,000	\$ 22,750
Mortgage Notes Payable and Other Loans	\$ 306,606	\$ 293,801	\$ 297,071	\$273,016	\$ 260,457
Preferred Stock Called for Redemption	\$ 75,000	\$ —	\$ —	\$ —	\$ —
<b>Operating Data:</b>					
Total Revenues	\$ 137,585	\$ 135,352	\$123,560	\$116,792	\$ 115,312
Total Expenses and Payments to Noncontrolling Interests	\$ 102,333	\$ 100,320	\$ 91,774	\$ 85,337	\$ 88,594
Income from Continuing Operations before Discontinued Operations	\$ 41,613	\$ 42,183	\$ 55,432	\$ 34,605	\$ 50,212
<b>Per Share Data:</b>					
Net Income from Continuing Operations – Basic:					
Class A Common Stock	\$ .59	\$ .68	\$ .92	\$ .57	\$1.04
Common Stock	\$ .53	\$ .61	\$ .82	\$ .50	\$ .92
Net Income from Continuing Operations – Diluted:					
Class A Common Stock	\$ .58	\$ .67	\$ .90	\$ .56	\$1.02
Common Stock	\$ .52	\$ .60	\$ .80	\$ .49	\$ .90
Cash Dividends Paid on:					
Class A Common Stock	\$1.10	\$1.08	\$1.06	\$1.04	\$1.02
Common Stock	\$ .98	\$ .96	\$ .94	\$ .92	\$ .90
<b>Other Data:</b>					
Net Cash Flow Provided by (Used in):					
Operating Activities	\$ 72,317	\$ 71,584	\$ 62,995	\$ 62,081	\$ 53,041
Investing Activities	\$(14,739)	\$(20,540)	\$ 18,761	\$(82,072)	\$(106,975)
Financing Activities	\$ 26,216	\$(49,433)	\$(80,353)	\$ 20,639	\$ (12,472)
Funds from Operations (Note)	\$ 51,955	\$ 55,171	\$ 43,203	\$ 43,603	\$ 38,056

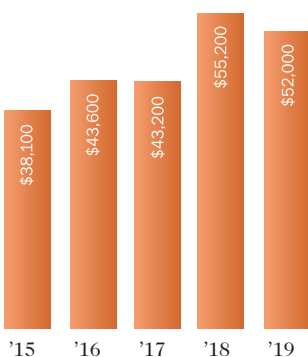
### TOTAL REVENUES

(In thousands)



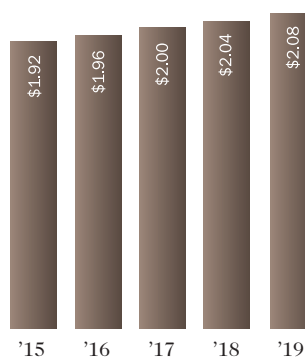
### FUNDS FROM OPERATIONS

(In thousands)



### COMBINED DIVIDENDS PAID ON COMMON AND CLASS A COMMON SHARES

(In thousands)



Note: The Company has adopted the definition of Funds from Operations (FFO) suggested by the National Association of Real Estate Investment Trusts (NAREIT) and defines FFO as net income (computed in accordance with generally accepted accounting principles), excluding gains (or losses) from sales of properties plus real estate related depreciation and amortization and after adjustments for unconsolidated joint ventures. For a reconciliation of net income and FFO, see Management's Discussion and Analysis of Financial Condition and Results of Operations on page 40 and Non-GAAP Financial Measures Reconciliation on page 57. FFO does not represent cash flows from operating activities in accordance with generally accepted accounting principles and should not be considered an alternative to net income as an indicator of the Company's operating performance. The Company considers FFO a meaningful, additional measure of operating performance because it primarily excludes the assumption that the value of its real estate assets diminishes predictably over time and industry analysts have accepted it as a performance measure. FFO is presented to assist investors in analyzing the performance of the Company. It is helpful as it excludes various items included in net income that are not indicative of the Company's operating performance. However, comparison of the Company's presentation of FFO, using the NAREIT definition, to similarly titled measures for other REITs may not necessarily be meaningful due to possible differences in the application of the NAREIT definition used by such REITs. For a further discussion of FFO, see Management's Discussion and Analysis of Financial Condition and Results of Operations on page 40 and Non-GAAP Financial Measures Reconciliation on page 57.

## LETTER TO OUR STOCKHOLDERS

# Urstadt Biddle Properties celebrated our 50th anniversary this year and had another solid performance.

Revenues grew to \$138 million, our highest ever, and Adjusted Funds from Operations (“AFFO”)<sup>1</sup> grew 4.5% to \$1.43 per diluted Class A Common share. In addition, our stock price recovered during the latter part of 2019, reflecting in part, we believe, a better understanding by the investing public that we are not in the mall business. We own grocery-anchored neighborhood shopping centers, which we believe present a much stronger investment profile than enclosed malls.

As a whole, our operating income continued to rise at our properties, and general and administrative expenses remained at less than 1% of total assets, essentially flat compared to 2018. We are well-insulated in the near term against the risk of rising interest rates because our debt comprises only 29% of total assets<sup>2</sup>, and we have no significant debt maturing prior to 2022.

As we celebrate our 50th anniversary, it is illustrative to look back at where we have come since our 25th anniversary.

	1994	2019
Total Assets	\$142 million	\$1.1 billion
Properties owned	23	83
Debt to Total Assets <sup>2</sup>	36%	29%

We stand where we are in 2020 because since 1989, the Company has been focused on building an irreplaceable portfolio of properties in the suburbs surrounding New



York City. To acquire such a portfolio without overpaying has required patience and tenacity, with a willingness to acquire properties that are smaller than those typically sought by other REITs. As we like to say, “Size is vanity—profits are sanity.” Our narrow focus on the New York City suburbs allows us to efficiently manage a portfolio that includes smaller properties, and we believe we have a lower cost of capital than most local buyers who are competing for these same properties. We’ve already come a long way in achieving our strategic objectives and we will continue to execute and build on the growth strategy we have been following for years: acquiring and managing primarily grocery- or pharmacy-anchored, open-air shopping centers in dense, affluent areas within the New York City suburbs.

## LEASING

Leasing our vacant space is our top priority, and we are pleased to report continued progress in 2019. In the summer of 2019, Seabra Foods, a highly-regarded regional supermarket operator, opened for business at our Ferry Plaza shopping center in the Ironbound section of Newark, NJ. In May 2019, we signed leases to convert a former supermarket in Passaic, NJ into two discount retailers, Dollar Tree and Family Dollar. Also during the 2019 fiscal year, ShopRite renovated and significantly expanded its store at one of our Carmel, NY shopping centers, and Stop & Shop renovated its store at our Darien, CT property, evidencing their commitments to those locations. Although the percentage leased rate of our total portfolio fell 0.3% to 92.9% in fiscal 2019, this decrease is primarily attributable to Lakeview Plaza shopping center in Brewster, NY, a

<sup>1</sup> Funds from Operations (“FFO”) and Adjusted Funds from Operations (“AFFO”) are supplemental non-GAAP financial measures of our operating performance—see page 57 of this Annual Report for a reconciliation of Net Income Available to Common and Class A Common Stockholders to FFO and AFFO.

<sup>2</sup> Debt to total assets as calculated in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on page 40 of this Annual Report.

Ridgeway Shopping Center  
Stamford



*Linda Lacey*  
Senior Vice President  
Director of Leasing



*Nicholas Capuano*  
Vice President and  
Real Estate Counsel



*Joseph Allegretti*  
Vice President Leasing



*Suzanne Moore*  
Vice President and  
Director of Accounts  
Receivable

foreclosure property that we purchased through an auction process in December 2018. At the time of purchase, Lakeview Plaza had a high vacancy rate, and thus large upside potential, which we are actively filling.

We continue to execute on our leasing strategy into fiscal 2020. In November, we delivered to DeCicco's, another premier regional supermarket operator, a 30,000 square foot space (formerly occupied by Acme) at one of our Eastchester, NY shopping centers. In February 2020, we expect to deliver to Whole Foods Market a 40,000 square foot space (also formerly occupied by Acme) at our Wayne, NJ property.

## DEVELOPMENT

On land adjacent to our shopping center in Stratford, CT, work is progressing on the construction of a 131,000 square foot self-storage facility and two retail buildings totaling 5,260 square feet. Steel is currently being erected for the storage building, and we expect the storage building and one of the retail buildings to be completed by this fall, with the second retail building to follow sometime in fiscal 2021. Extra Space Storage will manage the day-to-day operation of the storage facility for us, and the first retail building is leased to Chipotle.

## SIGNIFICANT FINANCING ACTIVITY

We lowered the Company's cost of capital this year by taking advantage of historically low interest rates and completing the following transactions:

- Cumulative Preferred Stock sale** — In October, we raised total net proceeds of \$106.5 million through the sale of 4,400,000 shares of new 5.875% Series K Cumulative Preferred Stock, and we used a portion of the proceeds to redeem our \$75 million 6.75% Series G Cumulative Preferred Stock. The 5.875% coupon is one of the lowest dividend rates on record for a non-rated company.
- Goodwives Shopping Center, Darien, CT**—In March, we refinanced our \$14.9 million mortgage with a new \$25 million, 10-year mortgage at a fixed rate of 4.815%, a reduction from the prior rate of 6.55%.
- Ferry Plaza Shopping Center, Newark, NJ**—In March, we refinanced our \$9.1 million mortgage with a new \$10 million, 10-year mortgage at a fixed rate of 4.63%, a reduction from the prior rate of 6.15%.
- Lakeview Plaza Shopping Center, Brewster, NY**—In June, we placed a \$12 million, 10-year mortgage at a fixed rate of 3.63%.

As of October 31, 2019, the ratio of our debt to earnings continues to be amongst the lowest of all shopping center REITs, according to analyst reports. The weighted average interest rate of our mortgage debt was 4.1%, and our leverage ratio of total debt to total assets was below 29%.



*John T. Hayes*  
Senior Vice President,  
Chief Financial Officer  
and Treasurer



*Miyun Sung*  
Senior Vice President,  
Chief Legal Officer and  
Secretary



*Diane Midollo*  
Vice President and  
Controller

## PROPERTY ACQUISITIONS AND DISPOSITIONS



*Stephan A. Rapaglia*  
Senior Vice President,  
Chief Operating Officer,  
Real Estate Counsel and  
Assistant Secretary



*James M. Aries*  
Senior Vice President  
Director of Acquisitions

Fiscal 2019 was light on the acquisitions front as a result of the combination of a lower Company stock price during the earlier part of 2019, which made our cash even more precious, and continued high seller expectations regarding pricing. Despite this challenging environment, we made the following improvements to the portfolio in 2019:



### 1 Purchase of Lakeview Plaza, Brewster, NY

**Description:** A 177,000 square foot grocery-anchored shopping center on 23 acres of land.

**Key Tenants:** ACME Supermarket, RiteAid, JPMorgan Chase, M&T Bank, Key Bank, Supercuts and Burger King

**Price:** \$12,000,000

**Location:** Route 22, a major north/south road with an average daily traffic count of 30,500 cars, approximately 1 mile north of the intersections of I-684 and I-84. Approximately 52,500 people live within a 5-mile radius of the property, having an estimated median household income of \$106,000.



*Andrew Albrecht*  
Vice President  
Director of Management  
and Construction



Midway Shopping Center  
Scarsdale

**Update:** Since closing on the purchase, we have rebuilt a large structural wall, renovated most of the parking areas, and begun the process of renovating the façade. Leases are signed or in negotiation for approximately half of the 40,000 square feet of inherited vacant space.

## 2 Newark, New City, and High Ridge Center DownREITs

During the year, we increased our ownership of each of these DownREIT entities by redeeming ownership interests for an aggregate cost of approximately \$5.1 million.

## 3 Plaza 59, Spring Valley, NY and Starbucks Plaza, Monroe, CT

During the year, we sold our interests in both of these properties for an aggregate sales price of \$8.65 million because they no longer met the Company's investment objectives. Both properties are relatively small and non-grocery-anchored.

## 4 Bernards Square Office Building, Bernardsville, NJ

Shortly after fiscal year-end, we sold our Bernards Square office building for proceeds of \$2.7 million because this property no longer met our investment objectives. This property was purchased several years earlier as part of a three-property portfolio with the main purpose being the acquisition of our New Providence, NJ grocery-anchored shopping center.

While many of our peers have postponed their acquisition programs to focus on dispositions and portfolio re-alignment, we are in the enviable position of owning a strong portfolio that is already well-aligned with our strategic objectives. Our acquisitions team continues to actively scout investment opportunities, and when we spot one that meets our strategic objectives at a favorable price, we intend to execute.

## SOLAR AND ENVIRONMENTAL SUSTAINABILITY

At Urstadt Biddle Properties, we are committed to creating long-term value for our stockholders, while serving our communities and positively impacting the environment. As an owner or manager of more than 5.6 million square feet of space on roughly 600 acres of land, we have the ability to make conscious, impactful choices regarding the environment, including making investments in resource management that will have an economic benefit for our stockholders. To that end, we have undertaken the following environmental initiatives:

1. Since 2010, we have had a robust program of developing solar energy arrays on the roofs of our properties. We have invested approximately \$5.8 million in these solar array installations, which are producing approximately 3.5 megawatts of power per year and providing an unleveraged return on investment to the Company of well over 10%. We are currently working with a partner on one of our largest solar array installations to date, a 550 kw installation at an estimated cost of \$1.8 million and an estimated 15+% return on investment. Looking at next steps, we are also in negotiations with a solar partner to develop a considerably larger ground-mounted solar farm for which the Company would provide the equity and real estate expertise.
2. We have contracted with three companies (Tesla, ElectrifyAmerica and EVgo) to install electric vehicle charging stations at 18 of our properties, with numerous charging stations already operational and numerous others currently under development. The availability of charging stations encourages the purchase and use of electric vehicles and accommodates those who choose to drive them, including customers who frequent our shopping centers.
3. We are in the process of converting our parking lot and other common area lighting to LED, in order to dramatically lower electricity usage. Approximately 55% of our properties have been converted to date.
4. The self-storage building we are constructing in Stratford, CT is designed to be one of the few buildings in Connecticut that will be considered “net-zero,” which due to its design with a rooftop solar array and battery storage system, will generate approximately the same amount of electricity that it uses.

5. Where appropriate, for the benefit of wildlife, we use native plants for landscaping.
6. We annually provide financial sponsorship and Company volunteers for the clean-up of trash from the banks of the Housatonic River.

These are just a few examples of initiatives we’ve undertaken to better serve our environment, our communities, our tenants, our customers and our stockholders. We are committed to seeking future opportunities to keep doing so.

## OUTLOOK

In December 2019, the Company’s Board of Directors increased the annualized dividend rate on the Company’s Class A Common stock and Common stock by \$.02 per share. This increase represents the 50th consecutive year that the Company has paid a dividend and the 26th consecutive year that the Company has increased the dividend level. Importantly, our dividend continues to be well-covered by operating cash flow.

New York City continues to thrive, thus serving as a strong anchor for the suburban communities that surround it, while the suburbs show their own strength, with new apartment construction strong (enticing city dwellers seeking more affordable rents to move) and unemployment rates at historic lows. Moreover, with the continued aging of the millennial population, we believe that more and more of this demographic will migrate to the suburbs as they form families and seek lifestyle changes. And, nationally, consumer confidence is high. All of this is good for the Company.

On the other hand, we and other shopping center owners are aware of the competition posed by online retailers to our brick-and-mortar tenants. Additionally, given the Company’s relatively small geographic focus and strict acquisitions criteria, finding quality properties to acquire at a desirable price and return on investment may be more difficult than in the past. Changes in U.S. fiscal policy, the business environment, interest rates and current events, both at home and abroad, could also impact our outlook.

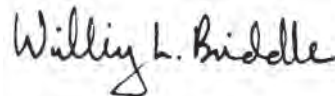


As we evaluate these potential tail- and headwinds, we again re-assess our strategy and ask ourselves: Is our current strategy still sound? We believe the answer remains “yes,” because:

1. Our properties are increasingly occupied by tenants who focus on food, basic necessities and services including supermarkets, warehouse clubs, drugstores, fitness centers, medical facilities and restaurants. These types of tenants are less susceptible to internet encroachment and will not only survive but thrive in the years to come. Approximately 85% of the square footage in our portfolio is anchored by supermarkets, by warehouse clubs selling a high percentage of food, and by drugstores selling prescription drugs and convenience items. We are focused on increasing this percentage every year.
2. Our portfolio is concentrated in the strong demographic suburbs around New York City, one of the best suburban retail markets in the country. The median household income within a 3-mile radius of our properties averages approximately \$112,000, much higher than the national average. This metric is one of the highest of all shopping center REITs.
3. Most of our shopping centers are geographically well-insulated from potential future competition. Not only is there a scarcity of nearby suitable land zoned to permit a shopping center, but the high cost of land and construction makes it very difficult to build a competing shopping center at an adequate return on investment.
4. While the challenges created by internet retail are real, those who focus only on the challenges miss the opportunities in this changing landscape. More and more, “internet native” retailers like Bonobos, Untuckit, Suitsupply, Peloton, Warby Parker and Amazon are opening physical locations. These retailers realize that having a physical presence is essential to growing a brand and an integral part of an “omni-channel” sales strategy. In addition, many brick-and-mortar retailers have learned to harness the power of internet advertising to increase or supplement their sales. Every year, retailers who cannot compete online are replaced by new tenants who can compete, a natural turnover from which property owners like us can actually benefit. Notably, a majority of our small shop space is now leased to tenants that provide services as opposed to straight retailers.

5. While acquisition opportunities may be more difficult to come by, given the combination in the New York City area of a low-yield environment with tight pricing, we are better positioned to execute on such opportunities given our low leverage and more nimble acquisitions program. Via our DownREIT program, we can offer those property owners with low income tax basis in their properties the ability to defer capital gains and exchange their property-level risk for an investment in our Company. This is a compelling reason to do business with us, and it gives us a marked advantage over our competitors when scouting acquisition opportunities.
6. Lastly, real estate is local, and we are confident that no one knows our submarkets like we do. In addition, we are exploring opportunities to add density to our properties with residential development, which bodes well for the future.

We greatly appreciate the hard work of our dedicated employees and directors, as well as the continued support of our stockholders, tenants and the members of the many communities to which our properties belong. We look forward to the next 50 years!



**Willing L. Biddle**  
President and Chief Executive Officer



**Charles D. Urstadt**  
Chairman



January 2020



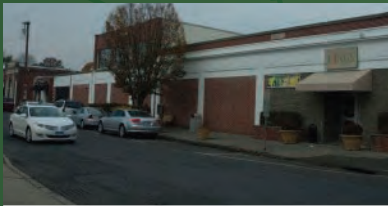
**1 Corporate Headquarters**  
Greenwich



**2 Greenwich Commons**  
Greenwich



**2 Cos Cob Plaza**  
Greenwich



**2 Kings Shopping Center**  
Greenwich



**2 Cos Cob Commons**  
Greenwich



**3 Ridgeway Shopping Center**  
Stamford



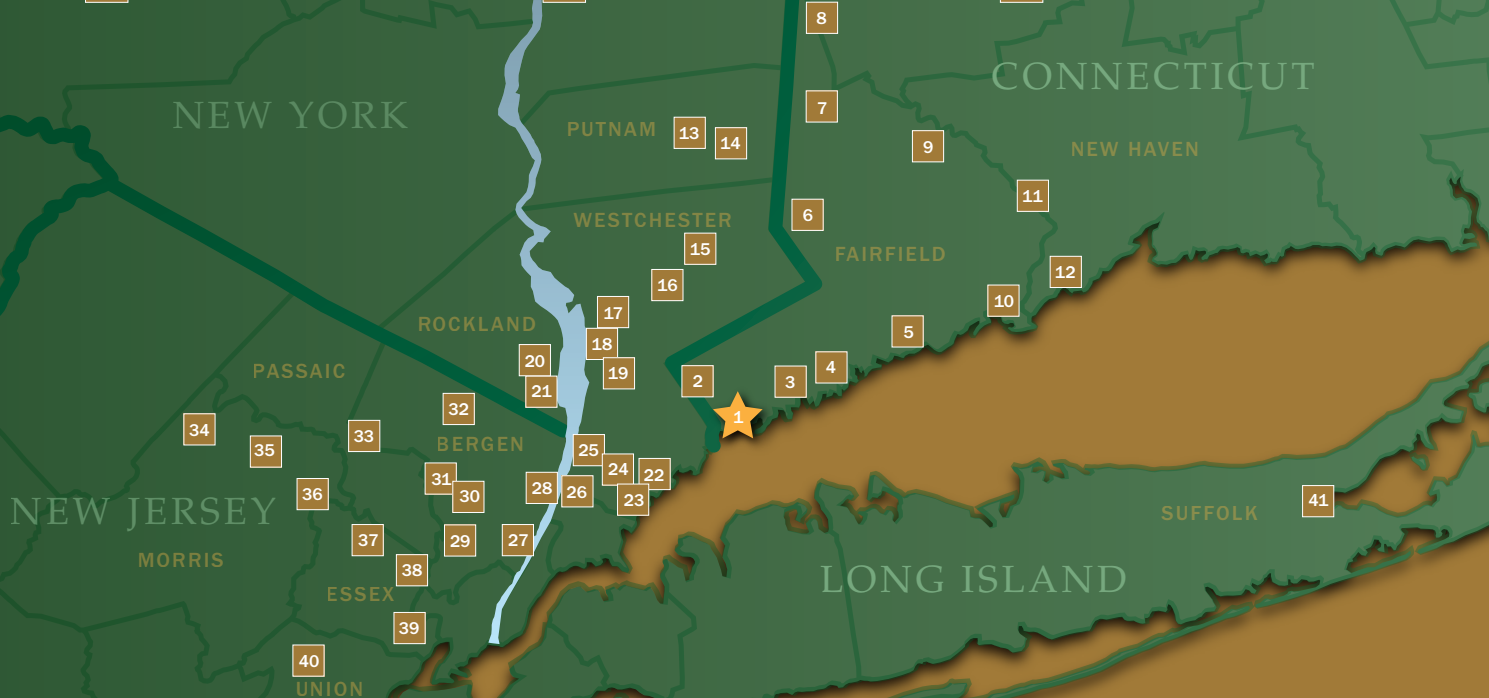
**3 Newfield Green**  
Stamford



**3 970 High Ridge Road**  
Stamford



**3 High Ridge Shopping Center**  
Stamford



ROCKINGHAM

NEW HAMPSHIRE



4 Goodwives Shopping Center  
Darien



5 Fairfield Centre  
Fairfield



6 Ridgefield Center  
Ridgefield



6 470 Main Street  
Ridgefield



7 Airport Plaza  
Danbury



7 Danbury Square  
Danbury



8 Veteran's Plaza  
New Milford



8 New Milford Plaza  
New Milford



8 Fairfield Plaza  
New Milford



9 The Hub Center  
Bethel



10 The Dock  
Stratford



11 Aldi Square  
Derby



12 Orange Meadows Shopping Center  
Orange



13 Carmel ShopRite Center  
Carmel



13 Putnam Plaza  
Carmel



14 Lakeview Shopping Center  
Brewster



15 Towne Centre Shopping Center  
Somers



15 Somers Commons  
Somers



15 Heritage 202 Center  
Somers



16 Village Commons  
Katonah



17 Staples Plaza  
Yorktown Heights



18 Arcadian Shopping Center  
Ossining



19 Chilmark Shopping Center  
Briarcliff Manor



20 76 N Main Street  
New City



21 Orangetown Shopping Center  
Orangeburg



22 Harrison Market Square  
Harrison



23 Pelham Manor Plaza  
Pelham



24 Shoppes at Eastchester  
Eastchester



24 Eastchester Plaza  
Eastchester



24 People's United Bank  
Bronxville



25 Midway Shopping Center  
Scarsdale



25 Tanglewood Shopping Center  
Yonkers



26 McLean Plaza  
Yonkers



27 **H-Mart Plaza**  
Fort Lee



28 **Washington Commons**  
Dumont



29 **Van Houten Plaza**  
Passaic



30 **Emerson Shopping Plaza**  
Emerson



31 **Waldwick Plaza**  
Waldwick



31 **Rite Aid**  
Waldwick



32 **Chestnut Ridge Shopping Center**  
Montvale



33 **Cedar Hill Shopping Center**  
Wyckoff



33 **Midland Park Shopping Center**  
Midland Park



34 **Meadtown Shopping Center**  
Kinnelon



35 **Pompton Lakes Town Square**  
Pompton Lakes



36 **Boonton Acme Shopping Center**  
Boonton



37 **Valley Ridge Shopping Center**  
Wayne



38 **Bloomfield Crossing**  
Bloomfield



39 **Ferry Plaza**  
Newark



40 **Village Shopping Center**  
New Providence



41 **Gateway Plaza**  
Riverhead



42 **Newington Park**  
Newington

**INVESTMENT PORTFOLIO (as of January 10, 2020)**

**UBP owns or has equity interests in 82 properties which total 5,278,000 square feet.**

MAP	LOCATION	SQUARE FEET	PRINCIPAL TENANT	PROPERTY TYPE
<b>CONNECTICUT</b>				
<b>Fairfield County, CT</b>				
3	Stamford	374,000	Stop & Shop Supermarket	Shopping center
10	Stratford	278,000	Stop & Shop Supermarket	Shopping center
7	Danbury	194,000	Christmas Tree Shops	Shopping center
4	Darien	96,000	Stop & Shop Supermarket	Shopping center
3	Stamford	87,000	Trader Joe's	Shopping center
3	Stamford	72,000	Grade A Market	Shopping center
6	Ridgefield	62,000	Keller Williams	Street retail
5	Fairfield	62,000	Marshalls	Shopping center
1	Greenwich	58,000	UBP	Office (5 buildings)
2	Cos Cob	48,000	CVS	Retail/Office
	Westport	40,000	El Matador Restaurant	Shopping center
2	Old Greenwich	39,000	Kings Supermarket	Retail/Office
7	Danbury	33,000	Buffalo Wild Wings	Shopping center
9	Bethel	31,000	Bozzuto's	Shopping center
3	Stamford	27,000	Federal Express	Shopping center
6	Ridgefield	23,000	Asian/Fusion Restaurant	Retail/Office
2	Cos Cob	15,000	Jos A. Bank	Retail/Office
2	Greenwich	10,000	Cava Mesa Grill	Shopping center
	Old Greenwich	8,000	CVS	Retail
	Old Greenwich	4,000	Chase Bank	Bank
		1,561,000		
<b>Litchfield County, CT</b>				
8	New Milford	235,000	Walmart	Shopping center
8	New Milford	81,000	Big Y Supermarket	Shopping center
8	New Milford	72,000	T.J. Maxx	Shopping center
		388,000		
<b>New Haven County, CT</b>				
12	Orange	78,000	Trader Joe's Supermarket	Shopping center
11	Derby	39,000	Aldi Supermarket	Shopping center
		117,000		
<b>NEW YORK</b>				
<b>Westchester County, NY</b>				
25	Scarsdale	250,000	ShopRite Supermarket	Shopping center
18	Ossining	137,000	Stop & Shop Supermarket	Shopping center
15	Somers	135,000	Home Goods	Shopping center
17	Yorktown	121,000	Staples	Shopping center
15	Somers	80,000	CVS	Shopping center
24	Eastchester	70,000	Acme Supermarket	Shopping center
26	Yonkers	58,000	Acme Supermarket	Shopping center
19	Briarcliff Manor	47,000	CVS	Shopping center
	Rye	39,000	Bareburger	Street retail (4 buildings)
	Ossining	29,000	Westchester Community College	Shopping center
16	Katonah	28,000	Katonah Pharmacy	Retail/Office
25	Yonkers	27,000	AutoZone	Shopping center
22	Harrison	26,000	Key Food Supermarket	Shopping center
23	Pelham	25,000	Manor Market	Shopping center
24	Eastchester	24,000	CVS	Shopping center
24	Bronxville	19,000	People's United Bank	Retail (4 buildings)
15	Somers	19,000	Putnam County Savings Bank	Shopping center
		1,134,000		

MAP	LOCATION	SQUARE FEET	PRINCIPAL TENANT	PROPERTY TYPE
<b>Putnam County, NY</b>				
13	Carmel	189,000	Tops Supermarket	Shopping center
14	Brewster	177,000	Acme Supermarket	Shopping center
13	Carmel	145,000	ShopRite Supermarket	Shopping center
	Carmel	4,000	Vacant	Net leased property
		515,000		
<b>Suffolk County, NY</b>				
41	Riverhead	211,000	Walmart & Applebee's	Shopping center
<b>Rockland County, NY</b>				
21	Orangeburg	74,000	CVS	Shopping center
20	New City	3,000	Putnam County Savings Bank	Retail (1 building)
		77,000		
<b>Ulster County, NY</b>				
	Kingston	3,000	Taste of Italy	Net leased property
<b>Orange County, NY</b>				
	Unionville	3,000	Unionville Family Restaurant	Net leased property
<b>NEW JERSEY</b>				
<b>Bergen County, NJ</b>				
33	Midland Park	130,000	Kings Supermarket	Shopping center
30	Emerson	93,000	ShopRite Supermarket	Shopping center
32	Montvale	76,000	The Fresh Market Supermarket	Shopping center
28	Dumont	74,000	Stop and Shop Supermarket	Shopping center
33	Wyckoff	43,000	Walgreens	Shopping center
31	Waldwick	27,000	United States Post Office	Shopping center
31	Waldwick	20,000	Rite Aid	Retail—Single tenant
27	Fort Lee	7,000	H-Mart Supermarket	Retail supermarket—Single tenant
	Hillsdale	2,000	Friendly's Restaurant	Net leased property
		472,000		
<b>Passaic County, NJ</b>				
35	Pompton Lakes	125,000	Planet Fitness	Shopping center
37	Wayne	105,000	PNC Bank	Shopping center
29	Passaic	37,000	Valley National Bank	Shopping center
		267,000		
<b>Essex County, NJ</b>				
39	Newark	108,000	Seabra Supermarket	Shopping center
38	Bloomfield	59,000	Walgreens	Shopping center
	Bloomfield	3,000	Friendly's Restaurant	Net leased property
		170,000		
<b>Morris County, NJ</b>				
34	Kinnelon	77,000	Marshalls	Shopping center
36	Boonton	63,000	Acme Supermarket	Shopping center
	Chester	9,000	Rainbow Child Care	Retail
		149,000		
<b>Union County, NJ</b>				
40	New Providence	109,000	Acme Supermarket	Shopping center
<b>NEW HAMPSHIRE</b>				
<b>Rockingham County, NH</b>				
42	Newington	102,000	Savers	Shopping center

# FINANCIALS

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# FINANCIAL STATEMENTS

## CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

	October 31,	
	2019	2018
<b>ASSETS</b>		
Real Estate Investments:	\$1,141,770	\$1,118,075
Real Estate—at cost	(241,154)	(218,653)
Less: Accumulated depreciation	900,616	899,422
Investments in and advances to unconsolidated joint ventures	29,374	37,434
	929,990	936,856
Cash and cash equivalents	94,079	10,285
Marketable securities	—	5,567
Tenant receivables	22,854	22,607
Prepaid expenses and other assets	15,513	19,927
Deferred charges, net of accumulated amortization	9,868	12,991
Total Assets	<u>\$1,072,304</u>	<u>\$1,008,233</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Liabilities:</b>		
Revolving credit lines	\$ —	\$ 28,595
Mortgage notes payable and other loans	306,606	293,801
Preferred stock called for redemption	75,000	—
Accounts payable and accrued expenses	11,416	3,900
Deferred compensation—officers	53	72
Other liabilities	21,629	21,466
Total Liabilities	<u>414,704</u>	<u>347,834</u>
Redeemable Noncontrolling Interests	77,876	78,258
Commitments and Contingencies		
<b>Stockholders' Equity:</b>		
6.75% Series G Cumulative Preferred Stock (liquidation preference of \$25 per share); -0- and 3,000,000 shares issued and outstanding	—	75,000
6.25% Series H Cumulative Preferred Stock (liquidation preference of \$25 per share); 4,600,000 shares issued and outstanding	115,000	115,000
5.875% Series K Cumulative Preferred Stock (liquidation preference of \$25 per share); 4,400,000 and -0- shares issued and outstanding	110,000	—
Excess Stock, par value \$0.01 per share; 20,000,000 shares authorized; none issued and outstanding	—	—
Common Stock, par value \$0.01 per share; 30,000,000 shares authorized; 9,963,751 and 9,822,006 shares issued and outstanding	101	99
Class A Common Stock, par value \$0.01 per share; 100,000,000 shares authorized; 29,893,241 and 29,814,814 shares issued and outstanding	299	298
Additional paid in capital	520,988	518,136
Cumulative distributions in excess of net income (loss)	(158,213)	(133,858)
Accumulated other comprehensive income	(8,451)	7,466
Total Stockholders' Equity	<u>579,724</u>	<u>582,141</u>
Total Liabilities and Stockholders' Equity	<u>\$1,072,304</u>	<u>\$1,008,233</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,		
	2019	2018	2017
<b>Revenues</b>			
Base rents	\$ 99,270	\$ 95,902	\$ 88,383
Recoveries from tenants	32,784	31,144	28,676
Lease termination	221	3,795	2,432
Other	5,310	4,511	4,069
Total Revenues	<u>137,585</u>	<u>135,352</u>	<u>123,560</u>
<b>Expenses</b>			
Property operating	21,901	22,009	20,074
Property taxes	23,363	21,167	19,621
Depreciation and amortization	27,927	28,324	26,512
General and administrative	9,405	9,223	9,183
Provision for tenant credit losses	956	859	583
Directors' fees and expenses	346	344	321
Total Operating Expenses	<u>83,898</u>	<u>81,926</u>	<u>76,294</u>
<b>Operating Income</b>	53,687	53,426	47,266
<b>Non-Operating Income (Expense):</b>			
Interest expense	(14,102)	(13,678)	(12,981)
Equity in net income from unconsolidated joint ventures	1,241	2,085	2,057
Gain on sale of marketable securities	403	—	—
Interest, dividends and other investment income	403	350	356
Gain (loss) on sale of properties	(19)	—	18,734
<b>Net Income</b>	<u>41,613</u>	<u>42,183</u>	<u>55,432</u>
<b>Noncontrolling interests:</b>			
Net income attributable to noncontrolling interests	(4,333)	(4,716)	(2,499)
Net income attributable to Urstadt Biddle Properties Inc.	37,280	37,467	52,933
Preferred stock dividends	(12,789)	(12,250)	(14,960)
Redemption of preferred stock	(2,363)	—	(4,075)
<b>Net Income Applicable to Common and Class A Common Stockholders</b>	<u>\$ 22,128</u>	<u>\$ 25,217</u>	<u>\$ 33,898</u>
<b>Basic Earnings Per Share:</b>			
Per Common Share	\$0.53	\$0.61	\$0.82
Per Class A Common Share	\$0.59	\$0.68	\$0.92
<b>Diluted Earnings Per Share:</b>			
Per Common Share	\$0.52	\$0.60	\$0.80
Per Class A Common Share	\$0.58	\$0.67	\$0.90

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

## FINANCIAL STATEMENTS

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

	Year Ended October 31,		
	2019	2018	2017
<b>Net Income</b>	<b>\$ 41,613</b>	<b>\$ 42,183</b>	<b>\$ 55,432</b>
<b>Other comprehensive income:</b>			
Change in unrealized gain on marketable equity securities	—	569	—
Change in unrealized gain (loss) on interest rate swaps	(13,651)	4,155	4,045
Change in unrealized gain (loss) on interest rate swaps—equity investees	(1,697)	—	—
<b>Total comprehensive income</b>	<b>26,265</b>	<b>46,907</b>	<b>59,477</b>
Comprehensive income attributable to noncontrolling interests	(4,333)	(4,716)	(2,499)
<b>Total comprehensive income attributable to Urstadt Biddle Properties Inc.</b>	<b>21,932</b>	<b>42,191</b>	<b>56,978</b>
Preferred stock dividends	(12,789)	(12,250)	(14,960)
Redemption of preferred stock	(2,363)	—	(4,075)
<b>Total comprehensive income applicable to Common and Class A Stockholders</b>	<b>\$ 6,780</b>	<b>\$ 29,941</b>	<b>\$ 37,943</b>

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,		
	2019	2018	2017
<b>Cash Flows from Operating Activities:</b>			
Net income	\$ 41,613	\$ 42,183	\$ 55,432
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	27,927	28,324	26,512
Straight-line rent adjustment	(914)	(957)	(507)
Provisions for tenant credit losses	956	859	583
(Gain) on sale of marketable securities	(403)	—	—
Restricted stock compensation expense and other adjustments	4,381	4,085	3,956
Deferred compensation arrangement	(19)	(24)	(35)
(Gain) loss on sale of properties	19	—	(18,734)
Equity in net (income) of unconsolidated joint ventures	(1,241)	(2,085)	(2,057)
Distributions of operating income from unconsolidated joint ventures	1,241	2,085	2,057
Changes in operating assets and liabilities:			
Tenant receivables	(314)	(956)	(825)
Accounts payable and accrued expenses	(8,142)	161	3,635
Other assets and other liabilities, net	7,213	(2,091)	(7,022)
<b>Net Cash Flow Provided by Operating Activities</b>	<b>72,317</b>	<b>71,584</b>	<b>62,995</b>
<b>Cash Flows from Investing Activities:</b>			
Acquisitions of real estate investments	(11,751)	(6,910)	(30,599)
Investments in and advances to unconsolidated joint ventures	(574)	—	(158)
Repayment of mortgage note	—	—	13,500
Deposits on acquisition of real estate investments	—	(1,000)	(715)
Returns of deposits on real estate investments	—	—	500
Improvements to properties and deferred charges	(18,681)	(8,184)	(9,676)
Net proceeds from sale of properties	3,372	—	45,438
Purchases of securities available for sale	—	(4,999)	—
Proceeds from the sale of available for sale securities	5,970	—	—
Return of capital from unconsolidated joint ventures	6,925	553	471
<b>Net Cash Flow Provided by (Used in) Investing Activities</b>	<b>(14,739)</b>	<b>(20,540)</b>	<b>18,761</b>
<b>Cash Flows from Financing Activities:</b>			
Dividends paid—Common and Class A Common Stock	(42,600)	(41,626)	(40,596)
Dividends paid—Preferred Stock	(12,789)	(12,250)	(14,960)
Amortization payments on mortgage notes payable	(6,441)	(6,427)	(6,776)
Proceeds from mortgage note payable and other loans	47,000	10,000	50,000
Repayment of mortgage notes payable and other loans	(27,001)	(17,624)	(43,675)
Proceeds from revolving credit line borrowings	25,500	33,595	52,000
Sales of additional shares of Common and Class A Common Stock	193	196	200
Repayments on revolving credit line borrowings	(54,095)	(9,000)	(56,000)
Acquisitions of noncontrolling interests	(5,134)	(1,220)	—
Distributions to noncontrolling interests	(4,333)	(4,716)	(2,499)
Repurchase of shares of Class A Common Stock	—	(120)	—
Payment of taxes on shares withheld for employee taxes	(270)	(241)	—
Net proceeds from issuance of Preferred Stock	106,186	—	111,328
Redemption of preferred stock including restricted cash	—	—	(129,375)
<b>Net Cash Flow Provided by (Used in) Financing Activities</b>	<b>26,216</b>	<b>(49,433)</b>	<b>(80,353)</b>
<b>Net Increase In Cash and Cash Equivalents</b>	<b>83,794</b>	<b>1,611</b>	<b>1,403</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>10,285</b>	<b>8,674</b>	<b>7,271</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 94,079</b>	<b>\$ 10,285</b>	<b>\$ 8,674</b>

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

# FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands, except shares and per share data)

	7.125% Series F Preferred Stock		6.75% Series G Preferred Stock		6.25% Series H Preferred Stock		5.875% Series K Preferred Stock	
	Issued	Amount	Issued	Amount	Issued	Amount	Issued	Amount
<b>Balances—October 31, 2016</b>	5,175,000	\$ 129,375	3,000,000	\$75,000	—	\$ —	—	\$ —
Net income applicable to Common and Class A common stockholders	—	—	—	—	—	—	—	—
Change in unrealized (loss) on interest rate swap	—	—	—	—	—	—	—	—
Cash dividends paid:								
Common stock (\$0.94 per share)	—	—	—	—	—	—	—	—
Class A common stock (\$1.06 per share)	—	—	—	—	—	—	—	—
Issuance of shares under dividend reinvestment plan	—	—	—	—	—	—	—	—
Shares issued under restricted stock plan	—	—	—	—	—	—	—	—
Forfeiture of restricted stock	—	—	—	—	—	—	—	—
Issuance of Series H Preferred Stock	—	—	—	—	4,600,000	115,000	—	—
Redemption of Series F Preferred Stock	(5,175,000)	(129,375)	—	—	—	—	—	—
Restricted stock compensation and other adjustment	—	—	—	—	—	—	—	—
Adjustments to redeemable noncontrolling interests	—	—	—	—	—	—	—	—
<b>Balances—October 31, 2017</b>	—	—	3,000,000	75,000	4,600,000	115,000	—	—
Net income applicable to Common and Class A common stockholders	—	—	—	—	—	—	—	—
Change in unrealized gains on marketable securities	—	—	—	—	—	—	—	—
Change in unrealized gain (loss) on interest rate swap	—	—	—	—	—	—	—	—
Cash dividends paid:								
Common stock (\$0.96 per share)	—	—	—	—	—	—	—	—
Class A common stock (\$1.08 per share)	—	—	—	—	—	—	—	—
Issuance of shares under dividend reinvestment plan	—	—	—	—	—	—	—	—
Shares issued under restricted stock plan	—	—	—	—	—	—	—	—
Shares withheld for employee taxes	—	—	—	—	—	—	—	—
Forfeiture of restricted stock	—	—	—	—	—	—	—	—
Repurchase of Class A Common stock	—	—	—	—	—	—	—	—
Restricted stock compensation and other adjustment	—	—	—	—	—	—	—	—
Adjustments to redeemable noncontrolling interests	—	—	—	—	—	—	—	—
<b>Balances—October 31, 2018</b>	—	—	3,000,000	75,000	4,600,000	115,000	—	—
November 1, 2018 adoption of new accounting standard—See Note 1	—	—	—	—	—	—	—	—
Net income applicable to Common and Class A common stockholders	—	—	—	—	—	—	—	—
Change in unrealized gains on interest rate swap	—	—	—	—	—	—	—	—
Cash dividends paid:								
Common stock (\$0.98 per share)	—	—	—	—	—	—	—	—
Class A common stock (\$1.10 per share)	—	—	—	—	—	—	—	—
Issuance of shares under dividend reinvestment plan	—	—	—	—	—	—	—	—
Shares issued under restricted stock plan	—	—	—	—	—	—	—	—
Shares withheld for employee taxes	—	—	—	—	—	—	—	—
Forfeiture of restricted stock	—	—	—	—	—	—	—	—
Issuance of Series K Preferred Stock	—	—	—	—	—	—	4,400,000	110,000
Reclassification of preferred stock	—	—	(3,000,000)	(75,000)	—	—	—	—
Restricted stock compensation and other adjustments	—	—	—	—	—	—	—	—
Adjustments to redeemable noncontrolling interests	—	—	—	—	—	—	—	—
<b>Balances—October 31, 2019</b>	—	\$ —	—	\$ —	4,600,000	\$115,000	4,400,000	\$110,000

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

Common Stock		Class A Common Stock		Additional Paid In Capital	Cumulative Distributions In Excess of Net Income	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Issued	Amount	Issued	Amount				
9,507,973	\$ 96	29,633,520	\$296	\$509,660	\$(114,091)	\$ (1,303)	\$ 599,033
—	—	—	—	—	33,898	—	33,898
—	—	—	—	—	—	4,045	4,045
—	—	—	—	—	(9,082)	—	(9,082)
—	—	—	—	—	(31,514)	—	(31,514)
4,705	—	5,399	—	200	—	—	200
152,100	1	96,225	1	(2)	—	—	—
—	—	(6,400)	—	—	—	—	—
—	—	—	—	(3,672)	—	—	111,328
—	—	—	—	4,075	—	—	(125,300)
—	—	—	—	3,956	—	—	3,956
—	—	—	—	—	666	—	666
9,664,778	97	29,728,744	297	514,217	(120,123)	2,742	587,230
—	—	—	—	—	25,217	—	25,217
—	—	—	—	—	—	569	569
—	—	—	—	—	—	4,155	4,155
—	—	—	—	—	(9,426)	—	(9,426)
—	—	—	—	—	(32,200)	—	(32,200)
4,528	—	5,766	—	197	—	—	197
152,700	2	102,800	1	(3)	—	—	—
—	—	(10,886)	—	(240)	—	—	(240)
—	—	(4,950)	—	—	—	—	—
—	—	(6,660)	—	(120)	—	—	(120)
—	—	—	—	4,085	—	—	4,085
—	—	—	—	—	2,674	—	2,674
9,822,006	99	29,814,814	298	518,136	(133,858)	7,466	582,141
—	—	—	—	—	569	(569)	—
—	—	—	—	—	22,128	—	22,128
—	—	—	—	—	—	(15,348)	(15,348)
—	—	—	—	—	(9,762)	—	(9,762)
—	—	—	—	—	(32,838)	—	(32,838)
4,545	—	5,417	—	193	—	—	193
137,200	2	111,450	1	(3)	—	—	—
—	—	(14,290)	—	(269)	—	—	(269)
—	—	(24,150)	—	—	—	—	—
—	—	—	—	(3,465)	—	—	106,535
—	—	—	—	2,363	—	—	(72,637)
—	—	—	—	4,033	—	—	4,033
—	—	—	—	—	(4,452)	—	(4,452)
9,963,751	\$101	29,893,241	\$299	\$520,988	\$(158,213)	\$ (8,451)	\$ 579,724

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

### Business

Urstadt Biddle Properties Inc. (“Company”), a Maryland Corporation, is a real estate investment trust (REIT), 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 with a concentration in the metropolitan New York tri-state area outside of the City of New York. The Company’s major tenants include supermarket chains and other retailers who sell basic necessities. At October 31, 2019, the Company owned or had equity interests in 83 properties containing a total of 5.3 million square feet of gross leasable area (“GLA”).

### Principles of Consolidation and Use of Estimates

The accompanying consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, and joint ventures in which the Company meets certain criteria of a sole general partner in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 810, “Consolidation.” The Company has determined that such joint ventures should be consolidated into the consolidated financial statements of the Company. In accordance with ASC Topic 970-323, “Real Estate-General-Equity Method and Joint Ventures;” joint ventures that the Company does not control but otherwise exercises significant influence in, are accounted for under the equity method of accounting. See Note 6 for further discussion of the unconsolidated joint ventures. All significant intercompany transactions and balances have been eliminated in consolidation.

The accompanying financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the disclosure of contingent assets and liabilities, the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the periods covered by the financial statements. The most significant assumptions and estimates relate to the valuation of real estate, depreciable lives, revenue recognition, fair value measurements and the collectability of tenant receivables. Actual results could differ from these 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 intends to distribute all of its taxable income for fiscal 2019 in accordance with the provisions of the Code. Accordingly, no provision has been made for Federal income taxes in the accompanying consolidated financial statements.

The Company follows the provisions of ASC Topic 740, “Income Taxes,” that, among other things, defines a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Topic 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Based on its evaluation, the Company determined that it has no uncertain tax positions and no unrecognized tax benefits as of October 31, 2019. As of October 31, 2019, the fiscal tax years 2015 through and including 2018 remain open to examination by the Internal Revenue Service. There are currently no federal tax examinations in progress.

### Acquisitions of Real Estate Investments and Capitalization Policy

#### *Acquisition of Real Estate Investments:*

The Company evaluates each acquisition of real estate or in-substance real estate (including equity interests in entities that predominantly hold real estate assets) to determine if the integrated set of assets and activities acquired meet the definition of a business and need to be accounted as a business combination. If either of the following criteria is met, the integrated set of assets and activities acquired would not qualify as a business:

- Substantially all of the fair value of the gross assets acquired is concentrated in either a single identifiable asset or a group of similar identifiable assets; or
- The integrated set of assets and activities is lacking, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs (i.e. revenue generated before and after the transaction).

An acquired process is considered substantive if:

- The process includes an organized workforce (or includes an acquired contract that provides access to an organized workforce), that is skilled, knowledgeable, and experienced in performing the process;
- The process cannot be replaced without significant cost, effort, or delay; or
- The process is considered unique or scarce.

Generally, the Company expects that acquisitions of real estate or in-substance real estate will not meet the definition of a business because substantially all of the fair value is concentrated in a single identifiable asset or group of similar identifiable assets (i.e. land, buildings, and related intangible assets) or because the acquisition does not include a substantive process in the form of an acquired workforce or an acquired contract that cannot be replaced without significant cost, effort or delay.

Acquisitions of real estate and in-substance real estate which do not meet the definition of a business are accounted for as asset acquisitions. The accounting model for asset acquisitions is similar to the accounting model for business combinations except that the acquisition consideration (including acquisition costs) is allocated to the individual assets acquired and liabilities assumed on a relative fair value basis. As a result, asset acquisitions do not result in the recognition of goodwill or a bargain purchase gain. The relative fair values used to allocate the cost of an asset acquisition are determined using the same methodologies and assumptions as the Company utilizes to determine fair value in a business combination.

The value of tangible assets acquired is based upon our estimation of value on an “as if vacant” basis. The value of acquired in-place leases includes the estimated costs during the hypothetical lease-up period and other costs that would have been incurred in the execution of similar leases under the market conditions at the acquisition date of the acquired in-place lease. We assess the fair value of tangible and intangible assets based on numerous factors, including estimated cash flow projections that utilize appropriate discount and capitalization rates and available market information. Estimates of future cash flows are based on a number of factors, including the historical operating results, known trends, and market/economic conditions that may affect the property.

The values of acquired above and below-market leases, which are included in prepaid expenses and other assets and other liabilities, respectively, are amortized over the terms of the related leases and recognized as either

an increase (for below-market leases) or a decrease (for above-market leases) to rental revenue. The values of acquired in-place leases are classified in other assets in the accompanying consolidated balance sheets and amortized over the remaining terms of the related leases.

***Capitalization Policy:***

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.

**Depreciation and Amortization**

The Company uses the straight-line method for depreciation and amortization. Real estate investment 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 shorter of the life of the related leases or their useful life.

**Sale of Investment Property and Property Held for Sale**

The Company reports properties that are either disposed of or are classified as held for sale in continuing operations in the consolidated statement of income if the removal, or anticipated removal, of the asset(s) from the reporting entity does not represent a strategic shift that has or will have a major effect on an entity’s operations and financial results when disposed of.

In June 2019, the Company sold for \$3.7 million its property located in Monroe, CT (the “Monroe Property”), as that property no longer met the Company’s investment objectives. In conjunction with the sale the Company realized a gain on sale of property in the amount of \$416,000, which is included in continuing operations in the consolidated statement of income for the year ended October 31, 2019. The net book value of the Monroe Property was insignificant to financial statement presentation and as a result the Company did not include the asset as held for sale on its consolidated balance sheet at October 31, 2018.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In August 2019, the Company entered into a purchase and sale agreement to sell its property located in Bernardsville, NJ (the “Bernardsville Property”), to an unrelated third party for a sale price of \$2.7 million as that property no longer met our investment objectives. In accordance with ASC Topic 360-10-45, the property met all the criteria to be classified as held for sale in the fourth quarter of fiscal 2019 and accordingly the Company recorded a loss on property held for sale of \$434,000 which is included in continuing operations in the consolidated statement of income for the year ended October 31, 2019. The amount of the loss represented the net carrying amount of the property over the fair value of the asset less estimated cost to sell. The net book value of the Bernardsville Property was insignificant to financial statement presentation and as a result the Company did not include the asset as held for sale on its consolidated balance sheet at October 31, 2019.

In March 2017, the Company sold for \$56.6 million its property located in White Plains, NY (the “White Plains Property”), as that property no longer met the Company’s investment objectives. In conjunction with the sale, the Company realized a gain on sale of property in the amount of \$19.5 million, which is included in continuing operations in the consolidated statement of income for the year ended October 31, 2017.

In July 2017, the Company sold for \$1.2 million its property located in Fairfield, CT (the “Fairfield Property”), which it purchased in the second quarter of fiscal 2017. In conjunction with the sale the Company realized a loss on sale of property in the amount of \$729,000, which is included in continuing operations in the consolidated statement of income for the year ended October 31, 2017.

The combined operating results of the Monroe Property, the Bernardsville Property, the White Plains Property and the Fairfield Property, which are included in continuing operations, were as follows (amounts in thousands):

	Year Ended October 31,		
	2019	2018	2017
Revenues	\$ 574	\$ 666	\$2,968
Property operating expense	(237)	(295)	(647)
Depreciation and amortization	(143)	(173)	(254)
Net Income (loss)	<u>\$ 194</u>	<u>\$ 198</u>	<u>\$2,067</u>

### Deferred Charges

Deferred charges consist principally of leasing commissions (which are amortized ratably over the life of the tenant leases). Deferred charges in the accompanying consolidated balance sheets are shown at cost, net of accumulated amortization of \$4,861,000 and \$4,901,000 as of October 31, 2019 and 2018, respectively.

### Asset Impairment

On a periodic basis, management assesses whether there are any indicators that the value of its real estate investments may be impaired. A property value is considered impaired when management’s estimate of current and projected operating cash flows (undiscounted and without interest) of the property over its remaining useful life is less than the net carrying value of the property. Such cash flow projections consider factors such as expected future operating income, trends and prospects, as well as the effects of demand, competition and other factors. To the extent impairment has occurred, the loss is measured as the excess of the net carrying amount of the property over the fair value of the asset. Changes in estimated future cash flows due to changes in the Company’s plans or market and economic conditions could result in recognition of impairment losses which could be substantial. Management does not believe that the value of any of its real estate investments are impaired at October 31, 2019.

### Revenue Recognition

Our leases with tenants are classified as operating leases. Rental income is generally recognized based on the terms of leases entered into with tenants. In those instances in which the Company funds tenant improvements and the improvements are deemed to be owned by the Company, revenue recognition will commence when the improvements are substantially completed and possession or control of the space is turned over to the tenant. When the Company determines that the tenant allowances are lease incentives, the Company commences revenue recognition when possession or control of the space is turned over to the tenant for tenant work to begin. Minimum rental income from leases with scheduled rent increases is recognized on a straight-line basis over the lease term. At October 31, 2019 and 2018, approximately \$19,395,000 and \$18,375,000, respectively, 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 expense 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 incentives are amortized as a reduction of rental revenue over the respective tenant lease terms. Lease termination amounts are recognized in operating revenues when there is a signed termination agreement, all of the conditions of the agreement have been met, the tenant is no longer occupying the property and the termination consideration is probable of collection. Lease termination amounts are paid by tenants who want to terminate their lease obligations before the end of the contractual term of the lease by agreement with the Company. There is no way of predicting or forecasting the timing or amounts of future lease termination fees. Interest income is recognized as it is earned. Gains or losses on disposition of properties are recorded when the criteria for recognizing such gains or losses under GAAP have been met.

In April 2018, the Company entered into a lease termination agreement with a tenant at its Ferry Plaza property located in Newark, NJ. The agreement provided that the tenant pay the Company \$3.7 million in exchange for the tenant to be released from all future obligations under its lease. The Company received payment in April 2018 and has recorded the payment received as lease termination income in its consolidated statements of income for the fiscal year ended October 31, 2018, as the payment met all of the revenue recognition conditions under U.S. GAAP.

In July 2017, the Company entered into a lease termination agreement with the single tenant of its property located in Fairfield, CT, which was purchased in the second quarter of fiscal 2017, so the Company could sell the property vacant. The agreement provided that the tenant pay the Company \$3.2 million in exchange for the tenant to be released from all future obligations under its lease. The Company received payment in July 2017 and has recorded the payment received as lease termination income in its consolidated statements of income for the year ended October 31, 2017, as the payment met all of the revenue recognition conditions under U.S. GAAP. In addition,

when the aforementioned property was acquired, the Company allocated \$1.2 million of the consideration paid to acquire the asset to this over-market lease. As a result of this termination, the Company wrote-off the remaining \$1.2 million asset as a reduction of lease termination income for the year ended October 31, 2017.

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, 2019 and 2018, tenant receivables in the accompanying consolidated balance sheets are shown net of allowances for doubtful accounts of \$5,454,000 and \$4,800,000, respectively.

#### **Cash Equivalents**

Cash and cash equivalents consist of cash in banks and short-term investments with original maturities of less than three months.

#### **Marketable Securities**

Marketable equity securities are carried at fair value based upon quoted market prices in active markets.

In February and March 2018, the Company purchased approximately \$5.0 million of REIT securities with available cash.

On November 1, 2018, the Company adopted FASB Accounting Standards Update ("ASU") 2016-01, "Financial Instruments—Overall." ASU 2016-01 requires equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. As a result of the adoption, the Company recorded all unrealized holding gains for its marketable securities as of the date of adoption to cumulative distributions in excess of net income and reduced accumulated other comprehensive income in the amount of \$569,000.

In January 2019, the Company sold all of its marketable equity securities and realized a gain on sale in the amount of \$403,000, which has been recorded in the consolidated statement of income for year ended October 31, 2019.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company did not own any marketable equity securities as of October 31, 2019. The unrealized gain on the Company's marketable equity securities at October 31, 2018 is detailed below (in thousands):

	<u>Fair Market Value</u>	<u>Cost Basis</u>	<u>Unrealized Gain/(Loss)</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized (Loss)</u>
October 31, 2018					
REIT Securities	<u>\$5,567</u>	<u>\$4,998</u>	<u>\$569</u>	<u>\$569</u>	<u>\$—</u>

### Derivative Financial Instruments

The Company occasionally utilizes derivative financial instruments, such as interest rate swaps, to manage its exposure to fluctuations in interest rates. The Company has established policies and procedures for risk assessment and the approval, reporting and monitoring of derivative financial instruments. Derivative financial instruments must be effective in reducing the Company's interest rate risk exposure in order to qualify for hedge accounting. When the terms of an underlying transaction are modified, or when the underlying hedged item ceases to exist, all changes in the fair value of the instrument are marked-to-market with changes in value included in net income for each period until the derivative instrument matures or is settled. Any derivative instrument used for risk management that does not meet the hedging criteria is marked-to-market with the changes in value included in net income. The Company has not entered into, and does not plan to enter into, derivative financial instruments for trading or speculative purposes. Additionally, the Company has a policy of entering into derivative contracts only with major financial institutions.

As of October 31, 2019, the Company believes it has no significant risk associated with non-performance of the financial institutions that are the counterparty to its derivative contracts. At October 31, 2019, the Company had approximately \$129.1 million in secured mortgage financings subject to interest rate swaps. Such interest rate swaps converted the LIBOR-based variable rates on the mortgage financings to a fixed annual rate of 3.93% per annum. As of October 31, 2019 and 2018, the Company had a deferred liability of \$6.8 million and \$114,000, respectively (included in accounts payable and accrued expenses on the consolidated balance sheets) and a deferred asset of \$- and \$7.0 million, respectively (included in prepaid expenses and other assets on the consolidated balance sheets) relating to the fair value of the Company's interest rate swaps applicable to secured mortgages.

Charges and/or credits relating to the changes in fair values of such interest rate swap are made to other comprehensive (loss) as the swap is deemed effective and is classified as a cash flow hedge.

### Comprehensive Income

Comprehensive income is comprised of net income applicable to Common and Class A Common stockholders and other comprehensive income (loss). Other comprehensive income (loss) includes items that are otherwise recorded directly in stockholders' equity, such as unrealized gains and losses on interest rate swaps designated as cash flow hedges, including the Company's share from entities accounted for under the equity method of accounting, and prior to November 1, 2018, unrealized gains/(losses) on marketable securities classified as available-for-sale. At October 31, 2019, accumulated other comprehensive (loss) consisted of net unrealized losses on interest rate swap agreements of \$8.5 million, inclusive of the Company's share of accumulated comprehensive income/(loss) from joint ventures accounted for by the equity method of accounting. At October 31, 2018, accumulated other comprehensive income consisted of net unrealized gains on interest rate swap agreements of approximately \$6.9 million and unrealized gains/(losses) on marketable securities classified as available-for-sale of \$569,000. Unrealized gains and losses included in other comprehensive income/(loss) will be reclassified into earnings as gains and losses are realized.

### Concentration of Credit Risk

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

### Earnings Per Share

The Company calculates basic and diluted earnings per share in accordance with the provisions of ASC Topic 260, "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 average 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):

	Year Ended October 31,		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Numerator</b>			
Net income applicable to common stockholders—basic	\$ 4,659	\$ 5,173	\$ 6,857
Effect of dilutive securities:			
Restricted stock awards	<u>193</u>	<u>259</u>	<u>376</u>
Net income applicable to common stockholders—diluted	<u>\$ 4,852</u>	<u>\$ 5,432</u>	<u>\$ 7,233</u>
<b>Denominator</b>			
Denominator for basic EPS—weighted average common shares	8,813	8,517	8,383
Effect of dilutive securities:			
Restricted stock awards	<u>536</u>	<u>597</u>	<u>643</u>
Denominator for diluted EPS—weighted average common equivalent shares	<u>9,349</u>	<u>9,114</u>	<u>9,026</u>
<b>Numerator</b>			
Net income applicable to Class A common stockholders—basic	\$17,469	\$20,044	\$27,041
Effect of dilutive securities:			
Restricted stock awards	<u>(193)</u>	<u>(259)</u>	<u>(376)</u>
Net income applicable to Class A common stockholders—diluted	<u>\$17,276</u>	<u>\$19,785</u>	<u>\$26,665</u>
<b>Denominator</b>			
Denominator for basic EPS—weighted average Class A common shares	29,438	29,335	29,317
Effect of dilutive securities:			
Restricted stock awards	<u>216</u>	<u>178</u>	<u>186</u>
Denominator for diluted EPS—weighted average Class A common equivalent shares	<u>29,654</u>	<u>29,513</u>	<u>29,503</u>

### Stock-Based Compensation

The Company accounts for its stock-based compensation plans under the provisions of ASC Topic 718, "Stock Compensation," which requires that compensation expense be recognized, based on the fair value of the stock awards less estimated forfeitures. The fair value of stock awards is equal to the fair value of the Company's stock on the grant date. The Company recognizes compensation expense for its stock awards by amortizing the fair value of stock awards over the requisite service periods of such awards.

### Segment Reporting

The Company's primary business is the ownership, management, and redevelopment of retail properties. The Company reviews operating and financial information for each property on an individual basis and therefore, each property represents an individual operating segment. The Company evaluates financial performance using property operating income, which consists of base rental income and tenant reimbursement income, less rental expenses and real estate taxes. Only one of the Company's properties, located in Stamford, CT ("Ridgeway"), is considered significant as its revenue is in excess of 10% of the Company's consolidated total revenues and accordingly is a reportable segment. The Company has aggregated the remainder of our properties as they share similar long-term economic characteristics and have other similarities including the fact that they are operated using consistent business strategies, are typically located in the same major metropolitan area, and have similar tenant mixes.

Ridgeway is located in Stamford, Connecticut and was developed in the 1950's and redeveloped in the mid 1990's. The property contains approximately 374,000 square feet of GLA. It is the dominant grocery-anchored center and the largest non-mall shopping center located in the City of Stamford, Fairfield County, Connecticut.

Segment information about Ridgeway as required by ASC Topic 280 is included below:

	Year Ended October 31,		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Ridgeway Revenues	10.8%	10.4%	11.2%
All Other Property Revenues	<u>89.2%</u>	<u>89.6%</u>	<u>88.8%</u>
Consolidated Revenue	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Year Ended			
October 31,			
	<u>2019</u>	<u>2018</u>	
Ridgeway Assets	6.0%	7.0%	
All Other Property Assets	<u>94.0%</u>	<u>93.0%</u>	
Consolidated Assets (Note 1)	<u>100.0%</u>	<u>100.0%</u>	

Note 1—Ridgeway did not have any significant expenditures for additions to long lived assets in any of the fiscal years ended October 31, 2019, 2018 and 2017.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Year Ended October 31,		
	2019	2018	2017
	<u>97%</u>	<u>96%</u>	<u>96%</u>
Ridgeway Percent Leased			
Ridgeway Significant Tenants (by base rent):	Year Ended October 31,		
	2019	2018	2017
The Stop & Shop Supermarket Company	20%	20%	19%
Bed, Bath & Beyond	14%	14%	14%
Marshall's Inc., a division of the TJX Companies	10%	10%	11%
All Other Tenants at Ridgeway (Note 2)	56%	56%	56%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

Note 2—No other tenant accounts for more than 10% of Ridgeway's annual base rents in any of the three years presented. Percentages are calculated as a ratio of the tenants' base rent divided by total base rent of Ridgeway.

### Income Statement (In thousands):

	Year Ended October 31, 2019		
	Ridgeway	All Other Operating Segments	Total Consolidated
Revenues	\$14,859	\$122,726	\$137,585
Operating Expenses	\$ 4,377	\$ 40,887	\$ 45,264
Interest Expense	\$ 1,704	\$ 12,398	\$ 14,102
Depreciation and Amortization	\$ 2,350	\$ 25,577	\$ 27,927
Income from Continuing Operations	\$ 6,428	\$ 35,185	\$ 41,613
	Year Ended October 31, 2018		
	Ridgeway	All Other Operating Segments	Total Consolidated
Revenues	\$14,015	\$121,337	\$135,352
Operating Expenses	\$ 4,094	\$ 39,082	\$ 43,176
Interest Expense	\$ 1,869	\$ 11,809	\$ 13,678
Depreciation and Amortization	\$ 2,616	\$ 25,708	\$ 28,324
Income from Continuing Operations	\$ 5,436	\$ 36,747	\$ 42,183

	Year Ended October 31, 2017		
	Ridgeway	All Other Operating Segments	Total Consolidated
Revenues	\$13,832	\$109,728	\$123,560
Operating Expenses	\$ 3,809	\$ 35,886	\$ 39,695
Interest Expense	\$ 2,034	\$ 10,947	\$ 12,981
Depreciation and Amortization	\$ 3,016	\$ 23,496	\$ 26,512
Income from Continuing Operations	\$ 4,973	\$ 31,725	\$ 36,698

### Reclassification

Certain fiscal 2017 and 2018 amounts have been reclassified to conform to current period presentation.

### New Accounting Standards

In May 2014, FASB issued Accounting Standards Update ("ASU") No. 2014-09 titled "Revenue from Contracts with Customers" and subsequently issued several related ASUs (collectively "ASU 2014-09"). ASU 2014-09 replaces most existing revenue recognition guidance and requires an entity to recognize the amount of revenue which it expects to be entitled to for the transfer of promised goods or services to customers. ASU 2014-09 is effective for annual periods beginning after December 15, 2017, and interim periods within those years and must be applied retrospectively by either restating prior periods or by recognizing the cumulative effect as of the date of first application. The Company adopted ASU 2014-09 effective November 1, 2018, using the modified retrospective approach. The adoption of ASU 2014-09 did not have an impact on the consolidated financial statements because the majority of the Company's revenue consists of lease-related income from leasing arrangements, which is specifically excluded from ASU 2014-09. Other revenues, as a whole, are immaterial to total revenues. There was no change to previously reported amounts as a result of the adoption of ASU 2014-09.

In February 2016, the FASB issued ASU 2016-02, "Leases." ASU 2016-02 significantly changes the accounting for leases by requiring lessees to recognize assets and liabilities for leases greater than 12 months on their balance sheet. The lessor model stays substantially the same; however, there were modifications to conform

lessor accounting with the lessee model, eliminate real estate specific guidance, further define certain lease and non-lease components, and change the definition of initial direct costs of leases requiring significantly more leasing related costs to be expensed upfront. The Company has elected to apply the transition provisions of ASC Topic 842 at the beginning of the period of adoption, which for the Company, will be the first day of our year ended October 31, 2020 (i.e., November 1, 2019), and therefore, the Company will not retrospectively adjust prior periods presented. The Company will elect to apply certain adoption related practical expedients for all leases that commenced prior to the effective date. These practical expedients include not reassessing whether any expired or existing contracts are or contain leases; not reassessing the lease classification for any expired or existing leases; and not reassessing initial direct costs for any existing leases. Overall, the Company's assessment of the adoption of ASC Topic 842 on November 1, 2019 is that it will not be material to our financial statements or the disclosures contained therein.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities". ASU 2016-01 requires equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income, requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset, and eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost. The Company adopted ASU 2016-01 on November 1, 2018, and as a result, adjusted the opening balance of cumulative distributions in excess of net income and reduced accumulated other comprehensive income by \$569,000, representing the amount of unrealized gains on marketable securities classified as available-for-sale as of the date of adoption.

The Company has evaluated all other new ASU's issued by FASB, and has concluded that these updates do not have a material effect on the Company's consolidated financial statements as of October 31, 2019.

## (2) REAL ESTATE INVESTMENTS

The Company's investments in real estate, net of depreciation, were composed of the following at October 31, 2019 and 2018 (in thousands):

	<b>Consolidated Investment Properties</b>	<b>Unconsolidated Joint Ventures</b>	<b>2019 Totals</b>	<b>2018 Totals</b>
Retail	\$890,887	\$29,374	\$920,261	\$926,677
Office	9,729	—	9,729	10,179
Total	<u>\$900,616</u>	<u>\$29,374</u>	<u>\$929,990</u>	<u>\$936,856</u>

The Company's investments at October 31, 2019 consisted of equity interests in 83 properties. The 83 properties are located in various regions throughout the northeastern part of the United States with a concentration in the metropolitan New York tri-state area outside of the City of New York. The Company's primary investment focus is neighborhood and community shopping centers located in the region just described. Since a significant concentration of the Company's properties are in the northeast, market changes in this region could have an effect on the Company's leasing efforts and ultimately its overall results of operations.

## (3) INVESTMENT PROPERTIES

The components of the properties consolidated in the financial statements are as follows (in thousands):

	October 31,	
	2019	2018
Land	\$ 238,766	\$ 231,660
Buildings and improvements	903,004	886,415
	<u>1,141,770</u>	<u>1,118,075</u>
Accumulated depreciation	(241,154)	(218,653)
	<u>\$ 900,616</u>	<u>\$ 899,422</u>

Space at the Company's 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 for the Company's consolidated properties totaling \$559.7 million become due as follows (in millions): 2020—\$94.6; 2021—\$86.0; 2022—\$74.8; 2023—\$58.7; 2024—\$47.6; and thereafter—\$198.0.

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 less than 1.00% of consolidated revenues in each of the three years ended October 31, 2019.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Significant Investment Property Acquisition Transactions

In December 2018, the Company purchased Lakeview Plaza Shopping Center (“Lakeview”) for \$12.0 million (exclusive of closing costs). Lakeview is a 177,000 square foot grocery-anchored shopping center located in Putnam County, NY. In addition, the Company anticipates having to invest up to \$8.0 million for capital improvements and re-tenanting at the property, approximately \$5.4 million of which has already been expended and added to the cost of the property. The Company funded the purchase and capital improvements made subsequent to the purchase with available cash and borrowings on its unsecured revolving credit facility (the “Facility”). The Company intends to fund the remaining additional investment with a combination of available cash, borrowings on the Facility and by placing a mortgage on the property (see note 4).

In March 2018, the Company, through a wholly-owned subsidiary, purchased for \$13.1 million a 27,000 square foot shopping center located in Yonkers, NY (“Tanglewood”). The Company funded the purchase with available cash, borrowings on its Facility and the issuance of \$11.0 million in unsecured promissory notes to the seller (see note 4).

In October 2017, the Company purchased a promissory note secured by a mortgage on 470 Main Street in Ridgefield, CT (“470 Main”), which comprises part of the Yankee Ridge retail and office mixed-use property. The note was purchased from the existing lender. In January 2018, the Company completed foreclosure of the mortgage and became the owner of 470 Main. Total consideration paid for the note, including costs, totaled \$3.1 million. 470 Main is a 24,200 square foot building with ground and first floor retail and second floor office space. The Company funded the note purchase with available cash.

The Company accounted for the purchase of Lakeview, Tanglewood, 470 Main and a property acquired through a joint venture, which the Company consolidates (see note 5), as asset acquisitions and allocated the total consideration transferred for the acquisitions, including transaction costs, to the individual assets and liabilities acquired on a relative fair value basis.

The financial information set forth below summarizes the Company’s purchase price allocation for the properties acquired during the fiscal year ended October 31, 2019 and 2018 (in thousands).

	<u>Lakeview</u>	<u>Tanglewood</u>	<u>470 Main</u>	<u>New City</u>
<b>Assets:</b>				
Land	\$ 2,025	\$7,525	\$ 293	\$2,498
Building and improvements	\$10,620	\$5,920	\$2,786	\$ 632
In-place leases	\$ 772	\$ 147	\$ 68	\$ 38
Above market leases	\$ 459	\$ 81	\$ 25	\$ —
<b>Liabilities:</b>				
In-place leases	\$ —	\$ —	\$ —	\$ —
Below market leases	\$ 1,123	\$ 396	\$ 43	\$ —

The value of above and below market leases are amortized as a reduction/increase to base rental revenue over the term of the respective leases. The value of in-place leases described above are amortized as an expense over the terms of the respective leases.

For the fiscal year ended October 31, 2019, 2018 and 2017, the net amortization of above-market and below-market leases was approximately \$614,000, \$1,209,000 and \$223,000, respectively, which is included in base rents in the accompanying consolidated statements of income.

In Fiscal 2019, the Company incurred costs of approximately \$18.7 million related to capital improvements and leasing costs to its properties.

### (4) MORTGAGE NOTES PAYABLE, BANK LINES OF CREDIT AND OTHER LOANS

At October 31, 2019, the Company has mortgage notes payable and other loans that are due in installments over various periods to fiscal 2031. The mortgage loans bear interest at rates ranging from 3.5% to 4.9% and are collateralized by real estate investments having a net carrying value of approximately \$558.9 million.

Combined aggregate principal maturities of mortgage notes payable during the next five years and thereafter are as follows (in thousands):

	Principal Repayments	Scheduled Amortization	Total
2020	\$ —	\$ 6,917	\$ 6,917
2021	—	7,321	7,321
2022	49,486	6,570	56,056
2023	—	6,305	6,305
2024	5,915	6,454	12,369
Thereafter	<u>212,114</u>	<u>5,524</u>	<u>217,638</u>
	<u>\$267,515</u>	<u>\$39,091</u>	<u>\$306,606</u>

The Company has a \$100 million unsecured revolving credit facility with a syndicate of three banks led by The Bank of New York Mellon, as administrative agent. The syndicate also includes Wells Fargo Bank N.A. and Bank of Montreal (co-syndication agent). The Facility gives the Company the option, under certain conditions, to increase the Facility's borrowing capacity up to \$150 million (subject to lender approval). The maturity date of the Facility is August 23, 2020 with a one-year extension at the Company's option. Borrowings under the Facility can be used for general corporate purposes and the issuance of letters of credit (up to \$10 million). Borrowings will bear interest at the Company's option of Eurodollar rate plus 1.35% to 1.95% or The Bank of New York Mellon's prime lending rate plus 0.35% to 0.95% based on consolidated indebtedness, as defined. The Company pays a quarterly fee on the unused commitment amount of 0.15% to 0.25% per annum based on outstanding borrowings during the year. The Facility contains certain representations, financial and other covenants typical for this type of facility. The Company's ability to borrow under the Facility is subject to its compliance with the covenants and other restrictions on an ongoing basis. The principal financial covenants limit the Company's level of secured and unsecured indebtedness and additionally require the Company to maintain certain debt coverage ratios. The Company was in compliance with such covenants at October 31, 2019.

As of October 31, 2019, \$99 million was available to be drawn on the Facility.

During the fiscal years ended October 31, 2019 and 2018, the Company borrowed \$25.5 million and \$33.6 million, respectively, on its Facility to fund capital improvements to our properties, property acquisitions and for general corporate purposes. During the fiscal years ended October 31, 2019 and 2018, the Company re-paid \$54.1 million and \$9.0 million, respectively, on its Facility with available cash, cash proceeds from mortgage refinancings, proceeds from the sale of marketable securities, investment property sales and proceeds from the issuance of preferred stock.

In March 2019, the Company refinanced its existing \$14.9 million first mortgage secured by its Darien, CT property. The new mortgage has a principal balance of \$25.0 million and has a term of 10 years and requires payments of principal and interest at the rate of LIBOR plus 1.65%. The Company also entered into an interest rate swap contract with the new lender, which converts the variable interest rate (based on LIBOR) to a fixed rate of 4.815% per annum.

In March 2019, the Company refinanced its existing \$9.1 million first mortgage secured by our Newark, NJ property. The new mortgage has a principal balance of \$10.0 million, has a term of 10 years, and requires payments of principal and interest at a fixed rate of 4.63%.

In June 2019, the Company placed a first mortgage on its Brewster, NY property. The new mortgage has a principal balance of \$12.0 million, has a term of 10 years and requires payments of principal and interest at the rate of LIBOR plus 1.75%. Concurrent with entering into the mortgage, the Company also entered into an interest rate swap contract with the new lender, which converts the variable interest rate (based on LIBOR) to a fixed rate of 3.6325% per annum.

In March 2018, the Company through a wholly-owned subsidiary, purchased Tanglewood for \$13.1 million (see note 3). A portion of the purchase price was funded by issuing \$11 million of unsecured promissory notes payable to the seller of the property, consisting of three tranches. In May 2018, the short-term notes tranche in the amount of \$7.8 million was repaid with borrowings on the Company's Facility. The remaining \$3.2 million balance of the notes is included in mortgage notes payable and other loans on the Company's consolidated balance sheet at October 31, 2019. Each tranche requires payments of interest only.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The terms of the remaining notes are detailed below:

	Principal Amount (in thousands)	Interest Rate	Interest Payment Terms	Maturity Date
Long Term A	\$1,650	5.00% (a)	Quarterly	March 29, 2030
Long Term B	1,513	5.05% (b)	Quarterly	March 29, 2030
	<u>\$3,163</u>			

(a) Interest rate is variable and based on the level of the Company's dividend declared on the Company's Class A Common stock, divided by \$22 per Class A Share.

(b) Interest rate is fixed.

Interest paid in the years ended October 31, 2019, 2018 and 2017 was approximately \$13.7 million, \$13.4 million and \$12.9 million, respectively.

### (5) CONSOLIDATED JOINT VENTURES AND REDEEMABLE NONCONTROLLING INTERESTS

The Company has an investment in five joint ventures, UB Orangeburg, LLC ("Orangeburg"), McLean Plaza Associates, LLC ("McLean"), UB Dumont I, LLC ("Dumont") and UB New City, LLC, each of which owns a commercial retail property, and UB High Ridge, LLC ("UB High Ridge"), which owns three commercial real estate properties. The Company has evaluated its investment in these five joint ventures and has concluded that these joint ventures are fully controlled by the Company and that the presumption of control is not offset by any rights of any of the limited partners or non-controlling members in these ventures and that the joint ventures should be consolidated into the consolidated financial statements of the Company in accordance with ASC Topic 810, "Consolidation." The Company's investment in these consolidated joint ventures is more fully described below:

#### *UB Ironbound, L.P. ("Ironbound")*

In August 2019, the Company redeemed the remaining noncontrolling interest in Ironbound for \$3.0 million. After the redemption the Company's ownership of Ironbound increased from 84% to 100%. Ironbound owns the Ferry Plaza grocery-anchored shopping center, located in Newark, NJ.

#### *Orangeburg*

The Company, through a wholly-owned subsidiary, is the managing member and owns a 43.8% interest in Orangeburg, which owns a drug store-anchored shopping center. The other member (non-managing) of Orangeburg is the prior owner of the contributed property who, in exchange for contributing the net assets of the property, received units of Orangeburg equal to the value of the contributed property less the value of the assigned first mortgage payable. The Orangeburg operating agreement provides for the non-managing member to receive an annual cash distribution equal to the regular quarterly cash distribution declared by the Company for one share of the Company's Class A Common stock, which amount is attributable to each unit of Orangeburg ownership. The annual cash distribution is paid from available cash, as defined, of Orangeburg. The balance of available cash, if any, is fully distributable to the Company. Upon liquidation, proceeds from the sale of Orangeburg assets are to be distributed in accordance with the operating agreement. The non-managing member is not obligated to make any additional capital contributions to the partnership. Orangeburg has a defined termination date of December 31, 2097. Since purchasing this property, the Company has made additional investments in the amount of \$6.5 million in Orangeburg and as a result as of October 31, 2019 its ownership percentage has increased to 43.8% from approximately 2.92% at inception.

#### *McLean Plaza*

The Company, through a wholly-owned subsidiary, is the managing member and owns a 53% interest in McLean Plaza Associates, LLC, a limited liability company ("McLean"), which owns a grocery-anchored shopping center. The McLean operating agreement provides for the non-managing members to receive a fixed annual cash distribution equal to 5.05% of their invested capital. The



annual cash distribution is paid from available cash, as defined, of McLean. The balance of available cash, if any, is fully distributable to the Company. Upon liquidation, proceeds from the sale of McLean assets are to be distributed in accordance with the operating agreement. The non-managing members are not obligated to make any additional capital contributions to the entity.

#### ***UB High Ridge***

The Company is the managing member and owns a 13.3% interest in UB High Ridge, LLC. The Company's initial investment was \$5.5 million, and the Company has purchased additional interests totaling \$2.6 million through October 31, 2019. UB High Ridge, either directly or through a wholly-owned subsidiary, owns three commercial real estate properties, High Ridge Shopping Center, a grocery-anchored shopping center ("High Ridge"), and two single tenant commercial retail properties, one leased to JP Morgan Chase ("Chase Property") and one leased to CVS ("CVS Property"). Two properties are located in Stamford, CT and one property is located in Greenwich, CT. High Ridge is a shopping center anchored by a Trader Joe's grocery store. The properties were contributed to the new entities by the former owners who received units of ownership of UB High Ridge equal to the value of properties contributed less liabilities assumed. The UB High Ridge operating agreement provides for the non-managing members to receive an annual cash distribution, currently equal to 5.50% of their invested capital.

#### ***UB Dumont I, LLC***

The Company is the managing member and owns a 36.4% interest in UB Dumont I, LLC. The Company's initial investment was \$3.9 million, and the Company has purchased additional interests totaling \$630,000 through October 31, 2019. Dumont owns a retail and residential real estate property, which retail portion is anchored by a Stop & Shop grocery store. The property is located in Dumont, NJ. The property was contributed to the new entity by the former owners who received units of ownership of Dumont equal to the value of contributed property less liabilities assumed. The Dumont operating agreement provides for the non-managing members to receive an annual cash distribution, currently equal to 5.05% of their invested capital.

#### ***UB New City I, LLC***

The Company is the managing member and owns a 78.2% equity interest in a joint venture, UB New City I, LLC. The Company's initial investment was \$2.4 million, and the Company has purchased additional interests totaling \$91,300 through October 31, 2019. New City owns a single tenant retail real estate property located in New

City, NY, which is leased to a savings bank. In addition, New City rents certain parking spaces on the property to the owner of an adjacent grocery-anchored shopping center. The property was contributed to the new entity by the former owners who received units of ownership of New City equal to the value of contributed property. The New City operating agreement provides for the non-managing member to receive an annual cash distribution, currently equal to 5.00% of his invested capital.

#### ***Noncontrolling interests:***

The Company accounts for noncontrolling interests in accordance with ASC Topic 810, "Consolidation." Because the limited partners or noncontrolling members in Orangeburg, McLean, UB High Ridge, Dumont and New City have the right to require the Company to redeem all or a part of their limited partnership or limited liability company units for cash, or at the option of the Company shares of its Class A Common stock, at prices as defined in the governing agreements, the Company reports the noncontrolling interests in the consolidated joint ventures in the mezzanine section, outside of permanent equity, of the consolidated balance sheets at redemption value which approximates fair value. The value of the Orangeburg, McLean and a portion of the UB High Ridge and Dumont redemptions are based solely on the price of the Company's Class A Common stock on the date of redemption. For the years ended October 31, 2019 and 2018, the Company adjusted the carrying value of the non-controlling interests by \$4,452,000 and \$(2,674,000), respectively, with the corresponding adjustment recorded in stockholders' equity.

The following table sets forth the details of the Company's redeemable non-controlling interests (amounts in thousands):

	October 31,	
	2019	2018
Beginning Balance	\$78,258	\$81,361
Initial New City Noncontrolling Interest-Net	—	791
Redemption of UB High Ridge Noncontrolling Interest	(1,413)	(1,220)
Redemption of Dumont Noncontrolling Interest	(630)	—
Redemption of New City Noncontrolling Interest	(91)	—
Redemption of Ironbound Noncontrolling Interest	(2,700)	—
Change in Redemption Value	4,452	(2,674)
Ending Balance	<u>\$77,876</u>	<u>\$78,258</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### (6) INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED JOINT VENTURES

At October 31, 2019 and 2018, investments in and advances to unconsolidated joint ventures consisted of the following (with the Company's ownership percentage in parentheses) (amounts in thousands):

	October 31,	
	2019	2018
Chestnut Ridge Shopping Center (50.0%)	\$12,048	\$12,508
Plaza 59 Shopping Center (50.0%)	—	5,194
Gateway Plaza (50%)	6,847	6,680
Putnam Plaza Shopping Center (66.67%)	3,446	5,978
Midway Shopping Center, L.P. (11.792% in 2019 and 11.642% in 2018)	4,384	4,509
Applebee's at Riverhead (50%)	1,926	1,842
81 Pondfield Road Company (20%)	723	723
Total	<u>\$29,374</u>	<u>\$37,434</u>

#### *Chestnut Ridge and Plaza 59 Shopping Centers*

The Company, through a wholly owned subsidiary, owns a 50% undivided tenancy-in-common equity interest in the 76,000 square foot Chestnut Ridge Shopping Center located in Montvale, New Jersey ("Chestnut"), which is anchored by a Fresh Market grocery store.

#### *Plaza 59 Shopping Center*

In fiscal 2019, the Company's wholly-owned subsidiary that owned a 50% undivided tenancy-in-common interest in Plaza 59 and the other 50% tenancy-in-common owner of Plaza 59 sold the property to an unrelated third party for a sale price of \$10.0 million. In accordance with ASC Topic 610-20, the property was de-recognized and the Company's 50% share of the loss on sale amounted to \$462,000, which is included as a reduction of equity in net income from unconsolidated joint ventures on the Company's consolidated statement of income for the year ended October 31, 2019.

#### *Gateway Plaza and Applebee's at Riverhead*

The Company, through two wholly owned subsidiaries, owns a 50% undivided tenancy-in-common equity interest in the Gateway Plaza Shopping Center ("Gateway") and Applebee's at Riverhead ("Applebee's"). Both properties are located in Riverhead, New York (together the "Riverhead Properties"). Gateway, a 198,500 square foot shopping center anchored by a 168,000 square foot Walmart which also has 27,000 square feet of in-line space that is leased and a 3,500 square foot outparcel that is leased. Applebee's has a 5,400 square foot free standing

Applebee's restaurant with a 7,200 square foot pad site that is leased.

Gateway is subject to a \$12.0 million non-recourse first mortgage. The mortgage matures on March 1, 2024 and requires payments of principal and interest at a fixed rate of interest of 4.2% per annum.

#### *Putnam Plaza Shopping Center*

The Company, through a wholly owned subsidiary, owns a 66.67% undivided tenancy-in-common equity interest in the 189,000 square foot Putnam Plaza Shopping Center ("Putnam Plaza"), which is anchored by a Tops grocery store.

Putnam Plaza has a first mortgage payable in the amount of \$18.4 million. The mortgage requires monthly payments of principal and interest at a fixed rate of 4.81% and will mature in 2028.

#### *Midway Shopping Center, L.P.*

The Company, through a wholly owned subsidiary, owns an 11.792% equity interest in Midway Shopping Center L.P. ("Midway"), which owns a 247,000 square foot grocery-anchored shopping center in Westchester County, New York. Although the Company only has an 11.792% equity interest in Midway, it controls 25% of the voting power of Midway, and as such, has determined that it exercises significant influence over the financial and operating decisions of Midway but does not control the venture and accounts for its investment in Midway under the equity method of accounting.

The Company has allocated the \$7.4 million excess of the carrying amount of its investment in and advances to Midway over the Company's share of Midway's net book value to real property and is amortizing the difference over the property's estimated useful life of 39 years.

Midway currently has a non-recourse first mortgage payable in the amount of \$26.6 million. The loan requires payments of principal and interest at the rate of 4.80% per annum and will mature in 2027.

#### *81 Pondfield Road Company*

The Company's other investment in an unconsolidated joint venture is a 20% economic interest in a partnership which owns a retail and office building in Westchester County, New York.

The Company accounts for the above investments under the equity method of accounting since it exercises significant influence, but does not control the joint ventures. The other venturers in the joint ventures have substantial participation rights in the financial decisions and operation of the ventures or properties, which preclude the Company from consolidating the

investments. The Company has evaluated its investment in the joint ventures and has concluded that the joint ventures are not VIE's. Under the equity method of accounting the initial investment is recorded at cost as an investment in unconsolidated joint venture, and subsequently adjusted for equity in net income (loss) and cash contributions and distributions from the venture. Any difference between the carrying amount of the investment on the Company's balance sheet and the underlying equity in net assets of the venture is evaluated for impairment at each reporting period.

## (7) STOCKHOLDERS' EQUITY

### Authorized Stock

The Company's Charter authorizes up to 200,000,000 shares of various classes of stock. The total number of shares of authorized stock consists of 100,000,000 shares of Class A Common Stock, 30,000,000 shares of Common Stock, 50,000,000 shares of Preferred Stock, and 20,000,000 shares of Excess Stock.

### Preferred Stock

The 6.75% Series G Senior Cumulative Preferred Stock ("Series G Preferred Stock") is non-voting, has no stated maturity and is redeemable for cash at \$25 per share at the Company's option on or after October 28, 2019. The holders of our Series G Preferred Stock have general preference rights with respect to liquidation and quarterly distributions. Except under certain conditions, holders of the Series G Preferred Stock will not be entitled to vote on most matters. In the event of a cumulative arrearage equal to six quarterly dividends, holders of Series G Preferred Stock, together with all of the Company's other Series of preferred stock (voting as a single class without regard to series) will have the right to elect two additional members to serve on the Company's Board of Directors until the arrearage has been cured. Upon the occurrence of a Change of Control, as defined in the Company's Articles Supplementary to the Charter, the holders of the Series G Preferred Stock will have the right to convert all or part of the shares of Series G Preferred Stock held by such holders on the applicable conversion date into a number of the Company's shares of Class A Common stock.

On October 1, 2019, we issued a notice of our intent to redeem, on November 1, 2019, all of the outstanding shares of our \$25 per share Series G Cumulative Preferred Stock for \$25 per share, which includes all unpaid dividends. As a result of our redemption notice we reduced net income applicable to Common and Class A Common stockholders by \$2.4 million on our

consolidated statement of income for the fiscal year ended October 31, 2019, which represents the difference between redemption value of the stock and carrying value net of original deferred stock issuance costs. As of October 31, 2019, the Series G Preferred Stock was reclassified out of Stockholders' Equity to preferred stock called for redemption in the liability section of the Company's consolidated balance sheet.

The 6.25% Series H Senior Cumulative Preferred Stock (the "Series H Preferred Stock") is nonvoting, has no stated maturity and is redeemable for cash at \$25 per share at the Company's option on or after September 18, 2022. The holders of our Series H Preferred Stock have general preference rights with respect to liquidation and quarterly distributions. Except under certain conditions, holders of the Series H Preferred Stock will not be entitled to vote on most matters. In the event of a cumulative arrearage equal to six quarterly dividends, holders of Series H Preferred Stock, together with all of the Company's other Series of preferred stock (voting as a single class without regard to series) will have the right to elect two additional members to serve on the Company's Board of Directors until the arrearage has been cured. Upon the occurrence of a Change of Control, as defined in the Company's Articles of Incorporation, the holders of the Series H Preferred Stock will have the right to convert all or part of the shares of Series H Preferred Stock held by such holder on the applicable conversion date into a number of the Company's shares of Class A common stock. Underwriting commissions and costs incurred in connection with the sale of the Series H Preferred Stock are reflected as a reduction of additional paid in capital.

In Fiscal 2019, the Company completed the public offering of 4,400,000 shares of 5.875% Series K Senior Cumulative Preferred Stock (the "Series K Preferred Stock") at a price of \$25 per share for net proceeds of \$106.5 million after underwriting discounts but before offering expenses. These shares are nonvoting, have no stated maturity and are redeemable for cash at \$25 per share at the Company's option on or after October 1, 2024. Holders of these shares are entitled to cumulative dividends, payable quarterly in arrears. Dividends accrue from the date of issue at the annual rate of \$1.46875 per share per annum. The holders of our Series K Preferred Stock have general preference rights with respect to liquidation and quarterly distributions. Except under certain conditions holders of the Series K Preferred Stock will not be entitled to vote on most matters. In the event of a cumulative arrearage equal to six quarterly dividends, holders of Series K Preferred Stock, together with all of the Company's other Series of preferred stock (voting as a single class without regard to series) will

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

have the right to elect two additional members to serve on the Company's Board of Directors until the arrearage has been cured. Upon the occurrence of a Change of Control, as defined in the Company's Articles of Incorporation, the holder of the Series K Preferred Stock will have the right to convert all or part of the shares of Series K Preferred Stock held by such holder on the applicable conversion date into a number of the Company's shares of Class A common stock. Underwriting commissions and costs incurred in connection with the sale of the Series K Preferred Stock are reflected as a reduction of additional paid in capital.

### Common Stock

The Class A Common Stock entitles the holder to 1/20 of one vote per share. The Common Stock entitles the holder to 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 following tables set forth the dividends declared per Common share and Class A Common share and tax status for Federal income tax purposes of the dividends paid during the fiscal years ended October 31, 2019 and 2018:

Dividend Payment Date	Common Shares				Class A Common Shares			
	Gross Dividend Paid Per Share	Ordinary Income	Capital Gain	Non-Taxable Portion	Gross Dividend Paid Per Share	Ordinary Income	Capital Gain	Non-Taxable Portion
January 18, 2019	\$0.245	\$0.173355	\$0.006156	\$0.065489	\$0.275	\$0.1946	\$0.0069	\$0.0735
April 19, 2019	\$0.245	\$0.173355	\$0.006156	\$0.065489	\$0.275	\$0.1946	\$0.0069	\$0.0735
July 19, 2019	\$0.245	\$0.173355	\$0.006156	\$0.065489	\$0.275	\$0.1946	\$0.0069	\$0.0735
October 18, 2019	<u>\$0.245</u>	<u>\$0.173355</u>	<u>\$0.006156</u>	<u>\$0.065489</u>	<u>\$0.275</u>	<u>\$0.1946</u>	<u>\$0.0069</u>	<u>\$0.0735</u>
	<u>\$0.98</u>	<u>\$0.69342</u>	<u>\$0.024624</u>	<u>\$0.261956</u>	<u>\$1.10</u>	<u>\$0.7784</u>	<u>\$0.0276</u>	<u>\$0.294</u>
January 19, 2018	\$ 0.24	\$ 0.1614	\$ 0.0038	\$ 0.0748	\$ 0.27	\$ 0.182	\$ 0.004	\$ 0.084
April 16, 2018	\$ 0.24	\$ 0.1614	\$ 0.0038	\$ 0.0748	\$ 0.27	\$ 0.182	\$ 0.004	\$ 0.084
July 20, 2018	\$ 0.24	\$ 0.1614	\$ 0.0038	\$ 0.0748	\$ 0.27	\$ 0.182	\$ 0.004	\$ 0.084
October 19, 2018	<u>\$ 0.24</u>	<u>\$ 0.1614</u>	<u>\$ 0.0038</u>	<u>\$ 0.0748</u>	<u>\$ 0.27</u>	<u>\$ 0.182</u>	<u>\$ 0.004</u>	<u>\$ 0.084</u>
	<u>\$ 0.96</u>	<u>\$ 0.6456</u>	<u>\$ 0.0152</u>	<u>\$ 0.2992</u>	<u>\$ 1.08</u>	<u>\$ 0.728</u>	<u>\$ 0.016</u>	<u>\$ 0.336</u>

The Company has a Dividend Reinvestment and Share Purchase Plan (as amended, the "DRIP"), that permits stockholders to acquire additional shares of Common Stock and Class A Common Stock by automatically reinvesting dividends. During fiscal 2019, the Company issued 4,545 shares of Common Stock and 5,417 shares of Class A Common Stock (4,528 shares of Common Stock and 5,766 shares of Class A Common Stock in fiscal 2018) through the DRIP. As of October 31, 2019, there remained 333,861 shares of Common Stock and 387,733 shares of Class A Common Stock available for issuance under the DRIP.

The Company has adopted a stockholder rights plan, pursuant to which each holder of Common Stock received a Common Stock right and each holder of Class A Common Stock received a Class A Common Stock right. The rights are not exercisable until the Distribution Date and will

expire on November 11, 2028, unless earlier redeemed by the Company. If the rights become exercisable, each holder of a Common Stock right will be entitled to purchase from the Company one one hundredth of a share of Series I Participating Preferred Stock, and each holder of a Class A Common Stock right will be entitled to purchase from the Company one one hundredth of a share of Series J Participating Preferred Stock, in each case, at a price of \$85, subject to adjustment. The "Distribution Date" will be the earlier to occur of the close of business on the tenth business day following: (a) a public announcement that an acquiring person has acquired beneficial ownership of 10% or more of the total combined voting power of the outstanding Common Stock and Class A Common Stock, or (b) the commencement of a tender offer or exchange offer that would result in the beneficial ownership of 30% or

more of the combined voting power of the outstanding Common Stock and Class A Common Stock, number of outstanding Common Stock, or the number of outstanding Class A Common Stock. Thereafter, if certain events occur, holders of Common Stock and Class A Common Stock, other than the acquiring person, will be entitled to purchase shares of Common Stock and Class A Common Stock, respectively, of the Company having a value equal to 2 times the exercise price of the 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 automatically will 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.

#### Stock Repurchase

The Board of Directors of the Company has approved a share repurchase program ("Current Repurchase Program") for the repurchase of up to 2,000,000 shares, in the aggregate, of Common stock, Class A Common stock and Series G Cumulative Preferred stock and Series H Cumulative Preferred stock in open market transactions.

For the year ended October 31, 2019, the Company did not repurchase any shares under the Current Repurchase Program. For the year ended October 31, 2018, the Company repurchased 6,660 shares of Class A Common Stock at the average price per Class A Common share of \$17.94 under the Current Repurchase Program. The Company has repurchased 195,413 shares of Class A Common Stock under the Current Repurchase Program. From the inception of all repurchase programs, the Company has repurchased 4,600 shares of Common Stock and 919,991 shares of Class A Common Stock.

## (8) STOCK COMPENSATION AND OTHER BENEFIT PLANS

#### Restricted Stock Plan

The Company has a Restricted Stock Plan, as amended (the "Plan") that provides a form of equity compensation for employees of the Company. In March 2019, the stockholders of the Company approved an increase in the number of shares available for grant under the Plan by 1,000,000 shares. The Plan, which is administered by the Company's compensation committee, authorizes grants of up to an aggregate of 5,500,000 shares of the Company's common equity consisting of 350,000 Common shares, 350,000 Class A Common shares and 4,800,000 shares, which at the discretion of the compensation committee, may be awarded in any combination of Class A Common shares or Common shares.

In fiscal 2019, the Company awarded 137,200 shares of Common Stock and 111,450 shares of Class A Common Stock to participants in the Plan. The grant date fair value of restricted stock grants awarded to participants in 2019 was approximately \$4.2 million. As of October 31, 2019, there was \$13.3 million of unamortized restricted stock compensation related to non-vested restricted stock grants awarded under the Plan. The remaining unamortized expense is expected to be recognized over a weighted average period of 4.5 years. For the years ended October 31, 2019, 2018 and 2017, amounts charged to compensation expense totaled \$4,336,000, \$4,394,000 and \$4,156,000, respectively.

A summary of the status of the Company's non-vested restricted stock awards as of October 31, 2019, and changes during the year ended October 31, 2019 is presented below:

	<u>Common Shares</u>		<u>Class A Common Shares</u>	
		Weighted-Average Grant Date		Weighted-Average Grant Date
	<u>Shares</u>	<u>Fair Value</u>	<u>Shares</u>	<u>Fair Value</u>
Non-vested at October 31, 2018	1,255,900	\$17.22	452,925	\$21.13
Granted	137,200	\$15.33	111,450	\$18.84
Vested	(247,000)	\$14.78	(77,000)	\$18.15
Forfeited	—	—	(24,150)	\$21.58
Non-vested at October 31, 2019	<u>1,146,100</u>	\$17.52	<u>463,225</u>	\$21.07

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Profit Sharing and Savings Plan

The Company has a profit sharing and savings plan (the "401K Plan"), which permits eligible employees to defer a portion of their compensation in accordance with the Internal Revenue Code. Under the 401K Plan, the Company made contributions on behalf of eligible employees. The Company made contributions to the 401K Plan of approximately \$224,000, \$220,000 and \$208,000 in each of the three years ended October 31, 2019, 2018 and 2017, respectively. The Company also has an Excess Benefit and Deferred Compensation Plan that allows 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.

### (9) FAIR VALUE MEASUREMENTS

ASC Topic 820, "Fair Value Measurements and Disclosures," defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants.

ASC Topic 820's valuation techniques are based on observable or unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1—Quoted prices for identical instruments in active markets
- Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which significant value drivers are observable
- Level 3—Valuations derived from valuation techniques in which significant value drivers are unobservable

The Company calculates the fair value of the redeemable noncontrolling interests based on either quoted market prices on national exchanges for those interests based on the Company's Class A Common stock (level 1), contractual redemption prices per share as stated in governing agreements (level 2) or unobservable inputs considering the assumptions that market participants would make in pricing the obligations (level 3). The level 3 inputs used include an estimate of the fair value of the cash flow generated by the limited partnership or limited liability company in which the investor owns the joint venture units capitalized at prevailing market rates for properties with similar characteristics or located in similar areas.

Marketable debt and equity securities are valued based on quoted market prices on national exchanges.

The fair values of interest rate swaps are determined using widely accepted valuation techniques, including discounted cash flow analysis, on the expected cash flows of each derivative. The analysis reflects the contractual terms of the swaps, including the period to maturity, and uses observable market-based inputs, including interest rate curves ("significant other observable inputs.") The fair value calculation also includes an amount for risk of non-performance using "significant unobservable inputs" such as estimates of current credit spreads to evaluate the likelihood of default. The Company has concluded, as of October 31, 2019 and 2018, that the fair value associated with the "significant unobservable inputs" relating to the Company's risk of non-performance was insignificant to the overall fair value of the interest rate swap agreements and, as a result, the Company has determined that the relevant inputs for purposes of calculating the fair value of the interest rate swap agreements, in their entirety, were based upon "significant other observable inputs."

The Company measures its redeemable noncontrolling interests, marketable equity and debt securities classified as available for sale securities and interest rate swap derivatives at fair value on a recurring basis. The fair value of these financial assets and liabilities was determined using the following inputs at October 31, 2019 and 2018 (amounts in thousands):

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>October 31, 2019</b>				
Liabilities:				
Interest Rate Swap Agreements	\$ 6,754	\$ —	\$ 6,754	\$ —
Redeemable noncontrolling interests	\$77,876	\$24,968	\$52,362	\$ 546
<b>October 31, 2018</b>				
Assets:				
Interest Rate Swap Agreements	\$ 7,011	\$ —	\$ 7,011	\$ —
Available for sale securities	\$ 5,567	\$ 5,567	\$ —	\$ —
Liabilities:				
Interest Rate Swap Agreements	\$ 114	\$ —	\$ 114	\$ —
Redeemable noncontrolling interests	\$78,258	\$22,131	\$53,359	\$2,768

Fair market value measurements based upon Level 3 inputs changed (in thousands) from \$3,846 at November 1, 2017 to \$2,768 at October 31, 2018 as a result of a \$1,096 decrease in the redemption value of the Company's noncontrolling interest in Ironbound in accordance with the application of ASC Topic 810. Fair market value measurements based upon Level 3 inputs changed from \$2,768 at November 1, 2018 to \$546 at October 31, 2019 as a result of a redemption of noncontrolling interest in Ironbound in August of fiscal 2019 in the amount of \$2,700 and a \$478 increase in the redemption value of the Company's noncontrolling interest in Ironbound in accordance with the application of ASC Topic 810.

#### Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, restricted cash, mortgage note receivable, tenant receivables, prepaid expenses, other assets, accounts payable and accrued expenses, are reasonable estimates of their fair values because of the short-term nature of these instruments. The carrying value of the Facility is deemed to be at fair value since the outstanding debt is directly tied to monthly LIBOR contracts. Mortgage notes payable that were assumed in property acquisitions were recorded at their fair value at the time they were assumed.

The estimated fair value of mortgage notes payable and other loans was approximately \$311 million and \$281 million at October 31, 2019 and October 31, 2018,

respectively. The estimated fair value of mortgage notes payable is based on discounting the future cash flows at a year-end risk adjusted borrowing rates currently available to the Company for issuance of debt with similar terms and remaining maturities. These fair value measurements fall within level 2 of the fair value hierarchy.

Although management is not aware of any factors that would significantly affect the estimated fair value amounts from October 31, 2018, 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.

#### (10) COMMITMENTS AND CONTINGENCIES

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

At October 31, 2019, the Company had commitments of approximately \$8.6 million for tenant-related obligations.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The unaudited quarterly results of operations for the years ended October 31, 2019 and 2018 are as follows (in thousands, except per share data):

	Year Ended October 31, 2019				Year Ended October 31, 2018			
	Quarter Ended				Quarter Ended			
	Jan 31	Apr 30	Jul 31	Oct 31	Jan 31	Apr 30	Jul 31	Oct 31
Revenues	<u>\$34,455</u>	<u>\$34,293</u>	<u>\$34,549</u>	<u>\$34,288</u>	<u>\$32,995</u>	<u>\$37,005</u>	<u>\$32,809</u>	<u>\$32,543</u>
Income from Continuing Operations	<u>\$10,018</u>	<u>\$ 9,960</u>	<u>\$11,427</u>	<u>\$10,208</u>	<u>\$ 9,079</u>	<u>\$14,022</u>	<u>\$ 9,780</u>	<u>\$ 9,302</u>
Net Income Attributable to								
Urstadt Biddle Properties Inc.	\$ 8,917	\$ 8,860	\$10,333	\$ 9,170	\$ 7,984	\$12,660	\$ 8,642	\$ 8,181
Preferred Stock Dividends	(3,063)	(3,062)	(3,063)	(3,601)	(3,063)	(3,062)	(3,063)	(3,062)
Redemption of Preferred Stock	—	—	—	(2,363)	—	—	—	—
Net Income Applicable to Common and Class A Common Stockholders	<u>\$ 5,854</u>	<u>\$ 5,798</u>	<u>\$ 7,270</u>	<u>\$ 3,206</u>	<u>\$ 4,921</u>	<u>\$ 9,598</u>	<u>\$ 5,579</u>	<u>\$ 5,119</u>
Per Share Data:								
Basic:								
Class A Common Stock	\$0.16	\$0.16	\$0.19	\$0.09	\$0.13	\$0.26	\$0.15	\$0.14
Common Stock	\$0.14	\$0.14	\$0.17	\$0.08	\$0.12	\$0.23	\$0.13	\$0.12
Diluted:								
Class A Common Stock	\$0.16	\$0.15	\$0.19	\$0.08	\$0.13	\$0.25	\$0.15	\$0.14
Common Stock	\$0.14	\$0.14	\$0.17	\$0.07	\$0.12	\$0.23	\$0.13	\$0.12

Amounts may not equal full year results due to rounding.

Certain prior period amounts are reclassified to correspond to current period presentation.

### (12) SUBSEQUENT EVENTS

On November 1, 2019, the Company redeemed all 3,000,000 shares of its Series G Cumulative Preferred Stock at a redemption price of \$25.00 per share, inclusive of all accrued and unpaid dividends for \$75.0 million.

On December 17, 2019, the Board of Directors of the Company declared cash dividends of \$0.25 for each share of Common Stock and \$0.28 for each share of Class A Common Stock. The dividends are payable on January 17, 2020 to stockholders of record on January 3, 2020. The Board of Directors also ratified the actions of the Company's compensation committee authorizing awards of 105,450 shares of Common Stock and 120,800 shares of Class A Common Stock to certain officers, directors and employees of the Company effective January 2, 2020, pursuant to the Company's restricted stock plan. The fair value of the shares awarded totaling \$5.0 million will be charged to expense over the requisite service periods (see note 1).



# REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Urstadt Biddle Properties Inc.

## **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Urstadt Biddle Properties Inc. (the “Company”) as of October 31, 2019 and 2018, and the related consolidated statements of income, comprehensive income, stockholders’ equity, and cash flows for each of the three years in the period ended October 31, 2019, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of October 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended October 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of October 31, 2019, based on criteria established in *Internal Control–Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated January 9, 2020, expressed an unqualified opinion thereon.

## **Basis for Opinion**

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/PKF O’Connor Davies, LLP

We have served as the Company’s auditor since 2006.

New York, New York  
January 9, 2020

# 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.

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report of Urstadt Biddle Properties Inc. contains certain forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These statements can be identified by the fact that they do not relate strictly to historical or current facts or by such words as "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "intend," "may," "plan," "seek," "should," "will" or variations of such words or other similar expressions and the negatives of such words. All statements included in this report that address activities, events or developments that we expect, believe or anticipate will or may occur in the future, including such matters as future capital expenditures, dividends and acquisitions (including the amount and nature thereof), business strategies, expansion and growth of our operations, expected leasing results and other such matters, are forward-looking statements. These statements are based on certain assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions, expected future developments and other factors we believe are appropriate. Such statements are inherently subject to risks, uncertainties and other factors, many of which cannot be predicted with accuracy and some of which might not even be anticipated. Future events and actual results, performance or achievements, financial and otherwise, may differ materially from the results, performance or achievements expressed or implied by the forward-looking statements. Risks, uncertainties and other factors that might cause such differences, some of which could be material, include, but are not limited to:

- economic and other market conditions, including local real estate and market conditions, that could impact us, our properties or the financial stability of our tenants;
- financing risks, such as the inability to obtain debt or equity financing on favorable terms, as well as the level and volatility of interest rates;
- any difficulties in renewing leases, filling vacancies or negotiating improved lease terms;
- the inability of the Company's properties to generate revenue increases to offset expense increases;
- environmental risk and regulatory requirements;
- risks of real estate acquisitions and dispositions (including the failure of transactions to close);
- risks of operating properties through joint ventures that we do not fully control;
- risks related to our status as a real estate investment

trust, including the application of complex federal income tax regulations that are subject to change.

Forward-looking statements speak only as of the date of this filing. Except as expressly required under federal securities laws and the rules and regulations of the SEC, we do not undertake any obligation to update any forward-looking statements to reflect events or circumstances arising after the date of this filing, whether as a result of new information or future events or otherwise. You should not place undue reliance on the forward-looking statements included in this filing or that may be made elsewhere from time to time by us, or on our behalf. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

## EXECUTIVE SUMMARY

### Overview

We are a fully integrated, self-administered real estate company that has elected to be a REIT for federal income tax purposes, engaged in the acquisition, ownership and management of commercial real estate, primarily neighborhood and community shopping centers, with a concentration in the metropolitan New York tri-state area outside of the City of New York. Other real estate assets include office properties, single tenant retail or restaurant properties and office/retail mixed use properties. Our major tenants include supermarket chains and other retailers who sell basic necessities.

At October 31, 2019, we owned or had equity interests in 83 properties, which include equity interests we own in five consolidated joint ventures and six unconsolidated joint ventures, containing a total of 5.3 million square feet of Gross Leasable Area ("GLA"). Of the properties owned by wholly-owned subsidiaries or joint venture entities that we consolidate, approximately 92.9% was leased (93.2% at October 31, 2018). Of the properties owned by unconsolidated joint ventures, approximately 96.1% was leased (96.3% at October 31, 2018).

We have paid quarterly dividends to our shareholders continuously since our founding in 1969 and have increased the level of dividend payments to our shareholders for 26 consecutive years.

We derive substantially all of our revenues from rents and operating expense reimbursements received pursuant to long-term leases and focus our investment activities on community and neighborhood shopping centers, anchored principally by regional supermarket or pharmacy chains. We believe that because consumers need to purchase food and other types of staple goods and services generally available at supermarket- and

pharmacy-anchored shopping centers, the nature of our investments provides for relatively stable revenue flows even during difficult economic times.

We have a conservative capital structure, which includes permanent equity sources of Common Stock, Class A Common Stock and as of October 31, 2019, three series of perpetual preferred stock, which are only redeemable at our option. We redeemed our Series G preferred stock on November 1, 2019. In addition, we have mortgage debt secured by some of our properties. We do not have any secured debt maturing until January of 2022.

We focus on increasing cash flow, and consequently the value of our properties, and seek continued growth through strategic re-leasing, renovations and expansions of our existing properties and selective acquisitions of income-producing properties. Key elements of our growth strategies and operating policies are to:

- acquire quality neighborhood and community shopping centers in the northeastern part of the United States with a concentration on properties in the metropolitan New York tri-state area outside of the City of New York, and unlock further value in these properties with selective enhancements to both the property and tenant mix, as well as improvements to management and leasing fundamentals. Our hope is to grow our assets through acquisitions by 5% to 10% per year on a dollar value basis subject to the availability of acquisitions that meet our investment parameters;
- selectively dispose of underperforming properties and re-deploy the proceeds into potentially higher performing properties that meet our acquisition criteria;
- invest in our properties for the long term through regular maintenance, periodic renovations and capital improvements, enhancing their attractiveness to tenants and customers, as well as increasing their value;
- leverage opportunities to increase GLA at existing properties, through development of pad sites and reconfiguring of existing square footage, to meet the needs of existing or new tenants;
- proactively manage our leasing strategy by aggressively marketing available GLA, renewing existing leases with strong tenants, and replacing weak ones when necessary, with an eye toward securing leases that include regular or fixed contractual increases to minimum rents, replacing below-market-rent leases with increased market rents when possible and further improving the quality of our tenant mix at our shopping centers;
- maintain strong working relationships with our tenants, particularly our anchor tenants;

- maintain a conservative capital structure with low debt levels; and
- control property operating and administrative costs.

#### *Highlights of Fiscal 2019; Recent Developments*

Set forth below are highlights of our recent property acquisitions, other investments, property dispositions and financings:

- In December 2018, we purchased the Lakeview Plaza Shopping Center for \$12 million, exclusive of closing costs. Lakeview is a 177,000 square foot grocery-anchored shopping center located in Brewster, NY. When we purchased the property, we anticipated having to invest up to \$8 million for capital improvements and for re-tenanting at the property. We purchased the property with available cash and a borrowing on our Unsecured Revolving Credit Facility (“Facility”). As of the date of this report, we have expended approximately \$5.4 million of the \$8 million anticipated additional investment.
- In March 2019, we completed the refinancing of our \$14.9 million mortgage secured by our Darien, CT shopping center. The new mortgage principal balance is \$25 million, and the note has a term of ten years and requires payments of principal and interest at the rate of LIBOR plus 1.65%. We also entered into an interest rate swap with the new lender, which converts the variable interest rate (based on LIBOR) to a fixed rate of 4.815% per annum. The fixed interest rate on the refinanced mortgage was 6.55%.
- In March 2019, we completed the refinancing of our existing \$9.1 million mortgage secured by our Newark, NJ shopping center. The new mortgage principal balance is \$10 million, and the note has a term of ten years and requires payments of principal and interest at the fixed rate of 4.63%, which is a reduction from the fixed interest rate of 6.15% on the refinanced mortgage.
- In March 2019, we sold Plaza 59, a commercial real estate property located in Spring Valley, NY of which we owned a 50% undivided tenancy-in-common interest, which we accounted for under the equity method of accounting. The total loss on sale was \$924,000, of which our 50% share was \$462,000. This resulted in our equity in net income from Plaza 59 being reduced by \$462,000. This loss has been added back to our Funds from Operations (“FFO”) as discussed below.
- In June 2019, we placed a first mortgage on our Brewster, NY property. The new mortgage has a principal balance of \$12.0 million, has a term of

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

10 years and requires payments of principal and interest at the rate of LIBOR plus 1.75%. Concurrent with entering into the mortgage, we also entered into an interest rate swap contract with the new lender, which converts the variable interest rate (based on LIBOR) to a fixed rate of 3.6325% per annum.

- In June 2019, we sold our Starbucks Plaza Shopping Center located in Monroe, CT as that property did not meet our stated investment objective of owning grocery or pharmacy-anchored shopping centers in the suburban communities that surround New York City. The property was acquired by us in 2007, and we sold the property for \$3.65 million and realized a gain on sale of \$416,000. This gain is not included in our Funds from Operations ("FFO") as discussed below.
- In June 2019, we redeemed 4,150 units of UB New City I, LLC ("New City") from the noncontrolling member. The total cash price paid for the redemption was \$91,000. As a result of the redemption, our ownership percentage of New City increased to 78.2% from 75.3%.
- In June 2019 and August 2019, we redeemed 62,696 units of UB High Ridge, LLC ("High Ridge") from the noncontrolling member. The total cash price paid for the redemption was \$1.4 million. As a result of the redemption, our ownership percentage of High Ridge increased to 13.3% from 10.9%.
- In August 2019, we redeemed for \$3 million the remaining 16% limited partnership interest in UB Ironbound, LP ("Ironbound"). Ironbound owns a grocery-anchored shopping center located in Newark, NJ. After the redemption, we own 100% of the limited partnership, through two wholly-owned subsidiaries.
- In October 2019, we completed the public offering of 4,400,000 shares of 5.875% Series K Cumulative Preferred Stock at a price of \$25 per share for net proceeds of \$106.5 million after underwriting discounts but before offering expenses.
- On October 1, 2019, we issued a notice of our intent to redeem, on November 1, 2019, all of the outstanding shares of our Series G Cumulative Preferred Stock for \$25 per share, which includes all unpaid dividends. The total redemption amount was \$75 million. As a result of our redemption notice, we recognized a charge of \$2.4 million on our consolidated statement of income for the fiscal year ended October 31, 2019, which represents the difference between redemption value of the stock and carrying value net of original deferred stock issuance costs.

### *Known Trends; Outlook*

We believe that shopping center REITs face opportunities and challenges that are both common to and unique from other REITs and real estate companies. As a shopping center REIT, we are focused on certain challenges that are unique to the retail industry. In particular, we recognize the challenges presented by e-commerce to brick-and-mortar retail establishments, including our tenants. However, we believe that because consumers prefer to purchase food and other staple goods and services available at supermarkets in person, the nature of our properties makes them less vulnerable to the encroachment of e-commerce than other properties whose tenants may more directly compete with the internet. Moreover, we believe the nature of our properties makes them less susceptible to economic downturns than other retail properties whose anchor tenants are not supermarkets or other staple goods providers. We note, however, that many prospective in-line tenants are seeking smaller spaces than in the past, as a result, in part, of internet encroachment on their brick-and-mortar business. When feasible, we actively work to place tenants that are less susceptible to internet encroachment, such as restaurants, fitness centers, healthcare and personal services. We continue to be sensitive to these considerations when we establish the tenant mix at our shopping centers, and believe that our strategy of focusing on supermarket anchors is a strong one.

In the metropolitan tri-state area outside of New York City, demographics (income, density, etc.) remain strong and opportunities for new development, as well as acquisitions, are competitive, with high barriers to entry. We believe that this will remain the case for the foreseeable future, and have focused our growth strategy accordingly.

As a REIT, we are susceptible to changes in interest rates, the lending environment, the availability of capital markets and the general economy. The impact of such changes are difficult to predict.

### **Leasing**

#### *Rollovers*

For the fiscal year 2019, we signed leases for a total of 676,000 square feet of predominantly retail space in our consolidated portfolio. New leases for vacant spaces were signed for 179,000 square feet at an average rental increase of 1.3% on a cash basis, excluding 2,500 square feet of new leases for which there was no prior rent history available. Renewals for 494,000 square feet of space previously occupied were signed at an average rental increase of 1.4% on a cash basis.

Tenant improvements and leasing commissions averaged \$36 per square foot for new leases and \$1.58 per square foot for renewals for the fiscal year ended 2019.

The average term for new leases was 6 years and the average term for renewal leases was 4 years.

The rental increases/decreases associated with new and renewal leases generally include all leases signed in arms-length transactions reflecting market leverage between landlords and tenants. The comparison between average rent for expiring leases and new leases is determined by including minimum rent paid on the expiring lease and minimum rent to be paid on the new lease in the first year. In some instances, management exercises judgment as to how to most effectively reflect the comparability of spaces reported in this calculation. The change in rental income on comparable space leases is impacted by numerous factors including current market rates, location, individual tenant creditworthiness, use of space, market conditions when the expiring lease was signed, the age of the expiring lease, capital investment made in the space and the specific lease structure. Tenant improvements include the total dollars committed for the improvement (fit-out) of a space as it relates to a specific lease but may also include base building costs (i.e. expansion, escalators or new entrances) that are required to make the space leasable. Incentives (if applicable) include amounts paid to tenants as an inducement to sign a lease that do not represent building improvements.

The leases signed in 2019 generally become effective over the following one to two years. There is risk, however, that some new tenants will not ultimately take possession of their space and that tenants for both new and renewal leases may not pay all of their contractual rent due to operating, financial or other reasons.

In 2020, we believe our leasing volume will be in-line with our historical averages with overall positive increases in rental income for renewal leases and a range of positive 5% to negative 5% for new leases, although that is difficult to predict because it depends on the many factors that can influence the variance. However, changes in rental income associated with individual signed leases on comparable spaces may be positive or negative, and we can provide no assurance that the rents on new leases will continue to increase at the above described levels, if at all.

#### *Significant Events with Impacts on Leasing*

Since the 2015 bankruptcy of A&P, its former grocery store space at our Pompton Lakes shopping center, totaling 63,000 square feet, has remained vacant. We are continuing to market that space for re-lease and are considering other redevelopment options at that shopping center. In July 2018, one other 36,000 square foot space formerly occupied by A&P that we had released to a local grocery operator became vacant, as that operator failed to perform under its lease and was evicted. We have signed a lease with Whole Foods Market for this location, and we expect to deliver the space to the lessee early in 2020.

In May 2018, the grocery tenant occupying 30,600 square feet at our Passaic, NJ property went vacant, the tenant was evicted, and the lease was terminated. In May 2019, we signed two leases to re-lease a large portion of this space at a rental rate that is 12% below the rent we received from the prior grocery tenant.

In March 2018, we reached agreement with the grocery tenant at our Newark, NJ property to terminate its 63,000 square foot lease in exchange for a \$3.7 million lease termination payment, which was recorded as revenue in the second quarter of fiscal year ended October 31, 2018. Also, in April 2018, we leased that same space to a new grocery store operator which took possession in May 2018. While the rental rate on the new lease is 30% less than the rental rate on the terminated lease, we hope that part of this decreased rental rate will be recaptured with the receipt of percentage rent in subsequent years as the store matures and its sales increase. The new lease required no tenant improvements or tenant allowances.

In 2017, Toys R' Us and Babies R' Us ("Toys") filed a voluntary petition under chapter 11 of title 11 of the United States Bankruptcy Code. Subsequently, Toys determined that it would be liquidating the company. Toys ground leased 65,700 square feet of space at our Danbury, CT shopping center. In August 2018, this lease was purchased out of bankruptcy from Toys and assumed by a new owner. The base lease rate for the 65,700 square foot space was and remains at \$0 for the duration of the lease, and we did not have any other leases with Toys R' Us or Babies R' Us, so our cash flow was not impacted by the bankruptcy of Toys R' Us and Babies R' Us. As of the date of this report, we have not been informed by the new owner of the lease which operator will occupy the space.

In the fourth quarter of fiscal 2019, we leased a 29,800 square foot grocery store space located in our Eastchester, NY property to a new operator at a rental rate that is 120% higher than the rent the prior grocery store operator was paying.

#### *Impact of Inflation on Leasing*

Our long-term leases contain provisions to mitigate the adverse impact of inflation on our operating results. Such provisions include clauses entitling us to receive (a) scheduled base rent increases and (b) percentage rents based upon tenants' gross sales, which generally increase as prices rise. In addition, many of our non-anchor leases are for terms of less than ten years, which permits us 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 our leases require tenants to pay a share of operating expenses, including common area maintenance, real estate taxes, insurance and utilities, thereby reducing our exposure to increases in costs and operating expenses resulting from inflation.

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

## 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. For a further discussion about the Company's critical accounting policies, please see Note 1 to our consolidated financial statements included in this Annual Report.

## LIQUIDITY AND CAPITAL RESOURCES

### Overview

At October 31, 2019, we had cash and cash equivalents of \$94.1 million (see below), compared to \$10.3 million at October 31, 2018. Our sources of liquidity and capital resources include operating cash flow from real estate operations, proceeds from bank borrowings and long-term mortgage debt, capital financings and sales of real estate investments. Substantially all of our revenues are derived from rents paid under existing leases, which means that our operating cash flow depends on the ability of our tenants to make rental payments. In fiscal 2019, 2018 and 2017, net cash flow provided by operations amounted to \$72.3 million, \$71.6 million and \$63.0 million, respectively.

On November 1, 2019, we redeemed all 3,000,000 outstanding shares of our 6.75% Series G Cumulative Preferred Stock for \$25 per share, which included all accrued and unpaid dividends. The total amount of the redemption amounted to \$75 million. The redemption was funded with proceeds from our recently completed sale of 4,400,000 shares of 5.875% Series K Cumulative preferred stock. We issued the Series K shares on October 1, 2019 and raised proceeds of \$106.5 million.

Our short-term liquidity requirements consist primarily of normal recurring operating expenses and capital expenditures, debt service, management and professional fees, and regular dividends paid to our Common and Class A Common stockholders, which we expect to continue. Cash dividends paid on Common and Class A Common stock for the years ended October 31, 2019 and 2018 totaled \$42.6 million and \$41.6 million, respectively. Historically, we have met short-term liquidity requirements, which is defined as a rolling twelve-month period, primarily by generating net cash from the operation of our properties. We believe that our net cash provided by operations will continue to be sufficient to fund our short-term liquidity requirements, including payment of dividends necessary to maintain our federal income tax REIT status.

Our long-term liquidity requirements consist primarily of obligations under our long-term debt, dividends paid to our preferred stockholders, capital expenditures and capital required for acquisitions. In addition, the limited partners and non-managing members of our five consolidated joint venture entities, UB McLean, LLC, UB Orangeburg, LLC, UB High Ridge, LLC, UB Dumont I, LLC and UB New City I, LLC, have the right to require the Company to repurchase all or a portion of their limited partner or non-managing member interests at prices and on terms as set forth in the governing agreements. See Note 5 to our consolidated financial statements included in this Annual Report. Historically, we have financed the foregoing requirements through operating cash flow, borrowings under our Facility, debt refinancings, new debt, equity offerings and other capital market transactions, and/or the disposition of under-performing assets, with a focus on keeping our leverage low. We expect to continue doing so in the future. We cannot assure, however, that these sources will always be available to us when needed, or on the terms we desire.

### Capital Expenditures

We invest in our existing properties and regularly make capital expenditures in the ordinary course of business to maintain our properties. We believe that such expenditures enhance the competitiveness of our properties. In fiscal 2019, we paid approximately \$18.7 million for land improvements, property improvements, tenant improvements and leasing commission costs (approximately \$5.2 million representing land improvements (see Highlights of Fiscal 2019 above), \$6.8 million representing property improvements and approximately \$6.7 million related to new tenant space improvements, leasing costs and capital improvements as a result of new tenant spaces). The amount of these expenditures can vary significantly depending on tenant negotiations, market conditions and rental rates. We expect to incur approximately \$8.6 million predominantly for anticipated capital improvements and leasing costs related to new tenant leases and property improvements during fiscal 2020. These expenditures are expected to be funded from operating cash flows, bank borrowings or other financing sources.

We are currently in the process of developing 3.4 acres of recently-acquired land adjacent to a shopping center we own in Stratford, CT. We are building two pad site buildings totaling approximately 5,260 square feet, which are pre-leased to national restaurant chains and a self-storage facility of approximately 131,000 square feet, which will be managed for us by a national self-storage company. We anticipate the total development cost will be

approximately \$15 million over the next two years, which we plan on funding with available cash, by borrowing on our Facility or by using other sources of equity as more fully described above. We expect to complete the construction of one of the retail pads and the self-storage building in the fall of 2020.

*Financing Strategy, Unsecured Revolving Credit Facility and Other Financing Transactions*

Our strategy is to maintain a conservative capital structure with low leverage levels by commercial real estate standards. Mortgage notes payable and other loans of \$306.6 million primarily consist of \$1.7 million in variable rate debt with an interest rate of 5.0% as of October 31, 2019 and \$303.4 million in fixed-rate mortgage loan and unsecured note indebtedness with a weighted average interest rate of 4.1% at October 31, 2019. The mortgages are secured by 24 properties with a net book value of \$559 million and have fixed rates of interest ranging from 3.5% to 4.9%. The \$1.7 million in variable rate debt is unsecured. We may refinance our mortgage loans, at or prior to scheduled maturity, through replacement mortgage loans. The ability to do so, however, is dependent upon various factors, including the income level of the properties, interest rates and credit conditions within the commercial real estate market. Accordingly, there can be no assurance that such re-financings can be achieved.

In addition, from time to time we have amounts outstanding on our Facility (see below) that are not fixed through an interest rate swap or otherwise. See “Quantitative and Qualitative Disclosures about Market Risk” included in this Annual Report for additional information on our interest rate risk. At October 31, 2019, we had no draws outstanding on our Facility.

We currently maintain a ratio of total debt to total assets below 29% and a fixed charge coverage ratio of over 3.49 to 1 (excluding preferred stock dividends), which we believe will allow us to obtain additional secured mortgage loans or other types of borrowings, if necessary. We own 53 properties in our consolidated portfolio that are not encumbered by secured mortgage debt. At October 31, 2019, we had borrowing capacity of \$99 million on our Facility. Our Facility includes financial covenants that limit, among other things, our ability to incur unsecured and secured indebtedness. See Note 4 to our consolidated financial statements included in this Annual Report for additional information on these and other restrictions.

*Unsecured Revolving Credit Facility and Other Property Financings*

We have a \$100 million unsecured revolving credit facility with a syndicate of three banks, BNY Mellon, BMO and Wells Fargo N.A. with the ability under certain conditions to additionally increase the capacity to \$150 million, subject to lender approval. The maturity date of the Facility is August 23, 2020 with a one-year extension at our option. Borrowings under the Facility can be used for general corporate purposes and the issuance of up to \$10 million of letters of credit. Borrowings will bear interest at our option of Eurodollar rate plus 1.35% to 1.95% or BNY Mellon’s prime lending rate plus 0.35% to 0.95%, based on consolidated indebtedness, as defined. We pay a quarterly commitment fee on the unused commitment amount of 0.15% to 0.25% per annum, based on outstanding borrowings during the year. As of October 31, 2019, we had no outstanding borrowings on the Facility. Our ability to borrow under the Facility is subject to our compliance with the covenants and other restrictions on an ongoing basis. As discussed above, the principal financial covenants limit our level of secured and unsecured indebtedness and additionally require us to maintain certain debt coverage ratios. We were in compliance with such covenants at October 31, 2019.

During the year ended October 31, 2019, we borrowed \$25.5 million on our Facility for property acquisitions, to fund capital improvements to our properties and for general corporate purposes. For the year ended October 31, 2019, we repaid \$54.1 million of borrowings on our Facility with available cash, proceeds from mortgage financings, proceeds from investment property sales and proceeds from the issuance of a new Series of preferred stock.

See Note 4 to our consolidated financial statements included in this Annual Report for a further description of mortgage financing transactions in fiscal 2019.

*Net Cash Flows from Operating Activities*

*Increase from fiscal 2018 to 2019:*

The increase in operating cash flows was primarily due to our properties generating additional operating income in the fiscal year ended October 31, 2019 when compared with the corresponding prior period. This additional operating income was predominantly from properties acquired in fiscal 2018 and fiscal 2019 offset by a decrease in lease termination income of \$3.6 million in fiscal 2019 when compared with fiscal 2018. In fiscal 2018 one of our grocery store tenants paid us \$3.7 million to terminate its lease early.

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

### *Increase from fiscal 2017 to 2018:*

The increase in operating cash flows was primarily due to our properties generating additional operating income in the fiscal year ended October 31, 2018 when compared with the corresponding prior period. This additional operating income was predominantly from properties acquired in fiscal 2017 and fiscal 2018 and lease termination income of \$3.8 million received in fiscal 2018 versus \$2.4 million in fiscal 2017.

### *Net Cash Flows from Investing Activities*

#### *Decrease from fiscal 2018 to 2019:*

The decrease in net cash flows used in investing activities in fiscal 2019 when compared to fiscal 2018 was the result of selling our marketable security portfolio in the second quarter of fiscal 2019 and realizing proceeds on that sale of \$6 million. The marketable securities were purchased in the first half of fiscal 2018. These transactions created an \$11 million positive variance in cash flows from investing activities in fiscal 2019 when compared with the corresponding prior period. In addition, the decrease in cash flows used in investing activities was the result of one of our unconsolidated joint ventures selling a property it owned in the second quarter of fiscal 2019 and distributing \$5 million in sales proceeds to us. In addition, this decrease in net cash used by investing activities was the result of us selling one property in fiscal 2019 that provided \$3.4 million in sales proceeds versus having no property sales in the corresponding prior period. This decrease in net cash used by investing activities was partially offset by us acquiring one property for \$12 million in fiscal 2019 versus purchasing three properties in fiscal 2018 that required \$6.8 million in equity and expending \$10.5 million more for improvements to properties and deferred charges in fiscal 2019 versus the corresponding prior period.

#### *Increase from fiscal 2017 to 2018:*

The increase in net cash flows used in investing activities in fiscal 2018 when compared to net cash provided by investing activities in fiscal 2017 was the result of our selling two properties in fiscal 2017, which generated proceeds of \$45.3 million. We did not sell any properties in fiscal 2018. In addition, we had provided \$13.5 million in mortgage financing to a shopping center we did not own in fiscal 2016. That loan was repaid to us in fiscal 2017. This net increase in cash used in investing activities was offset by expending \$23.7 million less on property acquisitions in fiscal 2018 when compared with the corresponding prior period.

We regularly make capital investments in our properties for property improvements, tenant improvements costs and leasing commissions.

### *Net Cash Flows from Financing Activities*

#### **Cash generated:**

##### *Fiscal 2019: (Total \$178.9 million)*

- Proceeds from revolving credit line borrowings in the amount of \$25.5 million.
- Proceeds from mortgage financing of \$47 million.
- Proceeds from the issuance of a new series of preferred stock totaling \$106.2 million.

##### *Fiscal 2018: (Total \$43.8 million)*

- Proceeds from revolving credit line borrowings in the amount of \$33.6 million.
- Proceeds from mortgage financing of \$10 million.

##### *Fiscal 2017: (Total \$213.5 million)*

- Proceeds from mortgage note payable in the amount of \$50 million.
- Proceeds from revolving credit line borrowings in the amount of \$52 million.
- Proceeds from the issuance of Series H Preferred Stock in the amount of \$111.3 million.

#### **Cash used:**

##### *Fiscal 2019: (Total \$152.7 million)*

- Dividends to shareholders in the amount of \$55.4 million.
- Repayment of mortgage notes payable in the amount of \$33.4 million.
- Repayment of revolving credit line borrowings in the amount of \$54.1 million.
- Additional acquisitions and distributions to noncontrolling interests of \$9.5 million.

##### *Fiscal 2018: (Total \$87.3 million)*

- Dividends to shareholders in the amount of \$53.9 million.
- Repayment of mortgage notes payable in the amount of \$24.1 million.
- Repayment of revolving credit line borrowings in the amount of \$9 million.

##### *Fiscal 2017: (Total \$291.4 million)*

- Dividends to shareholders in the amount of \$55.6 million.
- Repayment of mortgage notes payable in the amount of \$43.7 million.
- Repayment of revolving credit line borrowings in the amount of \$56 million.
- Redemption of preferred stock in the amount of \$129.4 million.



## RESULTS OF OPERATIONS

**Fiscal 2019 vs. Fiscal 2018**

The following information summarizes our results of operations for the years ended October 31, 2019 and 2018 (amounts in thousands):

	Year Ended October 31,		Change Attributable to:			
	2019	2018	Increase (Decrease)	% Change	Property Acquisitions/ Sales	Properties Held in Both Periods (Note 1)
<b>Revenues</b>						
Base rents	\$99,270	\$95,902	\$ 3,368	3.5%	\$2,816	\$ 552
Recoveries from tenants	32,784	31,144	1,640	5.3%	1,091	549
Lease termination	221	3,795	(3,574)	-94.2%	—	(3,574)
Other income	5,310	4,511	799	17.7%	270	529
<b>Operating Expenses</b>						
Property operating	21,901	22,009	(108)	-0.5%	990	(1,098)
Property taxes	23,363	21,167	2,196	10.4%	820	1,376
Depreciation and amortization	27,927	28,324	(397)	-1.4%	412	(809)
General and administrative	9,405	9,223	182	2.0%	n/a	n/a
<b>Non-Operating Income/Expense</b>						
Interest expense	14,102	13,678	424	3.1%	213	211
Interest, dividends, and other investment income	403	350	53	15.1%	n/a	n/a

Note 1—Properties held in both periods includes only properties owned for the entire periods of 2019 and 2018 and for interest expense the amount also includes parent company interest expense. All other properties are included in the property acquisition/sales column. There are no properties excluded from the analysis.

**Revenues**

Base rents increased by 3.5% to \$99.3 million in fiscal 2019, as compared with \$95.9 million in the comparable period of 2018. The increase in base rents and the changes in other income statement line items were attributable to:

*Property Acquisitions and Properties Sold:*

In fiscal 2018, we purchased three properties totaling 53,700 square feet of GLA. In fiscal 2019, we purchased one property totaling 177,000 square feet and sold one property totaling 10,100 square feet. These properties accounted for all of the revenue and expense changes attributable to property acquisitions and sales in the fiscal year ended 2019 when compared with fiscal 2018.

*Properties Held in Both Periods:***Revenues***Base Rent*

The net increase in base rents for the fiscal year ended 2019 when compared to the corresponding prior period, was predominantly caused by positive leasing activity at several properties held in both periods accentuated by a lease renewal with a grocery-store tenant at a significantly

higher rent than the expiring period rent, both of which created a positive variance in base rent.

In fiscal 2019, we leased or renewed approximately 676,000 square feet (or approximately 14.8% of total consolidated property leasable area). At October 31, 2019, the Company's consolidated properties were 92.9% leased (93.2% leased at October 31, 2018).

*Tenant Recoveries*

In the fiscal year ended 2019, recoveries from tenants (which represent reimbursements from tenants for operating expenses and property taxes) increased by \$549,000 when compared with the corresponding prior period. This increase was a result of an increase in property tax expense caused by an increase in property tax assessments predominantly related to properties the Company owns in Stamford, CT. This increase was partially offset by a decrease in property operating expenses mostly related to a decrease in snow removal costs at our properties owned in both periods.

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

## *Lease Termination Income*

In April 2018, we reached agreement with the grocery tenant at our Newark, NJ property to terminate its 63,000 square foot lease in exchange for a one-time \$3.7 million lease termination payment, which we received and recorded as revenue in the second quarter of fiscal 2018. Also in March 2018, we leased that same space to a new grocery store operator who took possession in May 2018. While the rental rate on the new lease is 30% less than the rental rate on the terminated lease, we hope that part of this decreased rental rate will be recaptured with the receipt of percentage rent in subsequent years as the store matures and its sales increase. The new lease required no tenant improvement allowance.

## **Expenses**

### *Property Operating*

In fiscal year ended October 31, 2019, property operating expenses decreased by \$1.1 million when compared with the corresponding prior periods, predominantly as a result of a decrease in snow removal costs at our properties owned in both periods.

### *Property Taxes*

In the fiscal year ended October 31, 2019 property taxes increased by \$1.4 million when compared with the

corresponding prior period, as a result of an increase in property tax assessments for a number of our properties owned in both periods, specifically those located in Stamford, CT.

### *Interest*

In the fiscal year ended October 31, 2019 interest expense increased by a net \$211,000 when compared with the corresponding prior period as a result of the Company having a larger balance drawn on its Facility for a large portion of fiscal 2019 when compared with the corresponding prior periods, offset by mortgage refinancings at lower interest rates than the refinanced mortgage notes.

### *Depreciation and Amortization*

In the fiscal year ended October 31, 2019, depreciation and amortization decreased by \$809,000 when compared with the prior period primarily as a result of increased ASC Topic 805 amortization expense for lease intangibles in fiscal year ended October 31, 2018 for a tenant who vacated the property and whose lease was terminated.

### *General and Administrative Expenses*

General and administrative expense was relatively unchanged in the fiscal year ended October 31, 2019 when compared with the corresponding prior period.

## **Fiscal 2018 vs. Fiscal 2017**

The following information summarizes our results of operations for the years ended October 31, 2018 and 2017 (amounts in thousands):

	Year Ended October 31,		Change Attributable to:			
	2018	2017	Increase (Decrease)	% Change	Property Acquisitions/ Sales	Properties Held in Both Periods (Note 2)
<b>Revenues</b>						
Base rents	\$95,902	\$88,383	\$7,519	8.5%	\$ 5,624	\$1,895
Recoveries from tenants	31,144	28,676	2,468	8.6%	1,444	1,024
Lease termination	3,795	2,432	1,363	56.0%	(2,148)	3,511
Other income	4,511	4,069	442	10.9%	(198)	640
<b>Operating Expenses</b>						
Property operating	22,009	20,074	1,935	9.6%	1,133	802
Property taxes	21,167	19,621	1,546	7.9%	833	713
Depreciation and amortization	28,324	26,512	1,812	6.8%	1,895	(83)
General and administrative	9,223	9,183	40	0.4%	n/a	n/a
<b>Non-Operating Income/Expense</b>						
Interest expense	13,678	12,981	697	5.4%	646	51
Interest, dividends, and other investment income	350	356	(6)	-1.7%	n/a	n/a

Note 2—Properties held in both periods includes only properties owned for the entire periods of 2018 and 2017 and for interest expense the amount also includes parent company interest expense. All other properties are included in the property acquisition/sales column. There are no properties excluded from the analysis.

## Revenues

Base rents increased by 8.5% to \$95.9 million in fiscal 2018, as compared with \$88.4 million in the comparable period of 2017. The increase in base rents and the changes in other income statement line items were attributable to:

### *Property Acquisitions and Properties Sold:*

In fiscal 2017, we purchased four properties totaling 114,700 square feet of GLA, invested in two joint ventures that own four properties totaling 173,600 square feet, whose operations we consolidate, and sold two properties totaling 203,800 square feet. In fiscal 2018, we purchased three properties totaling 53,700 square feet. These properties accounted for all of the revenue and expense changes attributable to property acquisitions and sales in fiscal year ended October 31, 2018 when compared with fiscal 2017.

### *Properties Held in Both Periods:*

## Revenues

### *Base Rents*

The increase in base rents for properties owned in both periods was predominantly attributable to new leasing activity at several properties held in both periods that created a positive variance in base rents. This positive variance in base rents was accentuated by our writing off \$633,000 in accrued straight-line rent in the third quarter of fiscal 2017 relating to a tenant who had occupied a 36,000 square foot grocery space at our Valley Ridge property. This tenant failed to perform under its lease, and the lease was terminated in the third quarter of fiscal 2017.

In fiscal 2018, the Company leased or renewed approximately 707,000 square feet (or approximately 16% of total consolidated property leasable area). At October 31, 2018, the Company's consolidated properties were approximately 93.2% leased (92.7% leased at October 31, 2017).

### *Tenant Recoveries*

For the year ended October 31, 2018, recoveries from tenants for properties owned in both periods, which represents reimbursements from tenants for operating expenses and property taxes, increased by \$1.0 million. This increase was the result of increases in both property operating expenses and property tax expense in the consolidated portfolio for properties owned in fiscal 2018 when compared with the corresponding prior period. The increases in property operating expenses were related

to increased costs for snow removal, roof repairs and parking lot repairs at our properties, and the increases in property tax expenses were related to increases in property tax assessments.

### *Lease Termination Income*

In April 2018, we reached agreement with the grocery tenant at our Newark, NJ property to terminate its 63,000 square foot lease in exchange for a one-time \$3.7 million lease termination payment, which we received and recorded as revenue in the fiscal year ended October 31, 2018. Also, in March 2018, we leased that same space to a new grocery store operator who took possession in May 2018. While the rental rate on the new lease is 30% less than the rental rate on the terminated lease, we hope that part of this decreased rental rate will be recaptured with the receipt of percentage rent in subsequent years as the store matures and its sales increase. The new lease required no tenant improvement allowances or landlord work.

## Expenses

Property operating expenses for properties owned in both fiscal year 2018 and 2017 increased by \$802,000. This increase was predominantly the result of increased costs for snow removal, roof repairs and parking lot repairs at our properties.

Real estate taxes for properties owned in both fiscal year 2018 and 2017 increased by \$713,000 as a result of normal tax assessment increases at some of our properties.

Interest expense for properties owned in both fiscal year 2018 and 2017 increased by \$51,000 as a result of an increase in corporate interest expense on the Company's Facility as a result of having more principal outstanding in fiscal 2018 versus fiscal 2017. This increase was partially offset by the recapitalizing of our largest mortgage, which is secured by our Ridgeway Shopping Center, after the second quarter of fiscal 2017. The Ridgeway interest rate was reduced from 5.52% to 3.398%, which caused a reduction of interest expense, this reduction was partially offset by the Company increasing the principal outstanding on the mortgage from \$44 million to \$50 million.

Depreciation and amortization expense for properties owned in both fiscal year 2018 and 2017 was relatively unchanged in fiscal 2018 when compared with fiscal 2017.

## General and Administrative Expenses

General and administrative expense for the year ended October 31, 2018, when compared with the year ended October 31, 2017 was relatively unchanged.

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

## Funds from Operations

We consider Funds from Operations ("FFO") to be an additional measure of our operating performance. We report FFO in addition to net income applicable to common stockholders and net cash provided by operating activities. Management has adopted the definition suggested by The National Association of Real Estate Investment Trusts ("NAREIT") and defines FFO to mean net income (computed in accordance with GAAP) excluding gains or losses from sales of property, plus real estate-related depreciation and amortization and after adjustments for unconsolidated joint ventures.

Management considers FFO a meaningful, additional measure of operating performance because it primarily excludes the assumption that the value of our real estate assets diminishes predictably over time and industry analysts have accepted it as a performance measure. FFO is presented to assist investors in analyzing our performance. It is helpful as it excludes various items included in net income that are not indicative of our

operating performance, such as gains (or losses) from sales of property and depreciation and amortization. However, FFO:

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

FFO as defined by us may not be comparable to similarly titled items reported by other real estate investment trusts due to possible differences in the application of the NAREIT definition used by such REITs. The table below provides a reconciliation of net income applicable to Common and Class A Common Stockholders in accordance with GAAP to FFO for each of the three years in the period ended October 31, 2019, 2018 and 2017 (amounts in thousands):

	Year Ended October 31,		
	2019	2018	2017
Net Income Applicable to Common and Class A Common Stockholders	\$22,128	\$25,217	\$ 33,898
Real property depreciation	22,668	22,139	20,505
Amortization of tenant improvements and allowances	3,521	4,039	4,448
Amortization of deferred leasing costs	1,652	2,057	1,468
Depreciation and amortization on unconsolidated joint ventures	1,505	1,719	1,618
(Gain)/loss on sale of properties	19	—	(18,734)
Loss on sale of property of unconsolidated joint venture	462	—	—
Funds from Operations Applicable to Common and Class A Common Stockholders	<u>\$51,955</u>	<u>\$55,171</u>	<u>\$ 43,203</u>

FFO amounted to \$52.0 million in fiscal 2019 compared to \$55.2 million in fiscal 2018 and \$43.2 million in fiscal 2017.

The net decrease in FFO in fiscal 2019 when compared with fiscal 2018 was predominantly attributable, among other things, to: (i) the receipt of a \$3.7 million one-time lease termination payment in the second quarter of fiscal 2018 from a grocery store tenant who wanted to terminate its lease early (see Significant Events with an Impact on Leasing section above); (ii) an increase of \$725,000 in base rent in the third quarter of fiscal 2018 related to the amortization of a below market rent in accordance with ASC Topic 805 for a grocery store tenant who was evicted and whose lease was terminated at our Passaic property and (iii) an increase in interest expense as a result of having more outstanding on our Facility in the fiscal year ended 2019 when compared with the corresponding prior periods; (iv) \$2.4 million in preferred stock redemption

charges relating to our calling our Series G preferred stock for redemption on October 1, 2019; (v) an increase of \$539,000 in preferred stock dividends as a result of having a new series of preferred stock outstanding for the month of October 2019. We redeemed our Series G preferred stock on November 1, 2019; offset by (vi) a \$403,000 gain on sale of marketable securities in the fiscal 2019 when we sold all of our marketable securities; (vii) the additional net income generated from properties acquired in fiscal 2018 and fiscal 2019; (viii) additional net income generated from increased base rent revenue for our existing properties, specifically related to a property where the grocery store tenant renewed its lease at a significantly higher rent than the current rent.

The net increase in FFO in fiscal 2018 when compared with fiscal 2017 was predominantly attributable, among other things, to: (i) the additional net income generated from properties acquired in fiscal 2017 and fiscal 2018;

(ii) a decrease in preferred stock dividends of \$2.7 million as a result of redeeming our Series F preferred stock in October 2017 and replacing it with Series H preferred stock, which has a lower dividend rate and a smaller issuance amount by \$14.4 million; and (iii) \$3.7 million in lease termination income in the second quarter of fiscal 2018 for a tenant that terminated its lease with us early versus \$2.4 million in lease termination income in fiscal 2017 for a tenant that terminated its lease with us early. This increase was partially offset by (iv) a \$548,000 decrease in interest income generated as a result of the one mortgage receivable we had outstanding for most of fiscal 2017, which was repaid in October 2017.

### Off-Balance Sheet Arrangements

We have six off-balance sheet investments in real property through unconsolidated joint ventures:

- a 66.67% equity interest in the Putnam Plaza Shopping Center,
- an 11.792% equity interest in the Midway Shopping Center L.P.,

- a 50% equity interest in the Chestnut Ridge Shopping Center,
- a 50% equity interest in the Gateway Plaza shopping center and the Riverhead Applebee's Plaza, and
- a 20% economic interest in a partnership that owns a suburban office building with ground level retail.

These unconsolidated joint ventures are accounted for under the equity method of accounting, as we have the ability to exercise significant influence over, but not control of, the operating and financial decisions of these investments. Our off-balance sheet arrangements are more fully discussed in Note 6 to our consolidated financial statements included in this Annual Report. Although we have not guaranteed the debt of these joint ventures, we have agreed to customary environmental indemnifications and nonrecourse carve-outs (e.g. guarantees against fraud, misrepresentation and bankruptcy) on certain loans of the joint ventures. The below table details information about the outstanding non-recourse mortgage financings on our unconsolidated joint ventures (amounts in thousands):

Joint Venture Description	Location	Principal Balance		Fixed Interest Rate Per Annum	Maturity Date
		Original Balance	At October 31, 2019		
Midway Shopping Center	Scarsdale, NY	\$32,000	\$26,600	4.80%	Dec 2027
Putnam Plaza Shopping Center	Carmel, NY	\$18,900	\$18,600	4.81%	Oct 2028
Gateway Plaza	Riverhead, NY	\$14,000	\$12,000	4.18%	Feb 2024
Applebee's Plaza	Riverhead, NY	\$ 2,300	\$ 1,900	3.38%	Aug 2026

### Contractual Obligations

Our contractual payment obligations as of October 31, 2019 were as follows (amounts in thousands):

	Total	Payments Due by Period					Thereafter
		2020	2021	2022	2023	2024	
Mortgage notes payable and other loans	\$306,606	\$ 6,917	\$ 7,321	\$56,056	\$ 6,305	\$12,369	\$217,638
Interest on mortgage notes payable	98,079	13,417	13,012	11,745	10,248	10,061	39,596
Capital improvements to properties*	8,597	8,597	—	—	—	—	—
Total Contractual Obligations	<u>\$413,282</u>	<u>\$28,931</u>	<u>\$20,333</u>	<u>\$67,801</u>	<u>\$16,553</u>	<u>\$22,430</u>	<u>\$257,234</u>

\*Includes committed tenant-related obligations based on executed leases as of October 31, 2019.

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

## MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is a process designed by, or under the supervision of, the Company's Chief Executive Officer and Chief Financial Officer and effected by the Company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles.

The Company's internal control over financial reporting includes policies and procedures that: relate to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets of the Company; provide reasonable assurance of the recording of all transactions necessary to permit the preparation of the Company's consolidated financial statements in accordance with generally accepted accounting principles and the proper authorization of receipts and expenditures in accordance with authorization of the Company's management and directors; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projection of any evaluation of effectiveness to future periods is subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of October 31, 2019. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control—Integrated Framework (2013). Based on its assessment, management determined that the Company's internal control over financial reporting was effective as of October 31, 2019. The Company's independent registered public accounting firm, PKF O'Connor Davies, LLP has audited the effectiveness of the Company's internal control over financial reporting, as indicated in their attestation report which is included on the following page.

# REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors and Shareholders of Urstadt Biddle Properties Inc.

## **Opinion on Internal Control over Financial Reporting**

We have audited Urstadt Biddle Properties Inc.'s (the "Company") internal control over financial reporting as of October 31, 2019, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of October 31, 2019, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of October 31, 2019 and 2018, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended October 31, 2019, and our report dated January 9, 2020, expressed an unqualified opinion thereon.

## **Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

## **Definition and Limitations of Internal Control over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/PKF O'Connor Davies, LLP

New York, New York  
January 9, 2020

## QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to interest rate risk primarily through our borrowing activities, which include fixed-rate mortgage debt and, in limited circumstances, variable rate debt. As of October 31, 2019, we had total mortgage debt and other notes payable of \$306.6 million, and \$304.9 million for which interest was based on fixed-rate, inclusive of variable rate mortgages that have been swapped to fixed interest rates using interest rate swap derivatives contracts and \$1.7 million of which interest was based on a variable rate (see below).

Our fixed-rate debt presents 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 our future financing requirements.

To reduce our exposure to interest rate risk on variable-rate debt, we use interest rate swap agreements, for example, to convert some of our variable-rate debt to fixed-rate debt. As of October 31, 2019, we had eight open derivative financial instruments. These interest rate swaps are cross collateralized with mortgages on properties in Ossining, NY, Yonkers, NY, Orangeburg, NY, Brewster, NY, Stamford, CT, Greenwich CT, Darien, CT and Dumont, NJ. The Ossining swap expires in August 2024, the Yonkers swap expires in November 2024, the Orangeburg swap expires in October 2024, the Brewster swap expires in July 2029, the Stamford swap expires in July 2027, the Greenwich swaps expire in October 2026, the Darien swap expires in April 2029 and the Dumont, NJ swap expires in August 2028, in each case concurrent with the maturity of the respective mortgages. All of the aforementioned derivatives contracts are adjusted to fair market value at each reporting period. We have concluded that all of the aforementioned derivatives contracts are effective cash flow hedges as defined in ASC Topic 815. We are required to evaluate the effectiveness at inception and at each reporting date. As a result of the aforementioned derivatives contracts being effective cash flow hedges all changes in fair market value are recorded directly to stockholders equity in accumulated comprehensive income and have no effect on our earnings.

All indications are that the LIBOR reference rate will no longer be published beginning on or around the year 2021. We have good working relationships with each of the lenders to our notes, who are also the counterparties to our swap contracts. We understand from our lenders and counterparties that their goal is to have the replacement reference rate under the notes match the replacement rates in the swaps. If this were achieved, we believe there would be no effect on our financial position or results of operations. However, because this will be the first time any of our promissory notes or the reference rates in our swap contracts will cease to be published, we cannot be sure how the replacement rate event will conclude. Until we have more clarity from our lenders and counterparties, we cannot be certain of the impact on the Company.



At October 31, 2019, we had no borrowings outstanding on our Facility, which bears interest at LIBOR plus 1.35%. If interest rates were to rise 1%, our interest expense as a result of the variable rate would increase by any amount outstanding multiplied by 1% annum.

In addition, we purchased a property in March of fiscal 2018 and financed a portion of the purchase price with unsecured notes held by the seller of the property. The unsecured notes require the payment of interest only. \$1.5 million of the notes bear interest at a fixed rate of 5.05% and \$1.7 million of the notes bear interest at a variable rate of interest based on the level of our Class A Common stock dividend, currently 5.00% as of October 31, 2019. If the level of our Class A Common dividend rises, it will increase the interest rate on the \$1.7 million in notes.

The following table sets forth the Company's long-term debt obligations by principal cash payments and maturity dates, weighted average fixed interest rates and estimated fair value at October 31, 2019 (amounts in thousands, except weighted average interest rate):

	For The Fiscal Year Ended October 31,						Total	Estimated Fair Value
	2020	2021	2022	2023	2024	Thereafter		
Mortgage notes payable and other loans	\$6,917	\$7,321	\$56,056	\$6,305	\$12,369	\$217,638	\$306,606	\$310,985
Weighted average interest rate for debt maturing	n/a	n/a	4.42%	n/a	4.48%	3.98%	4.06%	

## CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

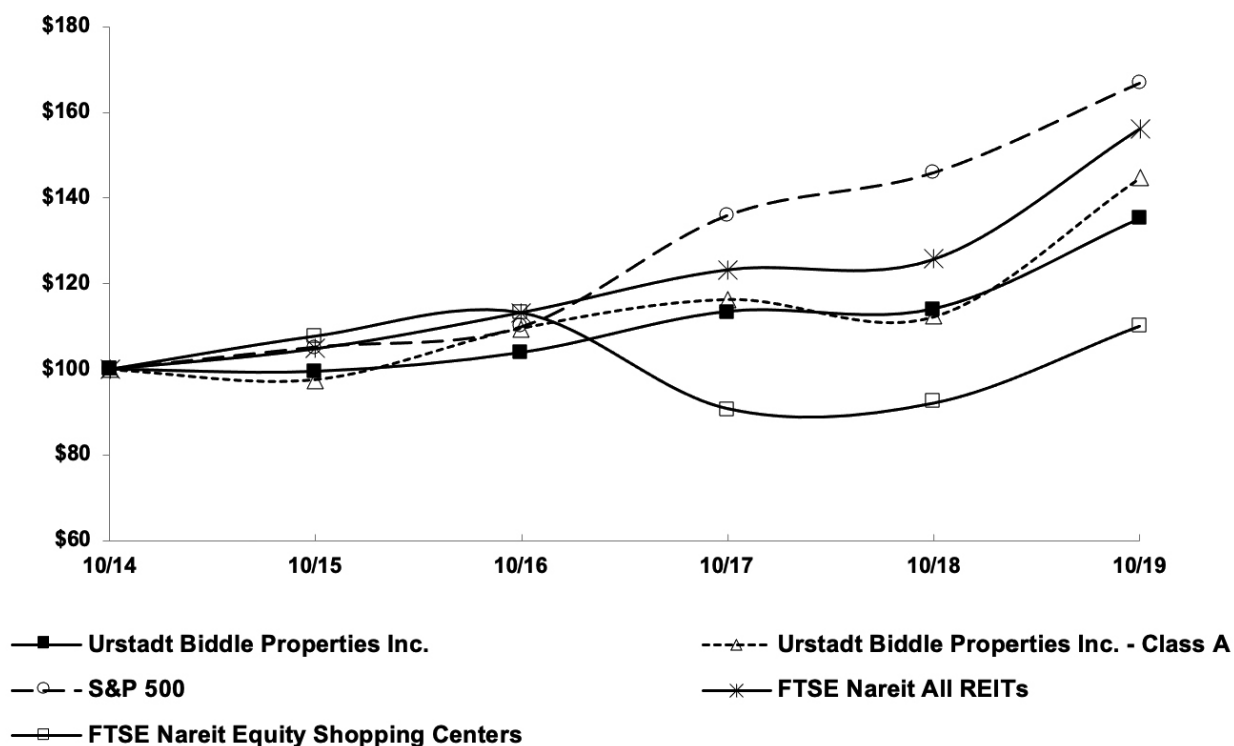
There were no changes in, or any disagreements with, the Company's independent registered public accounting firm on accounting principles and practices or financial disclosure during the years ended October 31, 2019 and 2018.

## PERFORMANCE GRAPH

The following graph compares, for the five-year period beginning October 31, 2014 and ended October 31, 2019, the Company's cumulative total return to holders of the Company's Class A Common Shares and Common Shares with the returns for the NAREIT All—REITs Total Return Index, NAREIT Equity Shopping Centers Total Return Index (both peer group indexes) published by the National Association of Real Estate Investment Trusts (NAREIT) and for the S&P 500 Index for the same period.

### COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\*

Among Urstadt Biddle Properties Inc., the S&P 500 Index,  
the FTSE Nareit All REITs Index and the FTSE Nareit Equity Shopping Centers Index



\*\$100 invested on 10/31/14 in stock or index, including reinvestment of dividends.  
Fiscal year ending October 31.

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	10/14	10/15	10/16	10/17	10/18	10/19
Urstadt Biddle Properties Inc.	100.00	99.49	103.90	113.49	114.10	135.13
Urstadt Biddle Properties Inc.—Class A	100.00	97.68	109.66	116.38	112.28	144.59
S&P 500	100.00	105.20	109.94	135.93	145.91	166.81
FTSE Nareit All REITs	100.00	104.80	113.25	123.21	125.64	156.05
FTSE Nareit Equity Shopping Centers	100.00	107.74	113.18	90.83	92.11	110.03

The stock price performance shown on the graph is not necessarily indicative of future price performance.

## NON-GAAP FINANCIAL MEASURES RECONCILIATIONS

### Funds from Operations (“FFO”)

The Company considers FFO to be an additional measure of our operating performance. We report FFO in addition to net income applicable to common stockholders and net cash provided by operating activities. Management has adopted the definition suggested by The National Association of Real Estate Investment Trusts (“NAREIT”) and defines FFO to mean net income (computed in accordance with GAAP) excluding gains or losses from sales of property, plus real estate-related depreciation and amortization and after adjustments for unconsolidated joint ventures.

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

- does not represent cash flows from operating activities in accordance with GAAP (which, unlike FFO, generally reflects all cash effects of transactions and other events in the determination of net income); and

- should not be considered an alternative to net income as an indication of our performance.

FFO as defined by us may not be comparable to similarly titled items reported by other real estate investment trusts due to possible differences in the application of the NAREIT definition used by such REITs.

### Funds from Operations, as Adjusted (“Adjusted FFO”)

The Company provides disclosure of Adjusted FFO because it believes it is a useful supplemental measure of its operating performance that facilitates comparability of historical financial periods. Adjusted FFO is calculated by making certain adjustments to FFO to account for items that the Company does not believe are representative of ongoing operating results, including non-comparable revenue and expenses and reductions in net income for preferred stock redemptions. The Company’s method of calculating Adjusted FFO may be different from methods used by other REITs and, accordingly, may not be comparable to such other REITs.

The tables below provide a reconciliation of net income applicable to Common and Class A Common Stockholders in accordance with GAAP to FFO for each of the fiscal years ended October 31, 2019, 2018, 2017, 2016 and 2015 and from FFO to Adjusted FFO for fiscal years ended October 31, 2019 and 2018.

### Reconciliation of Net Income Available to Common and Class A Common Stockholders To Funds From Operations

	Fiscal Year Ended October 31,				
	2019	2018	2017	2016	2015
Net Income Applicable to Common and Class A Common Stockholders	\$22,128	\$25,217	\$33,898	\$19,436	\$34,659
Real property depreciation	22,668	22,139	20,505	18,866	18,750
Amortization of tenant improvements and allowances	3,521	4,039	4,448	3,517	3,161
Amortization of deferred leasing costs	1,652	2,057	1,468	557	449
Depreciation and amortization on unconsolidated joint ventures	1,505	1,719	1,618	1,589	1,414
(Gain)/loss on sale of property	19	—	(18,734)	(362)	(20,377)
Loss on sale of property in unconsolidated joint venture	462	—	—	—	—
Funds from Operations Applicable to Common and Class A Common Stockholders (Note 1)	<u>\$51,955</u>	<u>\$55,171</u>	<u>\$43,203</u>	<u>\$43,603</u>	<u>\$38,056</u>
<b>Funds from Operations (Diluted) Per Share: (Note 1)</b>					
Common	<u>\$1.22</u>	<u>\$1.30</u>	<u>\$1.02</u>	<u>\$1.10</u>	<u>\$0.99</u>
Class A Common	<u>\$1.37</u>	<u>\$1.47</u>	<u>\$1.15</u>	<u>\$1.25</u>	<u>\$1.12</u>
<b>Weighted Average Number of Shares Outstanding (Diluted):</b>					
Common and Common Equivalent	<u>9,349</u>	<u>9,114</u>	<u>9,026</u>	<u>8,910</u>	<u>8,728</u>
Class A Common and Class A Common Equivalent	<u>29,654</u>	<u>29,513</u>	<u>29,503</u>	<u>27,112</u>	<u>26,332</u>

## NON-GAAP FINANCIAL MEASURES RECONCILIATIONS

Funds from operations (“FFO”) available for Class A Common and Common stockholders for the fourth quarter and full fiscal year 2019 includes a \$2.4 million reduction in income available to common and class a common shareholders related to the redemption of the 6.75% Series G preferred stock and FFO available for Class A Common and Common stockholders for the

full fiscal year 2018 includes the one-time receipt of \$3.7 million in lease termination income from a grocery store tenant who vacated one of our properties in 2018. If these two transactions were excluded, our Adjusted FFO and Adjusted FFO per diluted share would be as follows:

	Fiscal Year Ended October 31,		Three Months Ended October 31,	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>Funds from Operations</b> (in thousands):	<b>\$51,955</b>	<b>\$55,171</b>	<b>\$10,997</b>	<b>\$12,561</b>
Adjustments:				
Redemption of preferred stock	<u>2,363</u>	<u>—</u>	<u>2,363</u>	<u>—</u>
Lease termination income	<u>—</u>	<u>(3,700)</u>	<u>—</u>	<u>—</u>
<b>Adjusted Funds from Operations</b>	<b><u>\$54,318</u></b>	<b><u>\$51,471</u></b>	<b><u>\$13,360</u></b>	<b><u>\$12,561</u></b>
<b>Adjusted Funds from Operations (Diluted) Per Share:</b>				
Common	<u>\$1.27</u>	<u>\$1.22</u>	<u>\$0.31</u>	<u>\$0.30</u>
Class A Common	<u>\$1.43</u>	<u>\$1.37</u>	<u>\$0.35</u>	<u>\$0.33</u>

### Same Property Net Operating Income (“NOI”)

We present Same Property Net Operating Income (“Same Property NOI”), which is a non-GAAP financial measure. Same Property NOI excludes from Net Operating Income (“NOI”) properties that have not been owned for the full periods presented. The most directly comparable GAAP financial measure to NOI is operating income. To calculate NOI, operating income is adjusted to add back depreciation and amortization, general and administrative expense, interest expense, amortization of above and below-market lease intangibles and to exclude straight-line rent adjustments, interest, dividends and other investment income, equity in net income of unconsolidated joint ventures, gain/loss on sale of operating properties.

We use Same Property NOI internally as a performance measure and believe Same Property NOI provides useful information to investors regarding our financial condition and results of operations because it reflects only those income and expense items that are incurred at the property level. Our management also uses Same Property NOI to evaluate property level performance and to make decisions about resource allocations. Further, we believe Same

Property NOI is useful to investors as a performance measure because, when compared across periods, Same Property NOI reflects the impact on operations from trends in occupancy rates, rental rates and operating costs on an unleveraged basis, providing perspective not immediately apparent from income from continuing operations. Same Property NOI excludes certain components from net income attributable to Urstadt Biddle Properties Inc. in order to provide results that are more closely related to a property’s results of operations. For example, interest expense is not necessarily linked to the operating performance of a real estate asset and is often incurred at the corporate level as opposed to the property level. In addition, depreciation and amortization, because of historical cost accounting and useful life estimates, may distort operating performance at the property level. Same Property NOI presented by us may not be comparable to Same Property NOI reported by other REITs that define Same Property NOI differently.

Same Property Net Operating Income (in thousands, except for number of properties and percentages) as follows:

	Twelve Months Ended October 31,			Three Months Ended October 31,		
	2019	2018	% Change	2019	2018	% Change
Number of Properties (Note 3)	74			74		
Revenue (Note 2):						
Minimum Rent	\$ 94,897	\$ 93,592	1.4%	\$23,889	\$23,297	2.5%
Recoveries from tenants	31,317	30,768	1.8%	7,800	7,584	2.8%
Other property income	1,015	1,043	-2.7%	172	196	-12.2%
	<u>127,229</u>	<u>125,403</u>	1.5%	<u>31,861</u>	<u>31,077</u>	2.5%
Expenses:						
Property operating	13,199	14,467	-8.8%	3,253	3,330	-2.3%
Property taxes	22,406	20,950	6.9%	5,480	5,476	0.1%
Other non-recoverable operating expenses	1,775	2,164	-18.0%	459	473	-3.0%
	<u>37,380</u>	<u>37,581</u>	-0.5%	<u>9,192</u>	<u>9,279</u>	-0.9%
Same property Net Operating Income	<u>\$ 89,849</u>	<u>\$ 87,822</u>	2.3%	<u>\$22,669</u>	<u>\$21,798</u>	4.0%
<b>Reconciliation of Same Property NOI</b>						
<b>to Most Directly Comparable GAAP Measure:</b>						
Other non-same property net operating income	3,375	1,010		977	318	
Other Interest income	489	246		221	51	
Other Dividend income	97	291		—	97	
Consolidated lease termination income	221	3,795		27	5	
Consolidated amortization of above and below market leases	614	1,209		166	112	
Consolidated straight line rent income	914	957		242	127	
Equity in net income of unconsolidated joint ventures	1,241	2,085		234	375	
Taxable REIT subsidiary income/(loss)	96	(15)		(126)	(33)	
Solar income/(loss)	(226)	(172)		(32)	(27)	
Storage income/(loss)	937	816		244	219	
Gain on sale of marketable securities	403	—		—	—	
Interest expense	(14,102)	(13,678)		(3,495)	(3,500)	
General and administrative expenses	(9,405)	(9,223)		(2,256)	(2,199)	
Provision for tenant credit losses	(956)	(859)		(237)	(185)	
Directors fees and expenses	(346)	(344)		(81)	(77)	
Depreciation and amortization	(27,927)	(28,324)		(7,001)	(7,037)	
Adjustment for intercompany expenses and other	(3,640)	(3,430)		(916)	(740)	
Total other—net	<u>(48,215)</u>	<u>(45,636)</u>		<u>(12,033)</u>	<u>(12,494)</u>	
Net income before gain/(loss) on sale of real estate	41,634	42,186	-1.3%	10,636	9,304	14.3%
Gain/(loss) on sale of real estate	(19)	—		(428)	—	
Net income	<u>41,615</u>	<u>42,186</u>	-1.4%	<u>10,208</u>	<u>9,304</u>	9.7%
Net income attributable to noncontrolling interests	(4,333)	(4,716)		(1,038)	(1,121)	
Net income attributable to Urstadt Biddle Properties Inc.	<u>\$ 37,282</u>	<u>37,470</u>	-0.5%	<u>\$ 9,170</u>	<u>\$ 8,183</u>	12.1%
Same Property Operating Expense Ratio (Note 1)	<u>88.0%</u>	<u>86.9%</u>	1.2%	<u>89.3%</u>	<u>86.1%</u>	3.7%

Note 1—Represents the percentage of property operating expense and real estate tax expense recovered from tenants under operating leases

Note 2—Excludes straight line rent, above/below market lease rent, lease termination income

Note 3—Includes only properties owned for the entire period of both periods presented

## DIRECTORS

KEVIN J. BANNON  
Director  
PGIM Retail Mutual Funds

CATHERINE U. BIDDLE  
Executive Vice President  
Urstadt Property Company, Inc.

WILLING L. BIDDLE  
President and  
Chief Executive Officer  
Urstadt Biddle Properties Inc.

NOBLE O. CARPENTER, JR.  
Senior Managing Director  
Banyan Street Capital,  
a real estate investment firm

BRYAN O. COLLEY  
Principal of entities that own  
and operate multiple McDonalds  
restaurants

RICHARD GRELLIER  
Managing Director  
Deutsche Bank Securities Inc.

ROBERT J. MUELLER  
Retired Senior Executive  
Vice President  
The Bank of New York

WILLIS H. STEPHENS, JR.  
Principal  
Stephens Law Firm PLLC

CHARLES D. URSTADT  
Chairman  
Urstadt Biddle Properties Inc.

## Chairman and Director Emeritus

CHARLES J. URSTADT

## OFFICERS

CHARLES D. URSTADT  
Chairman

WILLING L. BIDDLE  
President and  
Chief Executive Officer

JOHN T. HAYES  
Senior Vice President,  
Chief Financial Officer  
and Treasurer

STEPHAN A. RAPAGLIA  
Senior Vice President,  
Chief Operating Officer,  
Real Estate Counsel and  
Assistant Secretary

MIYUN SUNG  
Senior Vice President,  
Chief Legal Officer and  
Secretary

JAMES M. ARIES  
Senior Vice President  
Director of Acquisitions

LINDA LACEY  
Senior Vice President  
Director of Leasing

ANDREW ALBRECHT  
Vice President  
Director of Management  
and Construction

JOSEPH ALLEGRETTI  
Vice President  
Leasing

NICHOLAS CAPUANO  
Vice President and  
Real Estate Counsel

DIANE MIDOLLO  
Vice President and Controller

SUZANNE MOORE  
Vice President and Director of  
Accounts Receivable

SUZANNE CRISCITELLI  
Assistant Vice President/Lease  
Administration

STEVE DUDZIEC  
Assistant Vice President  
Leasing

ELLEN HANRAHAN  
Assistant Vice President and  
Assistant Secretary

JANINE IAROSSI  
Assistant Vice President  
Insurance and  
Benefits Administrator

MARY MURRAY  
Assistant Vice President and  
Director of Operations

MONICA ROTH  
Assistant Vice President  
Environmental Project Manager,  
Management and Construction

BRENDAN SHANLEY  
Assistant Vice President  
Director of Property  
Management and Construction

KUBBY TISCHLER  
Assistant Vice President  
Acquisitions

## **CORPORATE INFORMATION**

### **Securities Traded**

New York Stock Exchange Symbols: UBA, UBP, UBPPRH and UBPPRK Stockholders of Record as of December 31, 2019:  
Common Stock: 535 and  
Class A Common Stock: 593

### **Annual Meeting**

The annual meeting of stockholders will be held at 2:00 P.M. on March 18, 2020 at Six Landmark Square, 9th Floor, Stamford, CT 06901.

### **Form 10-K**

A copy of the Company's 2019 Annual Report on Form 10-K filed with the Securities and Exchange Commission, without exhibits, 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 made by writing to our Transfer Agent, Shareholder Services at Computershare, P.O. Box 505000, Louisville, KY 40233-5000 or by calling toll-free at 1-866-203-6250. The Company has a dividend reinvestment plan that 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 Miyun Sung, Secretary, telephone (203) 863-8200.

### **Investor Relations**

Investors desiring information about the Company can contact Laura Santangelo, in our Investor Relations Department, telephone (203) 863-8225. Investors are also encouraged to visit our website at: [www.ubproperties.com](http://www.ubproperties.com)

### **Independent Registered Public Accounting Firm**

PKF O'Connor Davies, LLP

### **General Counsel**

Baker & McKenzie LLP

### **Internal Audit**

Berdon LLP, CPAs and Advisors

### **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, CT 06830

Veteran's Plaza  
New Milford



Seabra Foods Supermarket  
Ferry Plaza  
Newark



Newfield Green  
Stamford

