URSTADT BIDDLE PROPERTIES INC
Form 10-Q
September 08, 2006

United States
Securities And Exchange Commission
Washington, DC 20549

Form 10-Q

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

For the quarterly period ended July 31, 2006

OR

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

For the transition period from _____to_____

Commission File Number 1-12803

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

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

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

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

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

Large accelerated filer o Accelerated filer x Non-accelerated filer o

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

As of September 5, 2006, the number of shares of the Registrant's classes of Common Stock and Class A Common Stock was:
7,628,339 Common Shares, par value $.01 per share and 18,801,971 Class A Common Shares, par value $.01 per share

The Form 10-Q Filed Herewith, Contains 26 Pages, Numbered Consecutively From 1 To 26 Inclusive, Of Which This Page Is 1.

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Urstadt Biddle Properties Inc.

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URSTADT BIDDLE PROPERTIES INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

		July 31, 2006		October 31, 2005
ASSETS		(Unaudited)		
Real Estate Investments:				
Core properties - at cost	$	487,189	$	468,444
Non-core properties - at cost		6,383		6,383
		493,572		474,827
Less: accumulated depreciation		(74,105)		(65,253)
		419,467		409,574
Mortgage notes receivable		1,374		2,024
		420,841		411,598
Cash and cash equivalents		4,183		26,494
Restricted cash		588		1,200
Marketable securities		2,678		2,453
Tenant receivables, net of allowances of $1,519 and $1,409		17,017		14,442
Prepaid expenses and other assets		6,076		4,526
Deferred charges, net of accumulated amortization		4,641		3,726
Total Assets	$	456,024	$	464,439
LIABILITIES AND STOCKHOLDERS' EQUITY				
Liabilities:				
Secured revolving credit line	$	3,000	$	-
Mortgage notes payable		104,923		111,786
Accounts payable and accrued expenses		2,605		3,991
Deferred compensation - officers		1,121		1,051
Other liabilities		5,019		4,699
Total Liabilities		116,668		121,527
Minority interests		5,318		5,318
Redeemable Preferred Stock, par value $.01 per share; 20,000,000 shares authorized;				
8.99% Series B Senior Cumulative Preferred Stock (liquidation preference of $100 per share); 150,000 shares issued and outstanding		14,341		14,341
8.50% Series C Senior Cumulative Preferred Stock (liquidation preference of $100 per share); 400,000 shares issued and outstanding		38,406		38,406
Total Preferred Stock		52,747		52,747
Commitments and Contingencies				
Stockholders' Equity:				
		61,250		61,250

7.5% Series D Senior Cumulative Preferred Stock (liquidation preference of $25 per share); 2,450,000 shares issued and outstanding				
Excess stock, par value $.01 per share; 10,000,000 shares authorized; none issued and outstanding		-		-
Common stock, par value $.01 per share; 30,000,000 shares authorized; 7,628,339 and 7,429,331 shares issued and outstanding		76		74
Class A Common stock, par value $.01 per share; 40,000,000 shares authorized; 18,801,971 and 18,705,800 shares issued and outstanding		188		187
Additional paid in capital		261,329		267,365
Cumulative distributions in excess of net income		(40,876)		(35,007)
Accumulated other comprehensive income		624		499
Unamortized restricted stock compensation		-		(8,221)
Officer note receivable		(1,300)		(1,300)
Total Stockholders' Equity		281,291		284,847
Total Liabilities and Stockholders' Equity	$	456,024	$	464,439

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

URSTADT BIDDLE PROPERTIES INC.
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(In thousands, except per share data)

	Nine Months Ended July 31, 2006	Nine Months Ended July 31, 2005	Three Months Ended July 31, 2006	Three Months Ended July 31, 2005
Revenues:				
Base rents	**$ 41,552**	$ 38,656	**$ 13,841**	$ 13,206
Recoveries from tenants	**13,216**	12,392	**4,112**	3,682
Lease termination income	**-**	184	**-**	184
Interest and other	**1,055**	657	**236**	275
	55,823	51,889	**18,189**	17,347
Operating Expenses:				
Property operating	**9,286**	8,249	**2,680**	2,380
Property taxes	**7,602**	6,763	**2,610**	2,304
Interest	**6,301**	6,402	**2,057**	2,080
Depreciation and amortization	**9,949**	8,918	**3,447**	3,081
General and administrative	**3,903**	3,690	**1,415**	1,581
Directors' fees and expenses	**195**	205	**51**	78
	37,236	34,227	**12,260**	11,504
Operating Income	**18,587**	17,662	**5,929**	5,843
Minority Interests	**(141)**	(291)	**(47)**	(107)
Income from Continuing Operations	**18,446**	17,371	**5,882**	5,736
Discontinued Operations:				
Income from discontinued operating properties	**-**	469	**-**	153
Gains on sales of properties	**-**	7,031	**-**	1,397
Income from Discontinued Operations	**-**	7,500	**-**	1,550
Net Income	**18,446**	24,871	**5,882**	7,286
Preferred Stock Dividends	**(7,007)**	(4,673)	**(2,336)**	(2,200)
Net Income Applicable to Common and Class A Common Stockholders	**$ 11,439**	$ 20,198	**$ 3,546**	$ 5,086
Basic Earnings per Share:				
Per Common Share:				
Income from continuing operations	**$ .42**	$ .48	**$ .13**	$ .13
Income from discontinued operations	**$ -**	$ .28	**$ -**	$ .06
Net Income Applicable to Common Stockholders	**$ .42**	$ .76	**$ .13**	$ .19
Per Class A Common Share:				
Income from continuing operations	**$ .47**	$ .52	**$ .15**	$ .15
Income from discontinued operations	**$ -**	$ .31	**$ -**	$ .06
Net Income Applicable to Class A Common Stockholders	**$ .47**	$ .83	**$ .15**	$ .21

Diluted Earnings Per Share:								
Per Common Share:								
Income from continuing operations	**$**	**.41**	$	.47	**$**	**.13**	$	.13
Income from discontinued operations	**$**	**-**	$	.27	**$**	**-**	$	.06
Net Income Applicable to Common Stockholders	**$**	**.41**	$	.74	**$**	**.13**	$	.19
Per Class A Common Share:								
Income from continuing operations	**$**	**.46**	$	.51	**$**	**.14**	$	.14
Income from discontinued operations	**$**	**-**	$	.30	**$**	**-**	$	.06
Net Income Applicable to Class A Common Stockholders	**$**	**.46**	$	.81	**$**	**.14**	$	.20
Dividends per share:								
Common	**$**	**.6075**	$	.60	**$**	**.2025**	$	.20
Class A Common	**$**	**.6750**	$	.66	**$**	**.2250**	$	.22

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

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

	Nine Months Ended July 31, 2006	2005
Cash Flows from Operating Activities:		
Net income	**$ 18,446**	$ 24,871
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization from continuing operations	**9,949**	8,918
Discontinued operations	**-**	(469)
Straight-line rent adjustments	**(898)**	(975)
Gains on sale of properties	**-**	(7,031)
Change in value of deferred compensation arrangement	**4**	332
Restricted stock compensation expense	**1,493**	1,200
Gain on repayment of mortgage note receivable	**(102)**	-
Minority interests	**141**	291
Increase in tenant receivables	**(1,677)**	(2,443)
Decrease in accounts payable and accrued expenses	**(1,386)**	(343)
Increase in other assets and other liabilities, net	**(1,205)**	(1,218)
Decrease (Increase) in restricted cash	**612**	(11)
Net Cash Flow Provided by Continuing Operating Activities	**25,377**	23,122
Operating Cash from Discontinued Operations	**-**	814
Net Cash Flow Provided by Operating Activities	**25,377**	23,936
Cash Flows from Investing Activities:		
Acquisitions of real estate investments	**(16,711)**	(71,720)
Acquisition of limited partner interests in consolidated joint venture	**-**	(2,078)
Net proceeds received from sales of properties	**-**	17,767
(Purchases) sales of marketable securities - net	**(100)**	(13,102)
Improvements to properties and deferred charges	**(4,004)**	(2,973)
Payments received on mortgage notes receivable	**751**	63
Distributions to limited partners of consolidated joint ventures	**(141)**	(291)
Net Cash Flow Used in Investing Activities	**(20,205)**	(72,334)
Cash Flows from Financing Activities:		
Proceeds from revolving credit line borrowings	**3,000**	19,500
Repayments on revolving credit line borrowings	**-**	(19,500)
Proceeds from sales of Series D Preferred Stock	**-**	59,441
Dividends paid on Common and Class A Common Shares	**(17,308)**	(16,795)
Dividends paid on Preferred shares	**(7,007)**	(4,673)
Sales of additional Common and Class A Common Shares	**695**	1,053
Principal payments on mortgage notes payable	**(6,863)**	(3,546)
Net Cash (Used In) Provided by Financing Activities	**(27,483)**	35,480

Net Decrease In Cash and Cash Equivalents		**(22,311)**		(12,918)
Cash and Cash Equivalents at Beginning of Period		**26,494**		25,940
Cash and Cash Equivalents at End of Period	**$**	**4,183**	$	13,022
Supplemental Cash Flow Disclosures:				
Interest Paid	**$**	**6,301**	$	6,402

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

URSTADT BIDDLE PROPERTIES INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)
(In thousands, except shares and per share data)

	7.5% Series D Preferred Stock		Common Stock		Class A Common Stock						
	Issued	Amount	Issued	Amount	Issued	Amount	Additional Paid In Capital	Cumulative Distributions In Excess of Net Income	Accumulated Other Comprehensive Income	Unamortized Restricted Stock Compensation And Officer Note Receivable	Total Stockholders' Equity
Balances - October 31, 2005	2,450,000	$ 61,250	7,429,331	$ 74	18,705,800	$ 187	$ 267,365	$ (35,007)	$ 499	$ (9,521)	$ 284,847
Reversal of unamortized stock compensation upon adoption of SFAS No. 123R	-	-	-	-	-	-	(8,221)	-	-	8,221	-
Comprehensive Income:											
Net income applicable to Common and Class A common stockholders	-	-	-	-	-	-	-	11,439	-	-	11,439
Change in unrealized gains in marketable securities	-	-	-	-	-	-	-	-	125	-	125
Total comprehensive income	-	-	-	-	-	-	-	-	-	-	11,564
Cash dividends paid :											
Common stock ($0.6075 per share)	-	-	-	-	-	-	-	(4,624)	-	-	(4,624)
Class A common stock	-	-	-	-	-	-	-	(12,684)	-	-	(12,684)

($0.6750 per share)											
Issuance of shares under dividend reinvestment plan	-	-	23,708	-	12,621	-	588	-	-	-	588
Exercise of stock options	-	-	9,500	-	4,500	-	107	-	-	-	107
Shares issued under restricted stock plan	-	-	165,800	2	79,050	1	(3)	-	-	-	-
Restricted stock compensation	-	-	-	-	-	-	1,493	-	-	-	1,493
Balances - July 31, 2006	2,450,000	$ 61,250	7,628,339	$ 76	18,801,971	$ 188	$ 261,329	$ (40,876)	$ 624	$ (1,300)	$ 281,291

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Business
Urstadt Biddle Properties Inc. (“Company”), a real estate investment trust (REIT), is engaged in the acquisition, ownership and management of commercial real estate, primarily neighborhood and community shopping centers in the northeastern part of the United States. Non-core assets include a retail building and industrial properties. The Company's major tenants include supermarket chains and other retailers who sell basic necessities. At July 31, 2006, the Company owned or had interests in 37 properties containing a total of 3.7 million square feet of leasable area.

Principles of Consolidation and Use of Estimates
The accompanying unaudited consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, and joint ventures in which the Company meets certain criteria of a sole general partner in accordance with Emerging Issues Task Force (“EITF”) Issue 04-5, “Investor’s Accounting for an Investment in a Limited Partnership when the Investor is the Sole General Partner and the Limited Partners Have Certain Rights.” The joint ventures are consolidated into the consolidated financial statements of the Company. All significant intercompany transactions and balances have been eliminated in consolidation.

The financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Results of operations for the nine month period ended July 31, 2006, are not necessarily indicative of the results that may be expected for the year ending October 31, 2006. It is suggested that these financial statements be read in conjunction with the financial statements and notes thereto included in the Company’s annual report on Form 10-K for the fiscal year ended October 31, 2005.

The preparation of financial statements requires management to make use of estimates and assumptions that affect amounts reported in the financial statements as well as certain disclosures. Actual results could differ from those estimates. The balance sheet at October 31, 2005 has been derived from audited financial statements at that date.

Reclassifications
Certain prior period amounts have been reclassified to conform to the current year presentation.

Federal Income Taxes
The Company has elected to be treated as a real estate investment trust under Sections 856-860 of the Internal Revenue Code (Code). Under those sections, a REIT, that among other things, distributes at least 90% of real estate trust taxable income and meets certain other qualifications prescribed by the Code will not be taxed on that portion of its taxable income that is distributed. The Company believes it qualifies as a REIT and intends to distribute all of its taxable income for fiscal 2006 in accordance with the provisions of the code. Accordingly, no provision has been made for Federal income taxes in the accompanying consolidated financial statements.

Concentration of Credit Risk
Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, mortgage notes receivable and tenant receivables. The Company places its cash and cash

equivalents in excess of insured amounts with high quality financial institutions. The Company performs ongoing credit evaluations of its tenants and may require certain tenants to provide security deposits or letters of credit. Though these security deposits and letters of credit are insufficient to meet the terminal value of a tenant’s lease obligation, they are a measure of good faith and a source of funds to offset the economic costs associated with lost rent and the costs associated with retenanting the space. There is no dependence upon any single tenant.

Marketable Securities

Marketable securities consist of short-term investments and marketable equity securities. Short-term investments (consisting of investments with original maturities of greater than three months when purchased) and marketable equity securities are carried at fair value. The Company has classified marketable securities as available for sale. Unrealized gains and losses on available for sale securities are recorded as other comprehensive income in Stockholders’ Equity. At July 31, 2006, accumulated other comprehensive income consists of net unrealized gains of $624,000. Unrealized gains included in accumulated other comprehensive income will be reclassified into earnings as gains are realized. For the nine month and three month period ended July 31, 2005, gains on sales of marketable securities amounted to $35,000 (none in fiscal 2006).

Earnings Per Share

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

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

	Nine Months Ended July 31,		Three Months Ended July 31,	
	2006	2005	**2006**	2005
Numerator				
Net income applicable to common stockholders - basic	**$ 2,820**	$ 4,967	**$ 875**	$ 1,254
Effect of dilutive securities:				
Operating partnership units	**158**	217	**51**	67
Net income applicable to common stockholders - diluted	**$ 2,978**	$ 5,184	**$ 926**	$ 1,321
Denominator				
Denominator for basic EPS weighted average common shares	**6,657**	6,557	**6,671**	6,580
Effect of dilutive securities:				
Restricted stock and other awards	**468**	434	**478**	463
Operating partnership units	**55**	55	**55**	55
Denominator for diluted EPS - weighted average common equivalent shares	**7,180**	7,046	**7,204**	7,098
Numerator				
Net income applicable to Class A common stockholders-basic	**$ 8,619**	$ 15,231	**$ 2,671**	$ 3,832
Effect of dilutive securities:				
Operating partnership units	**(17)**	74	**(3)**	40
Net income applicable to Class A common stockholders - diluted	**$ 8,602**	$ 15,305	**$ 2,668**	$ 3,872
Denominator				
Denominator for basic EPS - weighted average Class A common shares	**18,309**	18,278	**18,315**	18,283
Effect of dilutive securities:				
Restricted stock and other awards	**299**	310	**305**	325
Operating partnership units	**55**	310	**55**	310
	18,663	18,898	**18,675**	18,918

Denominator for diluted EPS -
weighted average Class A common
equivalent shares

Segment Reporting

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

(2) CORE PROPERTIES

In March 2006, the Company acquired three retail properties aggregating 47,300 square feet of leasable space located in Pelham, New York and Flushing, New York. The three properties were acquired for an aggregate purchase price of $16.7 million (including closing costs of approximately $58,000) which was funded from available cash.

In June 2005, the Company acquired Staples Plaza ("Staples Plaza"), a 200,000 square foot shopping center located in Yorktown, New York for $28.5 million (including the assumption of a mortgage loan at its estimated fair value of $8.5 million and closing costs of approximately $113,000.) The assumption of the mortgage loan represents a non-cash financing activity and is therefore not included in the accompanying 2005 consolidated statement of cash flows.

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

During the second quarter of fiscal 2006, the Company completed its evaluation of Staples Plaza. As a result of its evaluation, the Company allocated $77,000 to a liability associated with the net fair value assigned to the acquired leases at the property.

The Company is currently in the process of analyzing the fair value of in-place leases for the three retail properties acquired in March 2006 and consequently, no value has yet been assigned to the leases. Accordingly, the purchase price allocation is preliminary and may be subject to change.

The net amortization of above-market and below-market leases amounted to $79,000 and $459,000 for the nine months ended July 31, 2006 and 2005, respectively, which amounts are included in base rents in the accompanying consolidated statements of income.

The Company is the general partner in a consolidated limited partnership which owns a shopping center. The limited partnership has a defined termination date of December 31, 2097. Upon liquidation of the partnership, proceeds from the sale of partnership assets are to be distributed in accordance with the respective partner’s interest. If termination of the partnership occurred on July 31, 2006 the amount payable to the limited partners is estimated to be $3,300,000.

The Company has retained an affiliate of one of the limited partners to provide management and leasing services to the property at an annual fee of $125,000 through June 2007. For the nine months and three months ended July 31, 2006 and 2005, the affiliate received payments of $93,750 and $31,250 respectively for such services rendered.

In June 2006, the Company made a payment of $1.5 million to a tenant at its Towne Centre at Somers Shopping Center in exchange for the tenant’s agreement to terminate its lease effective June 30, 2006. The termination of the lease permitted the Company to enter into a new lease with an unrelated tenant for the vacated space. The Company will account for the $1.5 million payment as a lease incentive and amortize the payment over the new lease term.

(3) DISCONTINUED OPERATIONS

In fiscal 2005, the Company sold, in separate transactions, two properties for an aggregate sales price of approximately $19 million, resulting in gains on sales of properties of approximately $7.0 million.

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

The operating results for the two properties sold have been reclassified as discontinued operations in the accompanying 2005 consolidated statements of income. The following table summarizes revenues and expenses for the Company's discontinued operations (amounts in thousands):

	Nine months Ended July 31, 2005	Three Months Ended July 31, 2005
Revenues	$ 1,736	$ 458
Property operating expenses	(922)	(237)
Depreciation and amortization	(345)	(68)
Income from discontinued operations	$ 469	$ 153

(4) MORTGAGE NOTES PAYABLE AND BANK LINES OF CREDIT

Mortgage notes payable are due in installments over various periods to fiscal 2012 at effective rates of interest ranging from 5.75% to 7.99% and are collateralized by real estate investments having a net carrying value of $178,689,000 at July 31, 2006. In May 2006, the Company repaid a mortgage note payable in the principal amount of $4.975 million from available cash.

The Company has a secured revolving credit facility with a commercial bank (the "Secured Credit Facility") which provides for borrowings of up to $30 million. The Secured Credit Facility expires in April 2008 and is collateralized by first mortgage liens on two of the Company's properties. Interest on outstanding borrowings is at prime + ½% or LIBOR + 1.5%. The Secured Credit Facility requires the Company to maintain certain debt service coverage ratios during its term. The Company pays an annual fee of 0.25% on the unused portion of the Secured Credit Facility. The Secured Credit Facility is available to fund acquisitions, capital expenditures, mortgage repayments, working capital and other general corporate purposes. At July 31, 2006 there were $3 million in outstanding borrowings under the secured revolving credit facility. Outstanding borrowings bear interest at a current rate of 6.6875% per annum.

Prior to June 30, 2006, the Company had a $30 million unsecured line of credit ("Unsecured Credit Line") arrangement with the same bank. On June 30, 2006, the Company exercised its right to cancel the Unsecured Credit Line. There were no outstanding borrowings under the Unsecured Credit Line on June 30, 2006.

(5) STOCKHOLDERS' EQUITY

In fiscal 2005, the Company sold 2,450,000 shares of a new 7.5% Series D Senior Cumulative Preferred Stock issue ("Series D Preferred Stock") in a public offering. The Series D Preferred Stock has no maturity and is not convertible into any other security of the Company. The Series D Preferred Stock is redeemable at the Company's option on or after April 12, 2010 at a price of $25.00 per share plus accrued and unpaid dividends. Underwriting commissions and costs incurred in connection with the sale of the Series D Preferred Stock are reflected as a reduction of additional paid in capital.

In fiscal 2005, the Board of Directors of the Company approved a stock repurchase program for the repurchase of up to 500,000 shares of Common Stock and Class A common stock in the aggregate. As of July 31, 2006, the Company had repurchased 3,600 shares of Common Stock and 41,400 shares of Class A Common Stock at an aggregate repurchase cost of $686,000. There were no repurchases during the first nine months of fiscal 2006.

Stock Plans and Stock-based Compensation

At July 31, 2006, the Company had two stock-based employee compensation plans which are described more fully below. Prior to November 1, 2005, the Company accounted for those plans under the recognition and measurement provisions of APB Opinion No. 25, "*Accounting for Stock Issued to Employees,*" ("APB No.25") and related Interpretations, as permitted by FASB Statement No. 123, "*Accounting for Stock-Based Compensation.*" Effective November 1, 2005, the Company adopted the fair value recognition provisions of FASB Statement No.123(R), "*Share-Based Payment*," ("SFAS No.123R") using the modified-prospective-transition method. Under that transition method, compensation expense recognized in fiscal 2006, for all share-based payments granted subsequent to November 1, 2005, is based on the fair value of the stock awards less estimated forfeitures in accordance with the provisions of SFAS No. 123(R). The fair value of stock awards is equal to the fair value of the Company's stock on the grant date. Results for prior periods have not been restated.

Restricted Stock Plan

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

Prior to November 1, 2005, the grant date fair value of nonvested restricted stock awards was expensed over the explicit vesting periods. Such awards provided for continued vesting after retirement. Upon adoption of SFAS No. 123R, the Company changed its policy for recognizing compensation expense for restricted stock awards to the earlier of the explicit vesting period or the date a participant first becomes eligible for retirement. For nonvested restricted stock awards granted prior to the adoption of SFAS No.123R, the Company will continue to recognize compensation expense over the explicit vesting periods and accelerate any remaining unrecognized compensation cost when a participant actually retires. Had compensation expense for nonvested restricted stock awards issued prior to November 1, 2005 been determined based on the date a participant first becomes eligible for retirement, the Company's net income in the nine month period ended July 31, 2006 would have increased by $414,000 and, in the nine month period ended July 31, 2005, would have decreased by $859,000.

Consistent with the provisions of APB No.25, the Company recorded the fair value of nonvested restricted stock grants and an offsetting unearned compensation amount within stockholders equity. Under SFAS No.123R an equity instrument is not considered to be issued until the instrument vests. Accordingly, the Company has reversed $8,221,000 of restricted stock compensation included in stockholders equity as of November 1, 2005 representing the nonvested portions of restricted stock grants awarded prior to the effective date of SFAS No.123R.

In January 2006, the Company awarded 165,800 shares of Common Stock and 79,050 shares of Class A Common Stock to participants in the Plan. The grant date fair value of restricted stock grants awarded to participants in January 2006 was $3.9 million. As of July 31, 2006, there remained a total of $10.6 million of unrecognized restricted stock compensation related to nonvested restricted stock grants awarded under the Plan. The restricted stock compensation is expected to be expensed over a remaining weighted average period of 8 years. For the nine months ended July 31, 2006 and 2005 amounts charged to compensation expense totaled $1,493,000 and $1,200,000, respectively.

A summary of the status of the Company's nonvested restricted stock awards as of July 31, 2006, and changes during the nine months ended July 31, 2006 are presented below:

	Common Shares			Class A Common Shares		
	Shares		Weighted-Average Grant Date Fair Value	Shares		Weighted-Average Grant Date Fair Value
Nonvested at November 1, 2005	823,175	$	12.19	435,925	$	11.16
Granted	165,800	$	15.90	79,050	$	16.42
Vested	(49,000)	$	7.06	(49,000)	$	7.25
Nonvested at July 31, 2006	939,975	$	13.10	465,975	$	12.46

Stock Option Plan

The Company also has a stock option plan whereby shares were reserved for issuance to key employees and Directors of the Company. Options are granted at fair market value on the date of the grant, have a duration of ten years from the date of grant, and vest over a maximum period of four years from the date of grant. There were no grants of stock options in fiscal 2006 or 2005. At July 31, 2006, there were outstanding stock options to purchase 7,898 shares of Common Stock and 7,859 shares of Class A Common Stock and all stock options granted by the Company were fully vested; as such, future years will not reflect any option-related compensation expense under SFAS No. 123R unless additional stock options are granted.

Dividend Reinvestment and Share Purchase Plan

The Company has a Dividend Reinvestment and Share Purchase Plan, as amended, which permits shareholders to acquire additional shares of Common Stock and Class A Common Stock by automatically reinvesting dividends. During the nine months ended July 31, 2006, the Company issued 23,708 shares of Common Stock and 12,621 shares of Class A Common Stock through the Plan. At July 31, 2006, there remained 216,809 shares of Common Stock and 496,840 shares of Class A Common Stock available for issuance under the Plan.

(6) MORTGAGE NOTES RECEIVABLE

In January 2006, a mortgage note receivable in the principal amount of $707,000 was fully paid by the borrower. For financial reporting purposes, the mortgage note was recorded at a discounted amount which reflected the market rates at the time of acceptance of the note. Upon repayment of the note, the Company recorded a gain on the repayment of $102,000, which amount is included in other income in the accompanying consolidated statement of income in the nine months ended July 31, 2006.

(7) PRO FORMA FINANCIAL INFORMATION (UNAUDITED)

The unaudited pro forma financial information set forth below is based upon the Company's historical consolidated statements of income for the nine months ended July 31, 2005 adjusted to give effect to the acquisitions of two properties in fiscal 2005 and the issuance of Series D Preferred Stock as though these transactions were completed on November 1, 2004.

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

		Nine months Ended July 31, 2005
Pro forma revenues	$	54,800
Pro forma income from continuing operations	$	18,886
Pro forma income from continuing operations applicable to Common and Class A Common stockholders	$	12,687