URSTADT BIDDLE PROPERTIES INC
Form 10-K
January 11, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended October 31, 2007

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 No. 1-12803

URSTADT BIDDLE PROPERTIES INC.
(Exact name of registrant as specified 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

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

Title of each class	Name of each exchange on which

	registered
Common Stock, par value $.01 per share	New York Stock Exchange
Class A Common Stock, par value $.01 per share	New York Stock Exchange
8.50 % Series C Senior Cumulative Preferred Stock	New York Stock Exchange
7.5 % Series D Senior Cumulative Preferred Stock	New York Stock Exchange
Preferred Share Purchase Rights	New York Stock Exchange

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Securities registered pursuant to Section 12 (g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes o No x

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15 (d) of the Act.
Yes o No x

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.
Yesx Noo

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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 Act).
Yes o No x

The aggregate market value of the voting common stock held by non-affiliates of the Registrant as of April 30, 2007 (price at which the common equity was last sold as of the last business day of the Registrant’s most recently completed second fiscal quarter): Common Shares, par value $.01 per share $–––––57,182,000; Class A Common Shares, par value $.01 per share $324,323,000.

Indicate the number of shares outstanding of each of the Registrant's classes of Common Stock and Class A Common Stock, as of January 4, 2008 (latest date practicable): 7,943,616 Common Shares, par value $.01 per share, and 18,850,477 Class A Common Shares, par value $.01 per share.

DOCUMENTS INCORPORATED BY REFERENCE

Proxy Statement for Annual Meeting of Stockholders to be held on March 6, 2008 (certain parts as indicated herein) (Part III).

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PART I

Forward-Looking Statements

This Annual Report on Form 10-K of Urstadt Biddle Properties Inc. (the “Company”) contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements can generally be identified by such words as “anticipate”, “believe”, “can”, “continue”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “seek”, “should”, “will” o words or other similar expressions and the negatives of such words. All statements, other than statements of historical facts, included in this report that address activities, events or developments that the Company expects, believes or anticipates will or may occur in the future, including such matters as future capital expenditures, dividends and acquisitions (including the amount and nature thereof), expansion and other development trends of the real estate industry, business strategies, expansion and growth of the Company’s operations and other such matters are forward-looking statements. These statements are based on certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions, expected future developments and other factors it believes are appropriate. Such statements are 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; financing risks, such as the inability to obtain debt or equity financing on favorable terms; the level and volatility of interest rates; financial stability of tenants; the inability of the Company’s properties to generate revenue increases to offset expense increases; governmental approvals, actions and initiatives; environmental/safety requirements; risks of real estate acquisitions (including the failure of acquisitions to close); risks of disposition strategies; as well as other risks identified in this Annual Report on Form 10-K under Item 1A. Risk Factors and in the other reports filed by the Company with the Securities and Exchange Commission (the “SEC”).

Item 1. Business.

Organization

The Company, a Maryland Corporation, is a real estate investment trust engaged in the acquisition, ownership and management of commercial real estate. The Company was organized as an unincorporated business trust (the “Trust”) under the laws of the Commonwealth of Massachusetts on July 7, 1969. In 1997, the shareholders of the Trust approved a plan of reorganization of the Trust from a Massachusetts business trust to a corporation organized in Maryland. The plan of reorganization was effected by means of a merger of the Trust into the Company. As a result of the plan of reorganization, the Trust was merged with and into the Company, the separate existence of the Trust ceased, the Company was the surviving entity in the merger and each issued and outstanding common share of beneficial interest of the Trust was converted into one share of Common Stock, par value $.01 per share, of the Company.

Tax Status – Qualification as a Real Estate Investment Trust

The Company elected to be taxed as a real estate investment trust (“REIT”) under Sections 856-860 of the Internal Revenue Code of 1986, as amended (the "Code") beginning with its taxable year ended October 31, 1970. Pursuant to such provisions of the Code, a REIT which distributes at least 90% of its real estate investment trust taxable income to its shareholders each year and which meets certain other conditions regarding the nature of its income and assets will not be taxed on that portion of its taxable income which is distributed to its shareholders. Although the Company believes that it qualifies as a real estate investment trust for federal income tax purposes, no assurance can be given

that the Company will continue to qualify as a REIT.

Description of Business

The Company's sole business is the ownership of real estate investments, which consist principally of investments in income-producing properties, with primary emphasis on properties in the northeastern part of the United States with a concentration in Fairfield County, Connecticut, Westchester and Putnam Counties, New York and Bergen County, New Jersey. The Company's core properties consist principally of neighborhood and community shopping centers and five office buildings. The remaining properties consist of two industrial properties. The Company seeks to identify desirable properties for acquisition, which it acquires in the normal course of business. In addition, the Company regularly reviews its portfolio and from time to time may sell certain of its properties.

The Company intends to continue to invest substantially all of its assets in income-producing real estate, with an emphasis on neighborhood and community shopping centers, although the Company will retain the flexibility to invest in other types of real property. While the Company is not limited to any geographic location, the Company's current strategy is to invest primarily in properties located in the northeastern region of the United States with a concentration in Fairfield County, Connecticut, Westchester and Putnam Counties, New York, and Bergen County, New Jersey.

At October 31, 2007, the Company owned or had an equity interest in thirty-nine properties comprised of neighborhood and community shopping centers, office buildings and industrial facilities located in seven states throughout the United States, containing a total of 3.7 million square feet of gross leasable area. For a description of the Company's individual investments, see Item 2-Properties.

Investment and Operating Strategy

The Company's investment objective is to increase the cash flow and consequently the value of its properties. The Company seeks growth through (i) the strategic re-tenanting, renovation and expansion of its existing properties, and (ii) the selective acquisition of income-producing properties, primarily neighborhood and community shopping centers, in its targeted geographic region. The Company may also invest in other types of real estate in the targeted geographic region. For a discussion of key elements of the Company’s growth strategies and operating policies, see Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The Company invests in properties where cost effective renovation and expansion programs, combined with effective leasing and operating strategies, can improve the properties’ values and economic returns. Retail properties are typically adaptable for varied tenant layouts and can be reconfigured to accommodate new tenants or the changing space needs of existing tenants. In determining whether to proceed with a renovation or expansion, the Company considers both the cost of such expansion or renovation and the increase in rent attributable to such expansion or renovation. The Company believes that certain of its properties provide opportunities for future renovation and expansion.

When evaluating potential acquisitions, the Company considers such factors as (i) economic, demographic, and regulatory conditions in the property’s local and regional market; (ii) the location, construction quality, and design of the property; (iii) the current and projected cash flow of the property and the potential to increase cash flow; (iv) the potential for capital appreciation of the property; (v) the terms of tenant leases, including the relationship between the property’s current rents and market rents and the ability to increase rents upon lease rollover; (vi) the occupancy and demand by tenants for properties of a similar type in the market area; (vii) the potential to complete a strategic renovation, expansion or re-tenanting of the property; (viii) the property’s current expense structure and the potential to increase operating margins; and (ix) competition from comparable properties in the market area.

The Company may from time to time enter into arrangements for the acquisition of properties with unaffiliated property owners through the issuance of units of limited partnership interests in entities that the Company controls. These units may be redeemable for cash or for shares of the Company’s Common stock or Class A Common stock. The Company believes that this acquisition method may permit it to acquire properties from property owners wishing to enter into tax-deferred transactions. In August 2007, the Company purchased all of the remaining limited partner operating partnership units (OPU’s) in a partnership that owned The Shoppes at Eastchester, in Eastchester, New York for $2.8 million. Prior to the purchase the Company was the sole general partner in the partnership. As a result of the purchase the partnership terminated and the property is now directly owned by the Company.

Core Properties

The Company considers those properties that are directly managed by the Company, concentrated in the retail sector and located close to the Company's headquarters in Fairfield County, Connecticut, to be core properties. Of the thirty-nine properties in the Company's portfolio, thirty-seven properties are considered core properties consisting of thirty-two retail properties and five office buildings (including the Company's executive headquarters). At October 31, 2007, these properties contained in the aggregate 3.2 million square feet of gross leasable area (“GLA”). The Company's core properties collectively had 496 tenants providing a wide range of products and services. Tenants

include regional supermarkets, national and regional discount department stores, other local retailers and office tenants. At October 31, 2007, the core properties were 96% leased. The Company believes the core properties are adequately covered by property and liability insurance.

A substantial portion of the Company's operating lease income is derived from tenants under leases with terms greater than one year. Certain of the leases provide for the payment of fixed base rentals monthly in advance and for the payment of a pro-rata share of the real estate taxes, insurance, utilities and common area maintenance expenses incurred in operating the properties.

For the fiscal year ended October 31, 2007, no single tenant comprised more than 5.0% of the total annual base rents of the Company's core properties. The following table sets out a schedule of our ten largest tenants by percent of total annual base rent of our core properties as of October 31, 2007.

Tenant	Number of Stores	% of Total Annual Base Rent of Core Properties
Stop & Shop Supermarket	3	5.0%
Bed, Bath & Beyond	2	2.3%
ShopRite Supermarkets	3	2.1%
Staples, Inc.	3	2.0%
Toys "R" Us	2	1.8%
Christmas Tree Shops	1	1.4%
Big Y Foods Supermarkets	1	1.3%
Borders Books	1	1.3%
Marshall's	1	1.2%
The Sports Authority	1	1.1%
		19.5%

See Item 2 Properties for a complete list of the Company's core properties.

The Company's single largest real estate investment is its 90% general partnership interest in the Ridgeway Shopping Center ("Ridgeway"). Ridgeway is located in Stamford, Connecticut and was developed in the 1950's and redeveloped in the mid 1990's. The property contains approximately 369,000 square feet of gross leasable space. It is the dominant grocery anchored center and the largest non-mall shopping center located in the City of Stamford, Fairfield County, Connecticut. For the year ended October 31, 2007, Ridgeway revenues represented approximately 14% of the Company's total revenues and approximately 19% of the Company's total assets at October 31, 2007. As of October 31, 2007, Ridgeway was approximately 95% leased. The property's largest tenants (by base rent) are: The Stop & Shop Supermarket Company, a division of Ahold (20%), Bed, Bath and Beyond (15%), Marshall's Inc., a division of the TJX Companies (10%), and L.A. Fitness International, LLC (10%). No other tenant accounts for more than 10% of Ridgeway's annual base rents.

The following table sets out a schedule of the annual lease expirations for retail leases at Ridgeway as of October 31, 2007 for each of the next ten years and thereafter (assuming that no tenants exercise renewal or cancellation options and that there are no tenant bankruptcies or other tenant defaults):

Year of Expiration	Number of Leases Expiring	Square Footage	Minimum Base Rentals	Base Rent (%)
2008	3	5,945	$178,000	1.7%

2009	2	4,646	184,000	1.4%
2010	3	36,415	654,000	10.6%
2011	3	47,140	1,003,000	13.7%
2012	5	23,917	823,000	6.9%
2013	9	96,547	2,897,000	28.0%
2014	3	5,758	197,000	1.7%
2015	3	7,635	249,000	2.2%
2016	-	-	-	-
2017	1	60,000	1,853,000	17.4%
Thereafter	3	62,407	1,449,000	16.4%
Total	35	350,410	$9,487,000	100.00%

Non-Core Properties

In a prior year, the Board of Directors of the Company expanded and refined the strategic objectives of the Company to concentrate the real estate portfolio into one of primarily retail properties located in the Northeast and authorized the sale of the Company's non-core properties in the normal course of business over a period of several years given prevailing market conditions and the characteristics of each property.

Through this strategy, the Company seeks to update its property portfolio by disposing of properties which have limited growth potential and redeploying capital into properties in its target geographic region and product type where the Company's management skills may enhance property values. The Company may engage from time to time in like-kind property exchanges, which allow the Company to dispose of properties and redeploy proceeds in a tax efficient manner.

At October 31, 2007, the Company's non-core properties consisted of two industrial facilities with a total of 447,000 square feet of GLA. The non-core properties collectively had 2 tenants and were 100% leased at October 31, 2007.

The two industrial facilities consist of automobile and truck parts distribution warehouses. The facilities are net leased to DaimlerChrysler Corporation under long-term lease arrangements whereby the tenant pays all taxes, insurance, maintenance and other operating costs of the property during the term of the lease.

At October 31, 2007, the Company also held one fixed rate mortgage note receivable with a net book value of $1,305,000.

Financing Strategy

The Company intends to continue to finance acquisitions and property improvements and/or expansions with the most advantageous sources of capital which it believes are available to the Company at the time, and which may include the sale of common or preferred equity through public offerings or private placements, the incurrence of additional indebtedness through secured or unsecured borrowings, investments in real estate joint ventures and the reinvestment of proceeds from the disposition of assets. The Company's financing strategy is to maintain a strong and flexible financial position by (i) maintaining a prudent level of leverage, and (ii) minimizing its exposure to interest rate risk represented by floating rate debt.

Matters Relating to the Real Estate Business

The Company is subject to certain business risks arising in connection with owning real estate which include, among others, (1) the bankruptcy or insolvency of, or a downturn in the business of, any of its major tenants, (2) the possibility that such tenants will not renew their leases as they expire, (3) vacated anchor space affecting an entire shopping center because of the loss of the departed anchor tenant's customer drawing power, (4) risks relating to leverage, including uncertainty that the Company will be able to refinance its indebtedness, and the risk of higher interest rates, (5) potential liability for unknown or future environmental matters, and (6) the risk of uninsured losses. Unfavorable economic conditions could also result in the inability of tenants in certain retail sectors to meet their lease obligations and otherwise could adversely affect the Company's ability to attract and retain desirable tenants. The Company believes that its shopping centers are relatively well positioned to withstand adverse economic conditions since they typically are anchored by grocery stores, drug stores and discount department stores that offer day-to-day necessities rather than luxury goods. For a discussion of various business risks, see Item 1A. Risk Factors.

Compliance with Governmental Regulations

The Company, like others in the commercial real estate industry, is subject to numerous environmental laws and regulations. Although potential liability could exist for unknown or future environmental matters, the Company believes that its tenants are operating in accordance with current laws and regulations.

Competition

The real estate investment business is highly competitive. The Company competes for real estate investments with investors of all types, including domestic and foreign corporations, financial institutions, other real estate investment trusts, real estate funds, individuals and privately owned companies. In addition, the Company's properties are subject to local competitors from the surrounding areas. The Company does not consider its real estate business to be seasonal in nature. The Company's shopping centers compete for tenants with other regional, community or neighborhood shopping centers in the respective areas where Company's retail properties are located. The Company's office buildings compete for tenants principally with office buildings throughout the respective areas in which they are

located. Leasing space to prospective tenants is generally determined on the basis of, among other things, rental rates, location, and physical quality of the property and availability of space.

Since the Company's industrial properties are net leased under long-term lease arrangements that are not due to expire in the next twelve months, the Company does not currently face any immediate competitive re-leasing pressures with respect to such properties.

Property Management

The Company actively manages and supervises the operations and leasing at all of its core properties. The Company's remaining non-core industrial properties are net leased to tenants under long-term lease arrangements, whereby the tenant is obligated to manage the property.

Employees

The Company's executive offices are located at 321 Railroad Avenue, Greenwich, Connecticut. It occupies approximately 8,000 square feet in a two-story office building owned by the Company. The Company has 33 employees and believes that its relationship with its employees is good.

Company Website

All of the Company's filings with the SEC, including the Company's annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, are available free of charge at the Company's website at www.ubproperties.com as soon as reasonably practicable after the Company electronically files such material with, or furnishes it to, the SEC. These filings can also be accessed through the SEC's website at www.sec.gov. Alternatively, the Company will provide paper copies of its filings (excluding exhibits) free of charge upon request to its shareholders or to anyone who requests them.

Code of Ethics and Whistleblower Policy

The Company's Board of Directors has adopted a Code of Ethics for Senior Financial Officers that applies to the Company's Chief Executive Officer, Chief Financial Officer and Controller. The Board also adopted a Code of Business Conduct and Ethics applicable to all employees as well as a "Whistleblower Policy". The Company will make paper copies of these documents available free of charge upon request to the Corporate Secretary of the Company.

Financial Information About Industry Segments

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.

Item 1A. Risk Factors

Risks related to our operations and properties

There are risks relating to investments in real estate and the value of our property interests depends on conditions beyond our control. Real property investments are illiquid and we may be unable to change our property portfolio on a timely basis in response to changing market or economic conditions. Yields from our properties depend on their net income and capital appreciation. Real property income and capital appreciation may be adversely affected by general and local economic conditions, neighborhood values, competitive overbuilding, zoning laws, weather, casualty losses and other factors beyond our control. Since substantially all of the Company's income is rental income from real property, the Company's income and cash flow could be adversely affected if a large tenant is, or a significant number of tenants are, unable to pay rent or if available space cannot be rented on favorable terms.

Operating and other expenses of our properties, particularly significant expenses such as interest, real estate taxes and maintenance costs, generally do not decrease when income decreases and, even if revenues increase, operating and other expenses may increase faster than revenues.

Our business strategy is mainly concentrated in one type of commercial property and in one geographic location. Our primary investment focus is neighborhood and community shopping centers located in the northeastern United States, with a concentration in Fairfield County, Connecticut, Westchester, Putnam Counties, New York and Bergen County, New Jersey. For the year ended October 31, 2007, approximately 75% of our total revenues were from properties located in these three counties. Various factors may adversely affect a shopping center's profitability. These factors include circumstances that affect consumer spending, such as general economic conditions, economic business cycles, rates of employment, income growth, interest rates and general consumer sentiment. These factors could have a more significant localized effect in the areas where our core properties are concentrated. Changes to the real estate market in our focus areas, such as an increase in retail space or a decrease in demand for shopping center properties, could adversely affect operating results. As a result, we may be exposed to greater risks than if our investment focus was based on more diversified types of properties and in more diversified geographic areas.

In addition, although we generally have invested between $5 million and $50 million per property, we have no limit on the size of our investments. The Company's single largest real estate investment is its 90% interest in the Ridgeway Shopping Center ("Ridgeway") located in Stamford, Connecticut. For the year ended October 31, 2007, Ridgeway revenues represented approximately 14% of the Company's total revenues and approximately 19% of the Company's total assets at October 31, 2007. The loss of this center or a material decrease in revenues from the center could have a material adverse effect on the Company.

We are dependent on anchor tenants in many of our retail properties. Most of our retail properties are dependent on a major or anchor tenant, a few of which lease space in more than one of our properties. If we are unable to renew any lease we have with the anchor tenant at one of these properties upon expiration of the current lease, or to re-lease the space to another anchor tenant of similar or better quality upon expiration of the current lease on similar or better terms, we could experience material adverse consequences such as higher vacancy, re-leasing on less favorable economic terms, reduced net income, reduced funds from operations and reduced property values. Vacated anchor space also could adversely affect an entire shopping center because of the loss of the departed anchor tenant's customer drawing power. Loss of customer drawing power also can occur through the exercise of the right that some anchors have to vacate and prevent re-tenanting by paying rent for the balance of the lease term. In addition, vacated anchor space could, under certain circumstances, permit other tenants to pay a reduced rent or terminate their leases at the affected property, which could adversely affect the future income from such property. There can be no assurance that our anchor tenants will renew their leases when they expire or will be willing to renew on similar economic

terms. See Item 1 – Business – Core Properties in this Annual Report on Form 10-K for additional information on our ten largest tenants by percent of total annual base rent of our core properties.

Similarly, if one or more of our anchor tenants goes bankrupt, we could experience material adverse consequences like those described above. Under bankruptcy law, tenants have the right to reject their leases. In the event a tenant exercises this right, the landlord generally may file a claim for lost rent equal to the greater of either one year's rent (including tenant expense reimbursements) or 15% of the rent remaining under the balance of the lease term, not to exceed three years. Actual amounts to be received in satisfaction of those claims will be subject to the tenant's final plan of reorganization and the availability of funds to pay its creditors.

We face potential difficulties or delays in renewing leases or re-leasing space. We derive most of our income from rent received from our tenants. Although substantially all of our properties currently have favorable occupancy rates, we cannot predict that current tenants will renew their leases upon the expiration of their terms. In addition, we cannot predict if current tenants might attempt to terminate their leases prior to the scheduled expiration of such leases. If this occurs, we may not be able to promptly locate qualified replacement tenants and, as a result, we would lose a source of revenue while remaining responsible for the payment of our obligations. Even if tenants decide to renew their leases, the terms of renewals or new leases, including the cost of required renovations or concessions to tenants, may be less favorable than current lease terms.

In some cases, our tenant leases contain provisions giving the tenant the exclusive right to sell particular types of merchandise or provide specific types of services within the particular retail center, or limit the ability of other tenants within the center to sell that merchandise or provide those services. When re-leasing space after a vacancy by one of these tenants, such provisions may limit the number and types of prospective tenants for vacant space. The failure to re-lease space or to re-lease space on satisfactory terms could adversely affect our results from operations. Additionally, properties we may acquire in the future may not be fully leased and the cash flow from existing operations may be insufficient to pay the operating expenses and debt service associated with that property until the property is fully leased. As a result, our net income, funds from operations and ability to pay dividends to stockholders could be adversely affected.

Competition may adversely affect acquisition of properties and leasing operations. We compete for the purchase of commercial property with many entities, including other publicly traded REITs. Many of our competitors have substantially greater financial resources than ours. In addition, our competitors may be willing to accept lower returns on their investments. If our competitors prevent us from buying the properties that we have targeted for acquisition, we may not be able to meet our property acquisition and development goals. We may incur costs on unsuccessful acquisitions that we will not be able to recover. The operating performance of our property acquisitions may also fall short of our expectations, which could adversely affect our financial performance.

If our competitors offer space at rental rates below our current rates or the market rates, we may lose current or potential tenants to other properties in our markets and we may need to reduce rental rates below our current rates in order to retain tenants upon expiration of their leases. As a result, our results of operations and cash flow may be adversely affected. In addition, our tenants face increasing competition from internet commerce, outlet malls, discount retailers, warehouse clubs and other sources which could hinder our ability to attract and retain tenants and/or cause us to reduce rents at our properties.

We face risks associated with the use of debt to fund acquisitions and developments, including refinancing risk. We have incurred, and expect to continue to incur, indebtedness to advance our objectives. Our charter does not limit the amount of indebtedness we may incur, although we may not exceed a debt to capitalization ratio (as such terms are defined in the respective Articles Supplementary) of 0.55 to 1.00 without the consent of our Series B and Series C preferred stockholders. Using debt to acquire properties, whether with recourse to us generally or only with respect to a particular property, creates an opportunity for increased net income, but at the same time creates risks. We use debt to fund investments only when we believe it will enhance our risk-adjusted returns. However, we cannot be sure that our use of leverage will prove to be beneficial. Moreover, when our debt is secured by our assets, we can lose those assets through foreclosure if we do not meet our debt service obligations. Incurring substantial debt may adversely affect our business and operating results by:

- requiring us to use a substantial portion of our cash flow to pay interest, which reduces the amount available for distributions, acquisitions and capital expenditures;
- making us more vulnerable to economic and industry downturns and reducing our flexibility in response to changing business and economic conditions; or
- requiring us to agree to less favorable terms, including higher interest rates, in order to incur additional debt; and otherwise limiting our ability to borrow for operations, capital or to finance acquisitions in the future.

Market interest rates could adversely affect the share price of our stock and increase the cost of refinancing debt. A variety of factors may influence the price of our common equities in the public trading markets. We believe that investors generally perceive REITs as yield-driven investments and compare the annual yield from dividends by REITs with yields on various other types of financial instruments. An increase in market interest rates may lead purchasers of stock to seek a higher annual dividend rate from other investments, which could adversely affect the

market price of the shares. In addition, we are subject to the risk that we will not be able to refinance existing indebtedness on our properties. We anticipate that a portion of the principal of our debt will not be repaid prior to maturity. Therefore, we likely will need to refinance at least a portion of our outstanding debt as it matures. A change in interest rates may increase the risk that we will not be able to refinance existing debt or that the terms of any refinancing will not be as favorable as the terms of the existing debt.

If principal payments due at maturity cannot be refinanced, extended or repaid with proceeds from other sources, such as new equity capital or sales of properties, our cash flow will not be sufficient to repay all maturing debt in years when significant "balloon" payments come due. As a result, our ability to retain properties or pay dividends to stockholders could be adversely affected and we may be forced to dispose of properties on unfavorable terms, which could adversely affect our business and net income.

Construction and renovation risks could adversely affect our profitability. We currently are renovating some of our properties and may in the future renovate other properties, including tenant improvements required under leases. Our renovation and related construction activities may expose us to certain risks. We may incur renovation costs for a property which exceed our original estimates due to increased costs for materials or labor or other costs that are unexpected. We also may be unable to complete renovation of a property on schedule, which could result in increased debt service expense or construction costs. Additionally, some tenants may have the right to terminate their leases if a renovation project is not completed on time. The time frame required to recoup our renovation and construction costs and to realize a return on such costs can often be significant.

We are dependent on key personnel. We depend on the services of our existing senior management to carry out our business and investment strategies. We do not have employment agreements with any of our existing senior management. As we expand, we will continue to need to recruit and retain qualified additional senior management. The loss of the services of any of our key management personnel or our inability to recruit and retain qualified personnel in the future could have an adverse effect on our business and financial results.

Uninsured and underinsured losses may affect the value of, or return from, our property interests. We maintain comprehensive insurance on our properties, and the properties securing our loans, in amounts which we believe are sufficient to permit replacement of the properties in the event of a total loss, subject to applicable deductibles. There are certain types of losses, such as losses resulting from wars, terrorism, earthquakes, floods, hurricanes or other acts of God that may be uninsurable or not economically insurable. Should an uninsured loss or a loss in excess of insured limits occur, we could lose capital invested in a property, as well as the anticipated future revenues from a property, while remaining obligated for any mortgage indebtedness or other financial obligations related to the property. In addition, changes in building codes and ordinances, environmental considerations and other factors might make it impracticable for us to use insurance proceeds to replace a damaged or destroyed property. If any of these or similar events occurs, it may reduce our return from an affected property and the value of our investment.

Properties with environmental problems may create liabilities for us. Under various federal, state and local environmental laws, statutes, ordinances, rules and regulations, as an owner of real property, we may be liable for the costs of removal or remediation of certain hazardous or toxic substances at, on, in or under our properties, as well as certain other potential costs relating to hazardous or toxic substances (including government fines and penalties and damages for injuries to persons and adjacent property). These laws may impose liability without regard to whether we knew of, or were responsible for, the presence or disposal of those substances. This liability may be imposed on us in connection with the activities of an operator of, or tenant at, the property. The cost of any required remediation, removal, fines or personal or property damages and our liability therefore could exceed the value of the property and/or our aggregate assets. In addition, the presence of those substances, or the failure to properly dispose of or remove those substances, may adversely affect our ability to sell or rent that property or to borrow using that property as collateral, which, in turn, would reduce our revenues and ability to make distributions.

A property can be adversely affected either through direct physical contamination or as the result of hazardous or toxic substances or other contaminants that have or may have emanated from other properties. Although our tenants are primarily responsible for any environmental damages and claims related to the leased premises, in the event of the bankruptcy or inability of any of our tenants to satisfy any obligations with respect to the property leased to that tenant, we may be required to satisfy such obligations. In addition, we may be held directly liable for any such damages or claims irrespective of the provisions of any lease.

Prior to the acquisition of any property and from time to time thereafter, we obtain Phase I environmental reports and, when warranted, Phase II environmental reports concerning the Company’s properties. Based on these reports and on our ongoing review of our properties, as of the date of this Annual Report on Form 10-K, management of the Company is not aware of any environmental condition with respect to any of our property interests that we believe would be reasonably likely to have a material adverse effect on the Company. There can be no assurance, however, that (a) the discovery of environmental conditions that were previously unknown, (b) changes in law, (c) the conduct of tenants or (d) activities relating to properties in the vicinity of the Company’s properties, will not expose the Company to material liability in the future. Changes in laws increasing the potential liability for environmental conditions existing on properties or increasing the restrictions on discharges or other conditions may result in significant unanticipated expenditures or may otherwise adversely affect the operations of our tenants, which could adversely affect our financial condition and results of operations.

Risks Related to our Organization and Structure

We will be taxed as a regular corporation if we fail to maintain our REIT status. Since our founding in 1969, we have operated, and intend to continue to operate, in a manner that enables us to qualify as a REIT for federal income tax purposes. However, the federal income tax laws governing REITs are complex. The determination that we qualify as a REIT requires an analysis of various factual matters and circumstances that may not be completely within our control. For example, to qualify as a REIT, at least 95% of our gross income must come from specific passive sources, such as rent, that are itemized in the REIT tax laws. In addition, to qualify as a REIT, we cannot own specified amounts of debt and equity securities of some issuers. We also are required to distribute to our stockholders at least 90% of our REIT taxable income (excluding capital gains) each year. Our continued qualification as a REIT depends on our satisfaction of the asset, income, organizational, distribution and stockholder ownership requirements of the Internal Revenue Code on a continuing basis. At any time, new laws, interpretations or court decision may change the federal tax laws or the federal tax consequences of qualification as a REIT. If we fail to qualify as a REIT in any taxable year and do not qualify for certain Internal Revenue Code relief provisions, we will be subject to federal income tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates. In addition, distributions to stockholders would not be deductible in computing our taxable income. Corporate tax liability would reduce the amount of cash available for distribution to stockholders which, in turn, would reduce the market price of our stock. Unless entitled to relief under certain Internal Revenue Code provisions, we also would be disqualified from taxation as a REIT for the four taxable years following the year during which we ceased to qualify as a REIT.

We will pay federal taxes if we do not distribute 100% of our taxable income. To the extent that we distribute less than 100% of our taxable income, we will be subject to federal corporate income tax on our undistributed income. In addition, we will incur a 4% nondeductible excise tax on the amount, if any, by which our distributions in any year are less than the sum of:

- 85% of our ordinary income for that year;
- 95% of our capital gain net income for that year; and
- 100% of our undistributed taxable income from prior years.

We have paid out, and intend to continue to pay out, our income to our stockholders in a manner intended to satisfy the distribution requirement and to avoid corporate income tax and the 4% nondeductible excise tax. Differences in timing between the recognition of income and the related cash receipts or the effect of required debt amortization payments could require us to borrow money or sell assets to pay out enough of our taxable income to satisfy the distribution requirement and to avoid corporate income tax and the 4% excise tax in a particular year.

Gain on disposition of assets deemed held for sale in the ordinary course is subject to 100% tax. If we sell any of our assets, the IRS may determine that the sale is a disposition of an asset held primarily for sale to customers in the ordinary course of a trade or business. Gain from this kind of sale generally will be subject to a 100% tax. Whether an asset is held "primarily for sale to customers in the ordinary course of a trade or business" depends on the particular facts and circumstances of the sale. Although we will attempt to comply with the terms of safe-harbor provisions in the Internal Revenue Code prescribing when asset sales will not be so characterized, we cannot assure you that we will be able to do so.

Our ownership limitation may restrict business combination opportunities.
To qualify as a REIT under the Internal Revenue Code, no more than 50% in value of our outstanding capital stock may be owned, directly or indirectly, by five or fewer individuals during the last half of each taxable year. To preserve our REIT qualification, our charter generally prohibits any person from owning shares of any class with a value of more than 7.5% of the value of all of our outstanding capital stock and provides that:

- a transfer that violates the limitation is void;
- shares transferred to a stockholder in excess of the ownership limitation are automatically converted, by the terms of our charter, into shares of "Excess Stock;"
- a purported transferee gets no rights to the shares that violate the limitation except the right to designate a transferee of the Excess Stock held in trust; and
- the Excess Stock will be held by us as trustee of a trust for the exclusive benefit of future transferees to whom the shares of capital stock ultimately will be transferred without violating the ownership limitation.

We may also redeem Excess Stock at a price which may be less than the price paid by a stockholder. Pursuant to authority under our charter, our board of directors has determined that the ownership limitation does not apply to Mr. Charles J. Urstadt, our Chairman and Chief Executive Officer, who beneficially owns 39.0% of our outstanding common stock and 1.5% of our outstanding Class A common stock as of the date of this Annual Report on Form 10-K. Such holdings represent approximately 35.0% of our outstanding voting interests. In addition, our directors and executive officers, as a group, hold approximately 53.8% of our outstanding voting interests through their beneficial ownership of our common stock and Class A common stock. The ownership limitation may discourage a takeover or other transaction that our stockholders believe to be desirable.

Certain provisions in our charter and bylaws and Maryland law may prevent or delay a change of control or limit our stockholders from receiving a premium for their shares. Among the provisions contained in our charter and bylaws

and Maryland law are the following:

- Our board of directors is divided into three classes, with directors in each class elected for three-year staggered terms.
- Our directors may be removed only for cause upon the vote of the holders of two-thirds of the voting power of our common equity securities.
- Our stockholders may call a special meeting of stockholders only if the holders of a majority of the voting power of our common equity securities request such a meeting in writing.
- Any consolidation, merger, share exchange or transfer of all or substantially all of our assets must be approved by (a) a majority of our directors who are currently in office or who are approved or recommended by a majority of our directors who are currently in office (the "Continuing Directors") and (b) the holders of two-thirds of the voting power of our common equity securities.
- Certain provisions of our charter may only be amended by (a) a vote of a majority of our Continuing Directors and (b) the holders of two-thirds of the voting power of our common equity securities. These provisions relate to the election, classification and removal of directors, the ownership limit and the stockholder vote required for certain business combination transactions.
- The number of directors may be increased or decreased by a vote of our board of directors.

In addition, we are subject to various provisions of Maryland law that impose restrictions and require affected persons to follow specified procedures with respect to certain takeover offers and business combinations, including combinations with persons who own 10% or more of our outstanding shares. These provisions of Maryland law could delay, defer or prevent a transaction or a change of control that our stockholders might deem to be in their best interests. Furthermore, shares acquired in a control share acquisition have no voting rights, except to the extent approved by the affirmative vote of two-thirds of all votes entitled to be cast on the matter, excluding all interested shares. Under Maryland law, "control shares" are those which, when aggregated with any other shares held by the acquiror, allow the acquiror to exercise voting power within specified ranges. The control share provisions of Maryland law also could delay, defer or prevent a transaction or a change of control which our stockholders might deem to be in their best interests. As permitted by Maryland law, our charter and bylaws provide that the "control shares" and "business combinations" provisions of Maryland law described above will not apply to acquisitions of those shares by Mr. Charles J. Urstadt or to transactions between the Company and Mr. Urstadt or any of his affiliates. Consequently, unless such exemptions are amended or repealed, we may in the future enter into business combinations or other transactions with Mr. Urstadt or any of his affiliates without complying with the requirements of Maryland anti-takeover laws. In view of the common equity securities controlled by Mr. Charles J. Urstadt, Mr. Urstadt may control a sufficient percentage of the voting power of our common equity securities to effectively block approval of any proposal which requires a vote of our stockholders.

Our stockholder rights plan could deter a change of control. We have adopted a stockholder rights plan. This plan may deter a person or a group from acquiring more than 10% of the combined voting power of our outstanding shares of common stock and Class A common stock because, after (i) the person or group acquires more than 10% of the combined voting power of our outstanding common stock and Class A common stock, or (ii) the commencement of a tender offer or exchange offer by any person (other than us, any one of our wholly owned subsidiaries or any of our employee benefit plans, or certain exempt persons), if, upon consummation of the tender offer or exchange offer, the person or group would beneficially own 30% or more of the combined voting power of our outstanding shares of common stock and Class A common stock, all other stockholders will have the right to purchase securities from us at a price that is less than their fair market value. This would substantially reduce the value of the stock owned by the acquiring person. Our board of directors can prevent the plan from operating by approving the transaction and redeeming the rights. This gives our board of directors significant power to approve or disapprove of the efforts of a person or group to acquire a large interest in us. The rights plan exempts acquisitions of common stock and Class A common stock by Mr. Charles J. Urstadt, members of his family and certain of his affiliates.

Item 1B. Unresolved Staff Comments

Not Applicable

Item 2. Properties.

Core Properties

The following table sets forth information concerning each core property at October 31, 2007. Except as otherwise noted, all core properties are 100% owned by the Company.

Year Renovated	Year Completed	Year Acquired	Gross Leasable Sq Feet	Acres	Num o Tena
1997	1950	2002	369,000	13.6	3
1996	1970	1970	326,000	26.0	2
2001	1989	1993	316,000	29.2	2
1988	1978	2005	269,000	29.0	1
1997	1973	2005	200,000	16.4	9
-	1989	1995	194,000	19.3	2
1994	1958	2003	185,000	3.5	1
2000	1978	1998	137,000	11.4	2
-	2002	2003	135,000	26.0	2
1999	1983	1995	129,000	19.0	1
1992	1959	1992	102,000	9.0	4
1994	1975	1979	102,000	14.3	7
1992	1955	1998	95,000	9.5	1
-	1981	2007	92,000	7.0	1
-	1991	1999	78,000	10.8	3
-	1990	2003	78,000	10.0	1
2002	1978	1997	70,000	4.0	1
1999	1930	1998	51,000	2.1	3
-	Various	2004	40,000	1.0	2
-	1986	2003	39,000	3.0	1

ssued ASU 2016-10, *Revenue from Contracts with Customers (Topic 606).* The
e affect entities with transactions included within the scope of Topic 606, which
r into contracts with customers to transfer goods or services in exchange for
ments in this Update do not change the core principle for revenue recognition in
nendments provide (1) more detailed guidance in a few areas and (2) additional
and examples based on feedback the FASB received from its stakeholders. The
to reduce the degree of judgment necessary to comply with Topic 606, which the
e the potential for diversity arising in practice and reduce the cost and complexity
The amendments in this Update affect the guidance in ASU 2014-09, *Revenue*
omers (Topic 606), which is not yet effective. The effective date and transition
ndments in this Update are the same as the effective date and transition
5 (and any other Topic amended by Update 2014-09). ASU 2015-14, *Revenue*
omers (Topic 606): Deferral of the Effective Date, defers the effective date of
ear. The Company is currently evaluating the impact the adoption of the standard
y's financial position and/or results of operations.

ssued ASU 2016-11, *Revenue Recognition (Topic 605) and Derivative and*
ch rescinds SEC paragraphs pursuant to two SEC Staff Announcements at the
Issues Task Force meeting. This ASU did not have a significant impact on the
ements

ssued ASU 2016-12, *Revenue from Contracts with Customers (Topic 606)*, which
es the objective of the collectability criterion in Topic 606, as well as certain
06. The amendments in this Update affect the guidance in ASU 2014-09,
vith Customers (Topic 606), which is not yet effective. The effective date and
r the amendments in this Update are the same as the effective date and transition
06 (and any other Topic amended by Update 2014-09). ASU 2015-14, *Revenue*
omers (Topic 606): Deferral of the Effective Date, defers the effective date of
ear. This ASU is not expected to have a significant impact on the Company's

ssued ASU 2016-13, *Financial Instruments-Credit Losses: Measurement of*
al Instruments ("ASU 2016-13"), which changes the impairment model for most
J is intended to improve financial reporting by requiring timelier recording of
other financial instruments held by financial institutions and other organizations.
f the ASU is that financial assets measured at amortized cost should be presented
d to be collected, through an allowance for credit losses that is deducted from the
allowance for credit losses should reflect management's current estimate of credit
occur over the remaining life of a financial asset. The income statement will be
nent of credit losses for newly recognized financial assets, as well as the expected
expected credit losses that have taken place during the period. ASU 2016-13 is

nterim periods beginning after December 15, 2019, and early adoption is
nterim periods beginning after December 15, 2018. With certain exceptions,
irements will be through a cumulative effect adjustment to opening retained
ng of the first reporting period in which the guidance is adopted. The Company is
npact the adoption of the standard will have on the Company's financial position

ARE

on share is computed by dividing net income available to common shareholders
number of shares of common stock outstanding, net of any treasury shares, during
gs per share is calculated by dividing net income available to common
ated average number of shares of common stock outstanding, net of any treasury
of the potential dilutive effect of common stock equivalents, based upon the
ng an average market price for the period.

diluted earnings per share are as follows:

	Three Months Ended June 30,			
	2016		2015	
	Basic	Diluted	Basic	Diluted
	(Dollars in Thousands Except Per Share Data)			
	$777	$777	$47	$47
outstanding	7,330,386	7,330,386	8,195,086	8,195,086
quivalents	-	200,986	-	165,431
e shares used in earnings	7,330,386	7,531,372	8,195,086	8,360,517
and diluted	$0.10	$0.10	$0.01	$0.01

	Nine Months Ended June 30,			
	2016		2015	
	Basic	Diluted	Basic	Diluted
	(Dollars in Thousands Except Per Share Data)			
	$1,738	$1,738	$2,219	$2,219
outstanding	7,442,956	7,442,956	8,539,207	8,539,207
quivalents	-	210,125	-	158,303
e shares used in earnings	7,442,956	7,653,081	8,539,207	8,697,510
and diluted	$0.23	$0.23	$0.26	$0.26

ons outstanding as of June 30, 2016 and 2015 had exercise prices below the then
price for the Company's common stock and were considered dilutive for the
tion.

CCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

nts the changes in accumulated other comprehensive (loss) income by

	Three Months Ended June 30,	
	2016	2015
	(Dollars in Thousands)	
	Unrealized gains (losses) on available for sale securities (a)	Unrealized gains (losses) on available for sale securities (a)
	$ 783	$ 101
ome (loss) before reclassification	255	(756)
accumulated other comprehensive	(106)	-
e income (loss)	149	(756)
	$ 932	$ (655)

tax. Amounts in parentheses indicate debits.

	Nine Months Ended June 30,	
	2016	2015
	(Dollars in Thousands)	
	Unrealized gains (losses) on available for sale securities (a)	Unrealized gains (losses) on available for sale securities (a)
	$ 18	$ (953)
ome before reclassification	$ 1,020	-
accumulated other comprehensive	(106)	298
e income	914	298
	$ 932	$ (655)

tax. Amounts in parentheses indicate debits.

ehensive income	Three Months Ended June 30, 2016 Amount Reclassified from Accumulated Other Comprehensive Income (a)	2015 Amount Reclassified from Accumulated Other Comprehensive Income (a)	Affected Line Item in the Statement Where Net Income is Presented
able for sale			
	$ 161	$ -	Gain on sale of securities available for sale
	(55)	-	Income taxes
	$ 106	$ -	Net of tax

es indicate debits to net income

ehensive income	Nine Months Ended June 30, 2016 Amount Reclassified from Accumulated Other Comprehensive Income (a)	2015 Amount Reclassified from Accumulated Other Comprehensive Income (a)	Affected Line Item in the Statement Where Net Income is Presented
able for sale			
	$ 161	$ -	Gain on sale of securities available for sale
	(55)	-	Income taxes
	$ 106	$ -	Net of tax

es indicate debits to net income

INVESTMENT AND MORTGAGE-BACKED SECURITIES

ir value of investment and mortgage-backed securities, with gross unrealized
llows:

	June 30, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in Thousands)			
ale:				
ncy obligations	$25,985	$ 63	$ -	$26,048
es - U.S. government agencies	90,489	1,124	(81)	91,532
	20,433	621	-	21,054
able for sale	136,907	1,808	(81)	138,634
	6	43	-	49
for sale	$136,913	$ 1,851	$ (81)	$138,683
y:				
ncy obligations	$5,644	$ 441	$ -	$6,085
es - U.S. government agencies	9,844	864	-	10,708
aturity	$15,488	$ 1,305	$ -	$16,793

	September 30, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in Thousands)			
ale:				
ncy obligations	$18,988	$ -	$ (276)	$18,712
es - U.S. government agencies	58,462	475	(225)	58,712
able for sale	77,450	475	(501)	77,424
	6	53	-	59
for sale	$77,456	$ 528	$ (501)	$77,483
y:				
ncy obligations	$54,929	$ 462	$ (849)	$54,542
es - U.S. government agencies	11,455	880	-	12,335
aturity	$66,384	$ 1,342	$ (849)	$66,877

s the gross unrealized losses and related fair values of the Company’s investment
nvestment category and length of time that individual securities had been in a
t June 30, 2016:

	Less than 12 months		More than 12 months		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	(Dollars in Thousands)					
ale:						
es - U.S.government	$(3)	$1,113	$ (78)	$ 11,535	$(81)	$12,648
	$(3)	$1,113	$ (78)	$ 11,535	$(81)	$12,648

s the gross unrealized losses and related fair values of the Company's investment
nvestment category and length of time that individual securities had been in a
t September 30, 2015:

	Less than 12 months		More than 12 months		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	(Dollars in Thousands)					
ale:						
ncy obligations	$(85)	$4,910	$ (191)	$ 13,802	$(276)	$18,712
es - agency	(138)	22,173	(87)	9,206	(225)	31,379
for sale	(223)	27,083	(278)	23,008	(501)	50,091
y:						
ncy obligations	-	-	(849)	42,603	(849)	42,603
aturity	-	-	(849)	42,603	(849)	42,603
	$(223)	$27,083	$ (1,127)	$ 65,611	$(1,350)	$92,694

curities for other-than-temporary impairment ("OTTI") at least once each quarter,
economic or market concerns warrant such evaluation. The evaluation is based
reditworthiness of the issuers/guarantors, the underlying collateral, if applicable,
mance of the securities. Management also evaluates other facts and
e indicative of an OTTI condition. This includes, but is not limited to, an
ecurity, the length of time and extent to which the fair value of the security has
e near-term prospects of the issuer.

hether a credit loss exists with respect to a security by considering whether (1) the
sell the security, (2) it is more likely than not that it will be required to sell the
as occurred, or (3) it does not expect to recover the entire amortized cost basis of
y bifurcates the OTTI impact on impaired securities where impairment in value
an temporary between the component representing credit loss and the component
o other factors. The portion of the fair value decline attributable to credit loss
gh a charge to earnings. The credit component is determined by comparing the
flows expected to be collected, discounted at the rate in effect before recognizing
ized cost basis of the debt security. The Company uses the cash flows expected
curity, which includes assumptions about interest rates, timing and severity of

ential recoveries, the cash flow distribution from the security and other factors,
te equal to the effective yield of the security. The difference between the present
h flows and the amortized book value is considered a credit loss. The fair value of
using the same expected cash flows; the discount rate is a rate the Company
rket and other sources as appropriate for the particular security. The difference
d the security's remaining amortized cost is recognized in other comprehensive

e months ended June 30, 2016 and 2015, the Company did not record any credit
rities through earnings.

tgage-Backed Securities - At June 30, 2016, there were three securities in a
ess than 12 months while there were seven securities in a gross unrealized loss for
uch date. These securities represent asset-backed issues that are issued or
ernment sponsored agency or carry the full faith and credit of the United States
ency and are currently rated AAA by at least one bond credit rating agency. As a
not consider these investments to be other-than-temporarily impaired at June 30,

ir value of debt securities, by contractual maturity, are shown below. Expected
contractual maturities because borrowers may have the right to call or prepay
t call or prepayment penalties.

excludes mortgage-backed securities because the contractual maturities of such
e of actual maturities due to significant prepayments.

	June 30, 2016			
	Held to Maturity		Available for Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in Thousands)			
e years	$1,999	$2,215	$1,056	$1,077
years	645	645	21,377	21,977
	3,000	3,225	23,985	24,048
	$5,644	$6,085	$46,418	$47,102

e month periods ended June 30, 2016, the Company sold five mortgage-back
te amortized cost of $14.2 million and recognized an aggregate gain of $153,000
same periods the Company had an aggregate of $11.0 million of agency
higher than the aggregated amortized cost and recorded a gain of $8,000. No
both the 2015 periods.

E

of the following:

	June 30, 2016	September 30, 2015
	(Dollars in Thousands)	
ntial	$242,616	$ 259,163
	6,422	6,249
	68,573	25,799
elopment	34,020	38,953
	754	392
	352,385	330,556
ans-in-process	(8,443)	(17,097)
	1,786	2,104
	(3,269)	(2,930)
	$342,459	$ 312,633

narizes by loan segment the balance in the allowance for loan losses and the loans
ely evaluated for impairment by loan segment at June 30, 2016:

One- to-four family residential	Multi-family residential	Commercial real estate	Construction and land development	Consumer	Unallocated	Total
(Dollars in Thousands)						
$-	$ -	$ -	$ -	$ -	$ -	$-
1,445	62	664	777	9	312	3,269
$1,445	$ 62	$ 664	$ 777	$ 9	$ 312	$3,269
$5,569	$ 339	$ 3,496	$ 10,113	$ -		$19,517
237,047	6,083	65,077	23,907	754		332,868

$242,616	$ 6,422	$ 68,573	$ 34,020	$ 754	$352,385

narizes by loan segment the balance in the allowance for loan losses and the loans
ely evaluated for impairment by loan segment at September 30, 2015:

e- to-four nily idential	Multi-family residential	Commercial real estate	Construction and land development	Commercial business	Consumer	Unallocated	Total
ollars in Thousands)							
	$ -	$ -	$ -	$ -	$ -	$ -	$-
,635	66	231	724	-	5	269	2,930
,635	$ 66	$ 231	$ 724	$ -	$ 5	$ 269	$2,930
,206	$ -	$ 3,768	$ 8,796	$ -	$ -		$16,770
54,957	6,249	22,031	30,157	-	392		313,786
59,163	$ 6,249	$ 25,799	$ 38,953	$ -	$ 392		$330,556

nented at a level that allows management to monitor both risk and performance.
r potential impairment all construction loans, commercial real estate and
s and all loans more than 90 days delinquent as to principal and/or interest. Loans
ired when, based on current information and events, it is probable that the
o collect in full the scheduled payments of principal or interest when due
al terms of the loan agreement.

made that a loan is impaired, the determination of whether a specific allocation
ary is generally measured by comparing the recorded investment in the loan to
using one of the following three methods: (a) the present value of the expected
ted at the loan's effective interest rate; (b) the loan's observable market price; or (c)
eral less selling costs. Management primarily utilizes the fair value of collateral
pedient alternative. On collateral method evaluations, any portion of the loan
harged-off against the loan loss allowance.

nts impaired loans by class as of June 30, 2016, segregated by those for which a
quired and those for which a specific allowance was not required.

	Impaired Loans with Specific Allowance		Impaired Loans with No Specific Allowance	Total Impaired Loans	
	(Dollars in Thousands)				
	Recorded Investment	Related Allowance	Recorded Investment	Recorded Investment	Unpaid Principal Balance
ntial	$ -	$ -	$ 5,569	$ 5,569	$ 5,914
	-	-	339	339	339
	-	-	3,496	3,496	3,496
velopment	-	-	10,113	10,113	10,113
	$ -	$ -	$ 19,517	$ 19,517	$ 19,862

nts impaired loans by class as of September 30, 2015, segregated by those for
e was required and those for which a specific allowance was not required.

	Impaired Loans with Specific Allowance		Impaired Loans with No Specific Allowance	Total Impaired Loans	
	(Dollars in Thousands)				
	Recorded Investment	Related Allowance	Recorded Investment	Recorded Investment	Unpaid Principal Balance
ntial	$ -	$ -	$ 4,206	$ 4,206	$ 4,550
	-	-	3,768	3,768	3,768
velopment	-	-	8,796	8,796	8,796
	$ -	$ -	$ 16,770	$ 16,770	$ 17,114

nts the average recorded investment in impaired loans and related interest income
s indicated:

	Three Months Ended June 30, 2016		
	Average Recorded Investment	Income Recognized on Accrual Basis	Income Recognized on Cash Basis
	(Dollars in Thousands)		
ntial	$ 5,052	$ 14	$ 30
	341	6	-
	3,595	35	-
velopment	9,808	-	-
	$ 18,796	$ 55	$ 30

	Nine Months Ended June 30, 2016		
	Average Recorded Investment	Income Recognized on Accrual Basis	Income Recognized on Cash Basis
	(Dollars in Thousands)		
ntial	$ 4,978	$ 89	$ 78
	346	18	-
	3,667	74	12
velopment	9,432	-	62
	$ 18,423	$ 181	$ 152

	Three Months Ended June 30, 2015		
	Average Recorded Investment	Income Recognized on Accrual Basis	Income Recognized on Cash Basis
	(Dollars in Thousands)		
ntial	$ 9,222	$ 115	$ 42
	357	6	-
	3,832	54	24
velopment	7,977	109	65
	$ 21,388	$ 284	$ 131

	Nine Months Ended June 30, 2015		
	Average Recorded Investment	Income Recognized on Accrual Basis	Income Recognized on Cash Basis
	(Dollars in Thousands)		
ntial	$ 9,865	$ 378	$ 119
	361	19	-
	3,801	157	58
velopment	7,728	318	129
	$ 21,755	$ 872	$ 306

ur policy require that the Company utilize an internal asset classification system
roblem and potential problem assets. The Company has incorporated an internal
, consistent with Federal banking regulations, as a part of its credit monitoring
ently classifies problem and potential problem assets as "special mention",
' or "loss" assets. An asset is considered "substandard" if it is inadequately protected by
paying capacity of the obligor or of the collateral pledged, if any. "Substandard"
cterized by the "distinct possibility" that the insured institution will sustain "some
e not corrected. Assets classified as "doubtful" have all of the weaknesses inherent in
ard" with the added characteristic that the weaknesses present make "collection or
basis of currently existing facts, conditions, and values, "highly questionable and
ified as "loss" are those considered "uncollectible" and of such little value that their
hout the establishment of a specific loss reserve is not warranted. Assets which do
nsured institution to sufficient risk to warrant classification in one of the
s but possess weaknesses are required to be designated "special mention."

nts the classes of the loan portfolio in which a formal risk weighting system is
e aggregate "Pass" and the criticized category of "special mention", and the classified
d", "doubtful" and "loss" within the Company's risk rating system as applied to the loan
ad no loans classified as "doubtful" or "loss" at either of the dates presented.

	June 30, 2016			
	Pass	Special Mention	Substandard	Total Loans
	(Dollars in Thousands)			
ntial	$2,655	$ 1,693	$ 1,221	$5,569
	6,084	-	338	6,422
	64,884	949	2,740	68,573
velopment	23,907	-	10,113	34,020
	$97,530	$ 2,642	$ 14,412	$114,584

	September 30, 2015			
		Special		Total
	Pass	Mention	Substandard	Loans
	(Dollars in Thousands)			
ntial	$1,348	$ 2,107	$ 751	$4,206
	5,898	351	-	6,249
	22,005	965	2,829	25,799
velopment	30,157	-	8,796	38,953
	$59,408	$ 3,423	$ 12,376	$75,207

he classification of one-to-four family residential and consumer loans primarily
Company becomes aware that adverse or distressed conditions exist that may
family residential loan, the loan is downgraded following the above definitions of
ard, doubtful and loss.

sents loans in which a formal risk rating system is not utilized, but loans are
rming and non-performing based primarily on delinquency status.
t would be included in the table are those loans greater than 90 days past due as
t that do not have a designated risk rating.

	June 30, 2016		
		Non-	Total
	Performing	Performing	Loans
	(Dollars in Thousands)		
ntial	$237,047	$ -	$237,047
	754	-	754
	$237,801	$ -	$237,801

	September 30, 2015		
		Non-	Total
	Performing	Performing	Loans
	(Dollars in Thousands)		
ntial	$254,957	$ -	$254,957
	392	-	392
	$255,349	$ -	$255,349

itors the performance and credit quality of the loan portfolio by analyzing the age
ned by the length of time a recorded payment is due or overdue, as the case may
esents the loan categories of the loan portfolio summarized by the aging
and delinquent loans and nonaccrual loans:

June 30, 2016

Current	30-89 Days Past Due	90 Days + Past Due	90 Days+ Past Due and Accruing	Total Past Due and Accruing	Total Loans	Non-Accrual
(Dollars in Thousands)						
$235,673	$ 2,310	$ 3,233	$ -	$ 2,310	$242,616	$4,633
6,422	-	-	-	-	6,422	-
63,967	3,260	1,346	-	3,260	68,573	1,346
23,907	-	10,113	-	-	34,020	10,113
754	-	-	-	-	754	-
$330,723	$ 5,570	$ 14,692	$ -	$ 5,570	$352,385	$16,092

September 30, 2015

Current	30-89 Days Past Due	90 Days + Past Due	90 Days+ Past Due and Accruing	Total Past Due and Accruing	Total Loans	Non-Accrual
(Dollars in Thousands)						
$255,669	$ 1,462	$ 2,032	$ -	$ 1,462	$259,163	$3,547
6,249	-	-	-	-	6,249	-
25,114	504	181	-	504	25,799	1,589
38,953	-	-	-	-	38,953	8,796
392	-	-	-	-	392	-
$326,377	$ 1,966	$ 2,213	$ -	$ 1,966	$330,556	$13,932

sses is established through a provision for loan losses charged to expense. The
lowance at a level believed to cover all known and inherent losses in the portfolio
reasonable to estimate at each reporting date. Management reviews the
no less than quarterly in order to identify these inherent losses and to assess the
lity for the loan portfolio in view of these inherent losses. For each primary type
ablished reflecting an estimate of the known and inherent losses in such loan type
using both a quantitative analysis as well as consideration of qualitative factors.
cludes, among other things, an analysis of delinquency trends, non-performing
harge-offs and recoveries, prior loss experience, total loans outstanding, the
ns, the type, size and geographic concentration of the Company's loans, the value
oans, the borrowers' ability to repay and repayment performance, the number of

d management oversight, local economic conditions and industry experience.

ans entail significant additional credit risks compared to owner-occupied
ntial mortgage loans, as they generally involve large loan balances concentrated
groups of related borrowers. In addition, the payment experience on loans secured
perties typically depends on the successful operation of the related real estate
peration of the borrower who is, in some cases, also the primary occupant, and
reater extent to the effects of adverse conditions in the real estate market and in
Commercial business loans typically involve a higher risk of default than
uration since their repayment is generally dependent on the successful operation
s and the sufficiency of collateral, if any. Land acquisition, development and
ses the Company to greater credit risk than permanent mortgage financing. The
tion, development and construction loans depends upon the sale of the property to
bility of permanent financing upon completion of all improvements. These events
ale of the properties, potentially reducing both the borrowers' ability to make
as reducing the value of the collateral property. Such lending is additionally
he estimate of construction cost proves to be inaccurate, the Company potentially
nce additional funds to allow completion of the project. In addition, if the
o be inaccurate, the Company may be confronted with a project, when completed,
loan amount. If the Company is forced to foreclose on a project prior to
surance that the Company would be able to recover the entire unpaid portion of

narizes the primary segments of the allowance for loan losses. Activity in the
r the three and nine month periods ended June 30, 2016 and 2015:

	Three Months Ended June 30, 2016						
	One- to four-family residential	Multi-family residential	Commercial real estate	Construction and land development	Consumer	Unallocated	Total
	(Dollars in Thousands)						
er	$1,511	$ 43	$ 428	$ 773	$ 7	$ 276	$3,038
	-	-	-	-	-	-	-
	-	-	-	81	-	-	81
	(66)	19	236	(77)	2	36	150
	$1,445	$ 62	$ 664	$ 777	$ 9	$ 312	$3,269

	Nine Months Ended June 30, 2016						
	One- to four-family residential	Multi-family residential	Commercial real estate	Construction and land development	Consumer	Unallocated	Total
	(Dollars in Thousands)						

per	$1,635	$ 66	$ 231	$ 724	$ 5	$ 269	$2,930
	(11)	-	-	-	-	-	(11)
	93	-	32	-	-	-	125
	(272)	(4)	401	53	4	43	225
	$1,445	$ 62	$ 664	$ 777	$ 9	$ 312	$3,269

Three Months Ended June 30, 2015

One- to four-family residential	Multi-family residential	Commercial real estate	Construction and land development	Commercial business	Consumer	Unallocated	Total
(Dollars in Thousands)							
$1,545	$ 51	$ 207	$ 545	$ -	$ 4	$ 236	$2,588
(126)	-	-	-	-	-	-	(126)
1	-	-	-	-	-	-	1
219	9	8	(38)	-	-	12	210
$1,639	$ 60	$ 215	$ 507	$ -	$ 4	$ 248	$2,673

Nine Months Ended June 30, 2015

One- to four-family residential	Multi-family residential	Commercial real estate	Construction and land development	Commercial business	Consumer	Unallocated	Total
(Dollars in Thousands)							
$1,663	$ 67	$ 122	$ 323	$ 15	$ 4	$ 231	$2,425
(338)	-	-	-	-	-	-	(338)
1	-	-	-	-	-	-	1
313	(7)	93	184	(15)	-	17	585
$1,639	$ 60	$ 215	$ 507	$ -	$ 4	$ 248	$2,673

provision for loan losses in the amount of $150,000 and $225,000 for the three
nded June 30, 2016, compared to the $210,000 provision for the three months and
nths ended June 30, 2015.

npany had ten loans aggregating $7.8 million that were classified as troubled debt
Three of such loans aggregating $5.6 million as of June 30, 2016 were classified as
t of not achieving a sufficiently long payment history, under the restructured
the loans to performing (accrual) status. Two of these three loans totaling $4.2
the Company's largest lending relationship) are over 90 days past due resulting
of funding by the Company due to the re-negotiation of the projects' cash flows.
5.6 million related to the largest lending relationship are more than ninety days

tructure any debt during the three and nine month periods ended June 30, 2016

lowing major classifications:

	June 30, 2016		September 30, 2015	
	Amount	Percent	Amount	Percent
	(Dollars in Thousands)			
counts	$56,115	14.5 %	$60,736	16.6 %
accounts	34,909	9.0	35,649	9.8
king accounts	2,832	0.7	2,293	0.6
nent savings	70,767	18.3	70,355	19.3
x months or less	81,185	21.0	49,857	13.7
nore than six months	140,832	36.5	146,184	40.0
	$386,640	100.0 %	$365,074	100.0 %

nd over totaled $15.4 million as of June 30, 2016 and $32.7 million as of

FEDERAL HOME LOAN BANK

eement with the FHLB of Pittsburgh, advances are secured by qualifying first

Maturity Date	Amount	Coupon	Call Date
	(Dollars in Thousands)		
6-Jul-16	$ 10,000	0.57 %	Not Applicable
13-Jul-16	$ 10,000	0.54 %	Not Applicable
17-Nov-17	10,000	1.20 %	Not Applicable
1-Dec-17	3,009	1.16 %	Not Applicable
4-Dec-17	2,000	1.15 %	Not Applicable
16-Nov-18	7,500	1.40 %	Not Applicable
3-Dec-18	3,000	1.54 %	Not Applicable
18-Nov-19	4,718	1.53 %	Not Applicable
	$ 50,227	1.02 %	(a)

pon rate.

8. DERIVATIVES

mpany entered into an interest rate swap with a notional amount of $10.0 million,
the benchmark index (LIBOR) in rolling 1-month FHLB advances with a receive
period of five years. The swap had a fair value loss position of $170,000 at June

mpany entered into an interest rate swap with a notional amount to $10.0 million.
the benchmark index (LIBOR) in rolling 1-month FHLB advances with a receive
period of five years. The swap had a fair value loss position of $181,000 at June

re carried at fair value in accordance with FASB ASC 815 "Derivatives and

9. INCOME TAXES

nificant portions of deferred income taxes are as follows:

	June 30, 2016	September 30, 2015
	(Dollars in Thousands)	
	$1,276	$ 1,185
	152	86
	19	119
	506	534
	19	19
	106	126
t rate swaps	119	-
	499	530
	2,696	2,599
	(506)	(534)
net of valuation allowance	2,190	2,065

	505	365
able for sale securities	602	10
	607	715
es	1,714	1,090
	$476	$ 975

a valuation allowance for deferred tax assets when management believes that the
ets is not likely to be fully realized through a carry back to taxable income in
sals of existing taxable temporary differences, and/or to a lesser extent, future
eduction generated by the redemption of the shares of a mutual fund held by the
impairment charge on the assets acquired through the redemption in kind are
and can only be utilized to the extent of capital gains recognized over a five year
ablishment of a valuation allowance for the carryforward period. The valuation
00 at June 30, 2016, and $534,000 at September 30, 2015.

lity for uncertain tax positions and no known unrecognized tax benefits. The
en applicable, interest and penalties related to unrecognized tax benefits in the
s in the Consolidated Statements of Operations as a component of income tax
federal and state income tax returns for taxable years through September 30, 2012
oses of examination by the Internal Revenue Service and the Pennsylvania

ATION PLANS

an employee stock ownership plan ("ESOP") for substantially all of its full-time
rchased 427,057 shares (on a converted basis) of the Company's common stock
pproximately $4.5 million in fiscal 2005. The ESOP purchased an additional
cember 2013 and an additional 30,100 shares at the beginning January 2014, of
stock for an aggregate cost of approximately $3.1 million. The shares were
eds of loans from the Company. Shares of the Company's common stock
e held in a suspense account until released for allocation to participants as the
re allocated to each eligible participant based on the ratio of each such
n, as defined in the ESOP, to the total compensation of all eligible plan
ned shares are released from the suspense account, the Company recognizes
ual to the fair value of the ESOP shares during the periods in which they become
To the extent that the fair value of the ESOP shares released differs from the cost
nce is charged or credited to equity as additional paid-in capital. As of June 30,
270 shares of which a total of 243,734 shares were allocated to participants'
onths ended June 30, 2016 and 2015, the Company recognized $129,000 for both
xpense related to the ESOP. For nine months ended June 30, 2016 and 2015, the
4,000 and $337,000, respectively, in compensation expense related to the ESOP.

he 2008 Recognition and Retention Plan ("2008 RRP") which is administered by a
f Directors of the Company. The RRP provides for the grant of shares of common
fficers, employees and directors of the Company. In order to fund the grant of
RRP Trust purchased 213,528 shares (on a converted basis) of the Company's
n market for approximately $2.5 million, at an average purchase price per share of
RRP. The Company made sufficient contributions to the RRP Trust to fund
ne 30, 2016, all the shares, with exception of 7,093 shares that had been forfeited,
of the 2008 RRP. Shares subject to awards under the 2008 RRP generally vest at
ver five years. During February 2015, shareholders approved the 2014 Stock
SIP"). As part of the 2014 SIP, a maximum of 285,655 shares can be awarded as
units, of which 235,500 shares were awarded during February 2015 of which
rfeited as of June 30, 2016.

lated to the shares subject to restricted stock awards granted is recognized ratably
period in an amount which totals the grant date fair value multiplied by the
to the grant. During the three and nine months ended June 30, 2016, an aggregate
respectively, was recognized in compensation expense for the 2008 RRP and the
4 SIP. Income tax benefits of $30,000 and $112,000, respectively, were
nd nine months ended June 30, 2016. During the three and nine months ended
and $262,000, respectively, was recognized in compensation expense for the 2008
ant to the 2014 SIP. An income tax benefit of $52,000 and $89,000, respectively,
ree and nine months ended June 30, 2015. At June 30, 2016, approximately $2.3
pensation expense for the shares awarded which remained outstanding related to
2014 SIP remained unrecognized. At June 30, 2015, approximately $2.8 million
n expense for the shares awarded related to the 2008 RRP and the 2014 SIP

ny's non-vested stock award activity for the nine months ended June 30, 2016 and
ollowing tables:

	Nine Months Ended June 30, 2016	
	Number of Shares (1)	Weighted Average Grant Date Fair Value
t October 1, 2015	241,428	$ 11.74
	-	-
	(30,180)	11.55
	(55,279)	11.59
t the June 30, 2016	155,969	$ 11.83

	Nine Months Ended June 30, 2015	
	Number of Shares	Weighted Average Grant Date Fair Value
t October 1, 2014	38,055	$ 8.07
	235,500	12.23
	-	-
	(10,314)	8.22
t the June 30, 2015	263,241	$ 11.79

he 2008 Stock Option Plan (the "2008 Option Plan") which authorizes the grant of
employees and directors of the Company to acquire shares of common stock with
equal to the fair market value of the common stock on the grant date. Options
and exercisable at the rate of 20% per year over five years and are generally
f ten years after the grant date. A total of 533,808 shares of common stock were
nce pursuant to the 2008 Stock Option Plan. As of June 30, 2016, all of the
under the 2008 Option Plan. As of June 30, 2016, 467,758 options (on a
ted under the 2008 Option Plan. The 2014 SIP reserved up to 714,145 shares for
ns. Options to purchase 608,737 shares were awarded during February 2015,
o the 2014 SIP and the remainder pursuant to the 2008 Option Plan. As of June
Plan had forfeited options covering 18,866 shares and the 2014 SIP had forfeited
shares.

of the Company's stock options under the 2008 Option Plan and the 2014 SIP as of
re presented below:

	Nine Months Ended June 30, 2016		
	Number of Shares	Weighted Average Exercise Price	
2015	1,074,430	$	11.92
	-		-
	(89,358)		11.61
	(80,476)		11.52
016	904,596	$	11.99
016	489,679	$	11.45

	Nine Months Ended June 30, 2015		
	Number of Shares	Weighted Average Exercise Price	
2014	530,084	$	10.86
	608,737		12.23
	-		-
	-		-
015	1,138,821	$	11.59
015	445,147	$	11.37

naining contractual term was approximately 5.9 years for options outstanding as

f options granted during fiscal 2009 was $2.98 per share, $2.92 for options
), $3.34 for options granted during fiscal 2013, $4.67 for the options granted
.58 for options granted during fiscal 2015. The fair value for grants made in fiscal
e date of grant using the Black-Scholes pricing model with the following
and fair value of $12.23, expected term of seven years, volatility rate of 38.16%,
a yield of 0.98%.

months ended June 30, 2016, $106,000 and $322,000, respectively, was
on expense for options granted pursuant to the 2008 Option Plan and the 2014

000 and $44,000, respectively, were recognized for the three and nine months
ing the three and nine months ended June 30, 2015, $158,000 and $268,000,
zed in compensation expense for options granted pursuant to the 2008 Option
x benefits of $54,000 and $91,000, respectively, were recognized for the three
ne 30, 2015.

as approximately $1.8 million in additional compensation expense to be
ptions which remained outstanding and unvested at such date. The weighted
n this expense will be recognized is approximately 3.7 years.

COMMITMENTS AND CONTINGENT LIABILITIES

mpany had $10.8 million in outstanding commitments to originate fixed loans
ranging from 3.75% to 5.00%. At September 30, 2015, the Company had $2.5
nmitments to originate fixed and variable-rate loans with market interest rates
25%. The aggregate undisbursed portion of loans-in-process amounted to $8.0
nd $17.0 million at September 30, 2015.

ommitments under unused lines of credit of $3.7 million as of June 30, 2016 and
ber 30, 2015 and letters of credit outstanding of $2.0 million as of June 30, 2016
tember 30, 2015.

ontingent liabilities are exposures to limited recourse arrangements with respect to
hole loans and participation interests. At June 30, 2016, the exposure, which
edit risk associated with the interests sold, amounted to $33,000. This exposure is
oans and payables, on our proportionate share, as actual losses are incurred.

in various legal proceedings occurring in the ordinary course of business.
pany, based on discussions with litigation counsel, believes that such proceedings
dverse effect on the financial condition, operations or cash flows of the Company.
assurance that any of the outstanding legal proceedings to which the Company is
d adversely to the Company's interests and not have a material adverse effect on
d operations of the Company.

. FAIR VALUE MEASUREMENT

resented herein are based on pertinent information available to management as of
nber 30, 2015, respectively. Although management is not aware of any factors that
the fair value amounts, such amounts have not been comprehensively revalued
ncial statements since that date and, therefore, current estimates of fair value may
he amounts presented herein.

nting principles used in the United States establish a fair value hierarchy which
mize the use of observable inputs and minimizes the use of unobservable inputs
e. The standard describes three levels of inputs that may be used to measure fair

hierarchy are as follows:

tive markets for identical assets or liabilities.

other than Level 1 prices, such as quoted prices for similar assets or liabilities;
rkets that are not active; or other inputs that are observable or can be corroborated
et data for substantially the full term of the assets or liabilities.
s that are supported by little or no market activity and that are significant to the
ets or liabilities. Level 3 assets and liabilities include financial instruments whose
using pricing models, discounted cash flow methodologies, or similar techniques,
nts for which the determination of fair value requires significant management
tion.

), 2016 which are to be measured at fair value on a recurring basis are as follows:

	Category Used for Fair Value Measurement			
	Level 1	Level 2	Level 3	Total
	(Dollars in Thousands)			
le:				
ncy obligations	$ -	$ 26,048	$ -	$ 26,048
es - U.S. Government agencies	-	91,532	-	91,532
	-	21,054	-	21,054
	49	-	-	
	$ 49	$ 138,634	$ -	$ 138,634
ts	$ -	$ 351	$ -	$ 351
	$ -	$ 351	$ -	$ 351

ber 30, 2015 which are measured at fair value on a recurring basis are as follows:

	Category Used for Fair Value Measurement			
	Level 1	Level 2	Level 3	Total
	(Dollars in Thousands)			
le:				
ncy obligations	$ -	$ 18,712	$ -	$ 18,712
es - U.S. Government agencies	-	58,712	-	58,712
	59	-	-	59
	$ 59	$ 77,424	$ -	$ 77,483

ed at fair value on a nonrecurring basis; that is, the instruments are not measured
g basis but are subject to fair value adjustments in certain circumstances (for
idence of impairment). The Company measures impaired loans and real estate
on-recurring basis.

oans to be impaired when it becomes more likely than not that the Company will
nounts due in accordance with the contractual terms of the loan agreements.
aired loans are based on the fair value of the collateral which is based on
ategorized as Level 2 measurement. In some cases, adjustments are made to the
us factors including the age of the appraisal, age of the comparable included in
changes in the market and in the collateral. These adjustments are based upon
therefore, the fair value measurement has been categorized as a Level 3
s are reviewed for impairment and written down to their net realizable value by
ance for loan losses. The collateral underlying these loans had a fair value in
of June 30, 2016.

ed to be uncollectible, the underlying collateral is generally repossessed and
real estate and repossessed assets. These repossessed assets are carried at the
of the collateral, based on independent appraisals, less cost to sell and would be
asurement. In some cases, adjustments are made to the appraised values for
age of the appraisal, age of the comparable included in the appraisal, and known
in the collateral. As a result, the evaluations are based upon unobservable inputs,
ue measurement has been categorized as a Level 3 measurement.

ring Fair Value Measurements

ne 30, 2016
rs in Thousands)

evel 2	Level 3	Total
-	$19,517	$19,517
-	207	207
-	$19,724	$19,724

ptember 30, 2015
rs in Thousands)

evel 2	Level 3	Total
-	$16,770	$16,770
869	-	869
869	$16,770	$17,639

des information describing the valuation processes used to determine
easurements categorized within Level 3 of the fair value hierarchy:

2016
Thousands)

/aluation Technique	Unobservable Input	Range/ Weighted Ave.
roperty ppraisals (1) (3)	Management discount for selling costs, property type and market volatility (2)	10% discount
roperty ppraisals (1)(3)	Management discount for selling costs, property type and market volatility (2)	10% discount

ber 30, 2015 Thousands) Valuation Technique	Unobservable Input	Range/ Weighted Ave.
roperty ppraisals (1) (3)	Management discount for selling costs, property type and market volatility (2)	10% discount
roperty ppraisals (1)(3)	Management discount for selling costs, property type and market volatility (2)	10% discount

determined through independent appraisals of the underlying collateral, which
ous Level 3 inputs, which are not identifiable.
usted by management for qualitative factors such as economic conditions and
xpenses. The range and weighted average of liquidation expenses and other
are presented as a percent of the appraisal.
justments by management and estimated liquidation expenses.

instruments has been determined by the Company using available market
ate valuation methodologies. However, considerable judgment is necessarily
et data to develop the estimates of fair value. Accordingly, the estimates
ecessarily indicative of the amounts the Company could realize in a current
of different market assumptions and/or estimation methodologies may have a
mated fair value amounts.

	Carrying Amount	Fair Value	Fair Value Measurements at **June 30, 2016** (Level 1)	(Level 2)	(Level 3)
	(Dollars in Thousands)				
s	$38,572	$38,572	$38,572	$-	$-
-backed securities	138,683	138,683	49	138,634	-
-backed securities held to	15,488	16,793	-	16,793	-
	342,459	344,478	-	-	344,478
le	1,763	1,763	1,763	-	-
stock	2,387	2,387	2,387	-	-
e	12,973	12,973	12,973	-	-
	37,741	37,741	37,741	-	-
counts	56,115	56,115	56,115	-	-
nent savings accounts	70,767	70,767	70,767	-	-
	222,017	224,396	-	-	224,396
ome					
	50,227	50,222	-	-	50,222
	1,015	1,015	1,015	-	-
for taxes and insurance	2,769	2,769	2,769	-	-
ts	351	351	-	351	-

	Carrying Amount	Fair Value	Fair Value Measurements at **September 30, 2015** (Level 1)	(Level 2)	(Level 3)
	(Dollars in Thousands)				
s	$11,272	$11,272	$11,272	$ -	$ -
-backed securities	77,483	77,483	59	77,424	-
-backed securities held to	66,384	66,877	-	66,877	-
	312,633	312,613	-	-	312,613
le	1,665	1,665	1,665	-	-
stock	369	369	369	-	-
e	12,722	12,722	12,722	-	-
	37,942	37,942	37,942	-	-
counts	60,736	60,736	60,736	-	-
nent savings accounts	70,355	70,355	70,355	-	-
	196,041	199,639	-	-	199,639
	1,291	1,291	1,291	-	-
for taxes and insurance	1,670	1,670	1,670	-	-

nts—For cash and cash equivalents, the carrying amount is a reasonable estimate of

ge-Backed Securities—The fair value of investment securities and mortgage-backed
ted market prices, dealer quotes, and prices obtained from independent pricing

air value of loans is estimated based on present value using the current market rates
uld be made to borrowers with similar credit ratings and for the same remaining
alue that fair value is compared to is net of the allowance for loan losses and
s and discounts. Due to the significant judgment involved in evaluating credit
d within Level 3 of the fair value hierarchy.

ble – For accrued interest receivable, the carrying amount is a reasonable estimate

k (FHLB) Stock—Although FHLB stock is an equity interest in an FHLB, it is
does not have a readily determinable fair value as its ownership is restricted and it
ated fair value approximates the carrying amount.

nce—The fair value of bank owned life insurance is based on the cash surrender
dependent advisor that is derivable from observable market inputs.

ey Market Deposit Accounts, Passbook Accounts, Club Accounts, Statement
ertificates of Deposit—The fair value of passbook accounts, club accounts,
s, checking accounts, and money market deposit accounts is the amount reported
. The fair value of certificates of deposit is based on market rates currently
nilar remaining maturity.

Home Loan Bank—The fair value of advances from FHLB is the amount payable
g date.

– For accrued interest payable, the carrying amount is a reasonable estimate of

fair values of the interest rate swap contracts are based upon the estimated
uld receive or pay to terminate the contracts.

s for taxes and insurance **–** For advances from borrowers for taxes and
nount is a reasonable estimate of fair value.

Credit and Letters of Credit—The majority of the Bank's commitments to extend
carry current market interest rates if converted to loans. Because commitments to
f credit are generally unassignable by either the Bank or the borrower, they only
d the borrower. The estimated fair value approximates the recorded deferred fee
gnificant.

TION

pany entered into an Agreement and Plan of Merger (the "Merger Agreement")
rsuant to the Merger Agreement, Polonia Bancorp will merge with and into the
and Polonia Bancorp's wholly owned subsidiary, Polonia Bank, a federally
ill merge with and into the Bank.

greement, at the effective time of the Merger, each outstanding share of Polonia
ill be converted into the right to receive, at the election of the Polonia Bancorp
rtain conditions, including conditions relating to pro-ration): (i) 0.7591 of a share
ck (the "Exchange Ratio") or (ii) $11.28 in cash (the "Per Share Cash Consideration"
Exchange Ratio, the "Merger Consideration"). The election of shares of Company
ect to pro-ration such that 50% of the issued and outstanding shares of Polonia
ill be exchanged for Company common stock and 50% will be exchanged for
Polonia Bancorp common stock outstanding at the effective time of the Merger
hanged for a cash payment equal to the difference, if positive, between the Per

under the Merger Agreement and the corresponding exercise price of such

n is subject to adjustment in certain limited situations. In the event that Polonia
ockholders' Equity, as calculated in accordance with the terms of the Merger
37.4 million as of the Final Statement Date, as defined in the Merger Agreement,
and the Per Share Cash Consideration will be adjusted downward to reflect the
between $37.4 million and the Polonia Bancorp Consolidated Stockholders'
ideration is subject to potential upward adjustment to reflect the after-tax impact
rienced by Polonia Bancorp, if any, achieved prior to the Final Statement Date as
greement. In such situation, the Exchange Ratio and the Per Share Cash
y have been adjusted downward as noted above, will be correspondingly adjusted
uch after-tax recoveries.

rger is subject to customary closing conditions, including, without limitation, the
greement by the Polonia Bancorp shareholders by the requisite shareholder vote
ired regulatory approvals.

NT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND TIONS

should be read in conjunction with our unaudited consolidated financial here in this Form 10-Q and with our Annual Report on Form 10-K for the year 5 (the "Form 10-K").

ncorp, Inc. (the "Company") was formed by Prudential Bancorp, Inc. of he successor holding company for Prudential Savings Bank (the "Bank") as a result sion completed in October 2013. The Company's results of operations are e results of the Bank, which is a wholly owned subsidiary of the Company. The rations depend to a large extent on net interest income, which primarily is the come earned on its loan and securities portfolios and the cost of funds, which is its and borrowings. Results of operations are also affected by our provisions for ncome (which includes impairment charges) and non-interest expense. cipally consists of salaries and employee benefits, office occupancy expense, ing expense, payroll taxes and other expense. Our results of operations are also general economic and competitive conditions, particularly changes in interest s and actions of regulatory authorities. Future changes in applicable laws, t policies may materially impact our financial condition and results of operations. gulation by the Federal Deposit Insurance Corporation (the "FDIC") and the of Banking and Securities (the "Department"). The Bank's main office is in a, with five additional full-service banking offices located in Philadelphia and nsylvania. The Bank's primary business consists of attracting deposits from the hose funds together with borrowings to originate loans and to invest primarily in ncy securities and mortgage-backed securities. In November 2005, the Bank c., a Delaware corporation, as a subsidiary of the Bank. In March 2006, all es then owned by the Company's predecessor were transferred to PSB Delaware, activities are included as part of the consolidated financial statements.

cies. In reviewing and understanding financial information for the Company, you d understand the significant accounting policies used in preparing our financial s are described in Note 1 of the notes to our unaudited consolidated financial m 1 hereof as well as in Note 2 to our audited consolidated financial statements K. The accounting and financial reporting policies of the Company conform to erally accepted in the United States of America ("U.S. GAAP") and to general ng industry. Accordingly, the financial statements require certain estimates, ns, which are believed to be reasonable, based upon the information available. mptions affect the reported amounts of assets and liabilities as well as contingent ilities at the date of the financial statements and the reported amounts of income eriods presented. The following accounting policies comprise those that

the most critical to aid in fully understanding and evaluating our reported
licies require numerous estimates or economic assumptions that may prove
ect to variations which may significantly affect our reported results and financial
r in future periods.

s. The allowance for loan losses is established through a provision for loan losses
es are charged against the allowance for loan losses when management believes
ull of the principal of a loan is unlikely. Subsequent recoveries are added to the
for loan losses is maintained at a level that management considers adequate to
es and impairments based upon an evaluation of known and inherent losses in the
n probable and reasonable to estimate. Loan impairment is evaluated based on the
estimated net realizable value. It is the policy of management to provide for losses
s portfolio in addition to criticized and classified loans.

allowance for loan losses at least quarterly and makes adjustments to the
ovision for loan losses as economic conditions and other pertinent factors indicate.
adjustment of the qualitative factors employed in the allowance methodology and
ss experience allow for timely reaction to emerging conditions and trends. In this
ative factors are used in a methodology as a measurement of how current
g the loan portfolio. Included in these qualitative factors are:

fied, criticized and non-accrual loans, troubled debt restructurings and loan

· Nature and volume of loans;

ies and procedures, underwriting standards, collections, charge-offs and
ercial loans, the level of loans being approved with exceptions to the Bank's

Experience, ability and depth of management and staff;

cal economic and business conditions, including various market segments;
f the Company's loan review system and the degree of Board oversight;
centrations of credit and changes in levels of such concentrations; and
rnal factors on the level of estimated credit losses in the current portfolio.

nce for loan losses, management has established a general pooled allowance.
alitative factors and those developed from historic loss experience provide a
ulation of reserve factors for both pass-rated loans (the general pooled allowance)
d classified loans. The amount of the specific allowance is determined through a
ertain large dollar commercial real estate loans, construction and land
ulti-family loans. Loans not individually reviewed are evaluated as a group using
based on historical loss experience and the qualitative factors described above.
riate level of the general pooled allowance, management makes estimates based
hich take into account such factors as debt service coverage, loan-to-value ratios
nates are periodically measured against actual loss experience.

tly subjective as it requires material estimates including, among others, exposure
timing of expected future cash flows on impaired loans, value of collateral,
ommercial, construction and residential loan portfolios and historical loss
stimates may be susceptible to significant change.

he best information available to make loan loss allowance evaluations,
nce may be necessary based on changes in economic and other conditions or
dance. In addition, the Department and the FDIC, as an integral part of their
riodically review our allowance for loan losses. The Department and the FDIC
on of adjustments to the allowance for loan losses based on their judgment of

hem at the time of their examination. To the extent that actual outcomes differ
ates, additional provisions to the allowance for loan losses may be required that
rnings in future periods.

-backed securities available for sale. Where quoted prices are available in an
re classified within Level 1 of the valuation hierarchy. If quoted market prices are
ues are estimated using quoted prices of securities with similar characteristics or
l are classified within Level 2 of the fair value hierarchy. In certain cases where
less transparency around inputs to the valuation, securities are classified within
ierarchy, although there were no securities with that classification as of June 30,
15.

curities for other-than-temporary impairment at least on a quarterly basis, and
onomic or market concerns warrant such evaluation. The Company determines
sses are temporary or not in accordance with U.S. GAAP. The evaluation is based
reditworthiness of the issuers/guarantors, the underlying collateral, if applicable,
mance of the securities. In addition, the Company also considers the likelihood
quired to be sold because of regulatory concerns, our internal intent not to
or to maturity and whether the entire cost basis of the security is expected to be
whether the cost basis will be recovered, management evaluates other facts and
e indicative of an “other-than-temporary” impairment condition. This includes, but
ation of the type of security, length of time and extent to which the fair value has
ear-term prospects of the issuer.

are measured at fair value on a non-recurring basis; that is, the instruments are
on an ongoing basis but are subject to fair value adjustments in certain
le, when there is evidence of impairment). The Company measures impaired
rities, both available-for-sale ("AFS") and held-to-maturity ("HTM"), at fair value on

models utilized for measuring financial assets and liabilities are reviewed and
at least quarterly.

any accounts for income taxes in accordance with U.S. GAAP. The Company
axes that reflect the net tax effects of temporary differences between the carrying
bilities for financial reporting purposes and the amounts used for income tax
ercises significant judgment in the evaluation of the amount and timing of the
g tax assets and liabilities. The judgments and estimates required for the
sed upon changes in business factors and the tax laws. If actual results differ from
considerations used in estimating the amount and timing of tax recognized, there
dditional expenses will not be required in future periods.

o recover deferred tax assets, we consider all available positive and negative
ast operating results and our forecast of future taxable income. In determining
make assumptions for the amount of taxable income, the reversal of temporary
mentation of feasible and prudent tax planning strategies. These assumptions
ents about our future taxable income and are consistent with the plans and
ge our business. Any reduction in estimated future taxable income may require us
luation allowance against our deferred tax assets. An increase in the valuation
additional income tax expense in the period and could have a significant impact

a minimum probability threshold that a tax position must meet before a financial
nized. The Company recognizes, when applicable, interest and penalties related to
in the provision for income taxes in the consolidated income
uncertain tax positions requires careful consideration of the technical merits of a
ment's analysis of tax regulations and interpretations. Significant judgment may
nent of the tax position.

ents. This Quarterly Report on Form 10-Q contains "forward-looking statements"
Private Securities Litigation Reform Act of 1995. These statements include, but

tions or predictions of future financial or business performance, conditions
nd Polonia Bancorp, or other effects of the proposed merger of the Company and
orward-looking statements include statements with respect to the Company's
goals, expectations, anticipations, estimates and intentions, that are subject to
rtainties, and are subject to change based on various factors (some of which are
ontrol). The words "may," "could," "should," "would," "will," "believe," "anticipate," "estimate,"
" and similar expressions are intended to identify forward-looking statements.

iously disclosed in the reports filed by the Company with the Securities and
SEC") and those identified elsewhere in this Form 10-Q, the following factors,
e actual results to differ materially from forward looking statements or historical
o obtain regulatory approvals and satisfy other closing conditions to the merger,
reholders of Polonia; delay in closing the merger; difficulties and delays in
siness or fully realizing anticipated cost savings and other benefits of the merger;
wing the merger; the strength of the United States economy in general and the
omies in which the Company and Polonia conduct their operations; general
slative and regulatory changes; monetary and fiscal policies of the federal
ax policies, rates and regulations of federal, state and local tax authorities;
deposit flows, the cost of funds, demand for loan products, demand for financial
nges in the quality or composition of the Company's loan, investment and
es portfolios; changes in accounting principles, policies or guidelines and other
overnmental and technological factors affecting the Company's operations,
s and fees; and the success of the Company at managing the risks involved in the

ndertake to update any forward-looking statement, whether written or oral, that
o time by or on behalf of the Company to reflect events or circumstances
f this Form 10-Q.

of the assumptions, risks and uncertainties related to our business, readers are
Company's filings with the SEC, including the "Risk Factors" section in the
nnual Report on Form 10-K, as supplemented by its quarterly or other reports
e SEC.

ugh the economy slowly improved during 2015 and 2016, we still view the
allenging.

o focus on the credit quality of its customers, closely monitoring the financial
ghout the Company's markets, gathering information, working on early detection
ing pre-emptive steps where necessary and performing the analysis required to
s for loan losses.

t and economic conditions, the Company continues to maintain capital well in
rements.

provides further details on the financial condition of the Company at June 30,
015, and the results of operations for the three and nine months ended June 30,

NANCIAL CONDITION AT JUNE 30, 2016 AND SEPTEMBER 30, 2015

mpany had total assets of $556.3 million, as compared to $487.2 million at
crease of 14.2%. Cash and cash equivalents increased $27.3 million to $38.6
compared to $11.3 million at September 30, 2015, due to maintaining sufficient
ash portion of the merger consideration in the previously assumed pending
corp, Inc.(“Polonia Bancorp”). At June 30, 2016, net loans receivable increased to
.6 million at September 30, 2015. The increase in net loans receivable was
million increase in commercial real estate loans, partially offset by a $21.4 million
f one-to-four family loans and construction and land development loans. During
e Company increased its available-for-sale investment portfolio by $61.2 million,
9 million reduction in investment securities held-to-maturity, primarily due to
s part of the growth of the investment securities portfolio pursuant to an
gy, the Company purchased $15.0 million of mortgage-backed securities and
e securities, funding the purchase with mix-termed FHLB advances.

by $73.0 million to $443.2 million at June 30, 2016 from $370.2 million at
l deposits increased $21.6 million primarily in short-term certificate of deposits.
mpany maintained FHLB advances of $50.2 million with variable maturities of
$25.0 million was used to fund the Company’s investment leverage strategy noted

y decreased by $3.9 million to $113.1 million at June 30, 2016 from $117.0 million
he decrease was primarily due to the $7.8 million expended in the acquisition of
on with the Company's previously announced stock repurchase program. As of
any had repurchased 665,733 shares under its current program leaving 184,267
nited repurchases have been effected since early March 2016 due to the pending
corp. This decrease was partially offset by $1.7 million in net income during the
0, 2016 combined with a $914,000 after-tax increase in the unrealized gain on the
es portfolio and the fair value of interest rate swaps.

SULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS AND 2015

ny recognized net income of 777,000, or $0.10 per basic share and per diluted
ed June 30, 2016 as compared to $47,000, or $0.01 per basic and diluted share, for
For the nine months ended June 30, 2016, the Company recognized net income of
basic and per diluted share, as compared to net income of $2.2 million, or $0.26
uted share, for the comparable period in 2015. The three and nine months ended
netime gains on sale of real estate of $231,000 and $2.0 million, respectively,
branch offices.

the three months ended June 30, 2016, net interest income increased to $3.7
.2 million for the same period in 2015. The increase reflected a $419,000 or
income combined with a decrease of $27,000 or 3.2% in interest paid on deposits
pany increased borrowings from the FHLB during the third quarter of fiscal 2016
plementation of its previously announced leverage strategy (initially implemented
rease the level of its earning assets. During the quarter ended June 30, 2016, the
balance of borrowings of $44.2 million with a weighted average cost of 1.30%,
on from the average balance of borrowings during the same period in 2015. The
st of funds decreased 11 basis points to 0.78% for the June 30, 2016 quarter, from
d in 2015.

d June 30, 2016, net interest income increased to $10.4 million as compared to
e period in 2015. The increase reflected a $297,000 or 2.4% increase in interest
decrease of $150,000 or 5.7% in interest paid on deposits and borrowings. The
om the FHLB also increased during the nine months ended June 30, 2016 in
age strategy implemented during the second quarter of fiscal 2016. The Company
f borrowings of $30.2 million with a weighted average yield of 1.30% during the
0, 2016, an increase of $30.0 million from the level of average borrowings during
The total weighted average cost of funds decreased 10 basis points to 0.81% for

une 30, 2016, from 0.91% for the same period in 2015.

ed June 30, 2016, the net interest margin was 2.81% compared to 2.65% for the
5. For the nine months ended June 30, 2016, the net interest margin was 2.74% as
e same period in 2015. The net interest margin increased during the first nine
marily due to the results of the Company's efforts in reducing its overall cost of

terest income, and yields earned and rates paid. The following table shows for
otal dollar amount of interest earned from average interest-earning assets and the
s the interest expense on average interest-bearing liabilities and the resulting
ollars and rates, the interest rate spread and the net interest margin. Average
n annualized. Tax-exempt income and yields have not been adjusted to a
verage balances are based on monthly balances. Management does not believe
differ significantly from what the daily averages would be.

	Three Months Ended June 30, 2016				2015			
	Average Balance	Interest	Average Yield/Rate (1)		Average Balance	Interest	Average Yield/Rate (1)	
		(Dollars in Thousands)						
	$51,070	$529	2.91	%	$77,804	$487	2.51	%
es	129,557	673	2.62		65,198	465	2.86	
	334,410	3,263	3.96		320,877	3,085	3.86	
ets	12,450	9	0.29		27,134	18	0.28	
ets	527,487	4,474	3.44		491,013	4,055	3.31	
ring	1,781				2,009			
g assets	20,950				21,111			
	$550,218				$514,133			
:								
	$73,031	18	0.10		$75,673	52	0.28	
d	91,884	34	0.15		97,171	83	0.34	
	218,857	629	1.17		206,422	715	1.39	
	383,772	681	0.72		379,266	850	0.91	
ome	44,200	142	1.30		221	-	0.00	
for	2,131	1	0.19		2,300	1	0.18	
ilities	430,103	824	0.78		381,787	851	0.90	
lities:								
and	2,795				2,129			
	1,752				2,662			
	434,650				386,578			
	115,568				127,555			
nolders'	$550,218				$514,133			
s	$97,384				$109,226			
est rate		$3,650	2.66	%		$3,204	2.41	%
			2.81	%			2.62	%
assets g		122.64%				128.61%		

e three month periods are annualized.
oans. Calculated net of unamortized deferred fees, undisbursed portion of
ne allowance for loan losses.
ome divided by average interest-earning assets.

	Nine Months Ended June 30, 2016			2015		
	Average Balance	Interest	Average Yield/Rate (1)	Average Balance	Interest	Average Yield/Rate (1)
		(Dollars in Thousands)				
	$60,356	$1,517	2.69 %	$82,797	$1,587	2.56 %
es	111,126	1,868	2.59	59,291	1,331	3.00
	323,830	9,489	3.90	325,782	9,629	3.95
ets	10,511	22	0.28	31,539	52	0.22
ets	505,823	12,896	3.40	499,409	12,599	3.37
ring	1,887			2,164		
g assets	19,929			19,193		
	$527,639			$520,766		
:						
	$72,786	65	0.12	$75,662	161	0.28
d	91,928	129	0.19	99,318	257	0.35
	208,560	1,981	1.27	210,089	2,202	1.40
	373,274	2,175	0.78	385,069	2,620	0.91
ome	30,245	296	1.30	217	-	0.00
for	1,971	2	0.14	2,057	3	0.19
ilities	405,490	2,473	0.81	387,343	2,623	0.91
lities:						
and	2,724			2,247		
	3,661			3,089		
	411,875			392,679		
	115,764			128,087		
holders'	$527,639			$520,766		
s	$100,333			$112,066		
est rate		$10,423	2.58 %		$9,976	2.47 %
			2.74 %			2.67 %
assets g		125.44 %			128.93 %	

e nine month periods are annualized.
oans. Calculated net of unamortized deferred fees, undisbursed portion of
ne allowance for loan losses.
ome divided by average interest-earning assets.

. The Company established provisions for loan losses of $150,000 and $225,000
months ended June 30, 2016, respectively, primarily due to the increased level of
d construction loans outstanding. During the three and nine months ended June
tablished provisions for loan losses of $210,000 and $585,000, respectively,
ase in the level of commercial real estate and construction loans outstanding as
neral reserve as a result of charge-offs incurred during the second quarter of
n the classification of $10.9 million of loans related to one borrowing relationship
cribed below. During the three months ended June 30, 2016, the Company
1,000 and no charge offs and during the nine months ended June 30, 2016, the
e-offs totaling $11,000, along with a recovery of $125,000. The Company's largest
h consists of nine loans aggregating $12.2 million, was classified as
ncerns with projected cash flows available to fund the borrower's future
, 2016, the complete relationship was analyzed for impairment using the
ounting Standards Codification Topic 310 . The relationship was deemed to have
by no impairment was required. The borrower's primary project, the development
s received all required permits and preparation of the necessary infrastructure has
y disclosed, in the Form 10-Q for the quarter ended March 31, 2016, the
inst the Bank in late March 2016 alleging various matters related to the Bank's
s related to this project. The Bank intends to vigorously defend the case but no
to the outcome of the litigation or the effect on the project. The Company
e for loan losses at June 30, 2016 was sufficient to cover all inherent and known
loan portfolio at such date.

sses totaled $3.3 million, or 1.0% of total loans and 21.3% of total
une 30, 2016 as compared to $2.9 million, or 0.9% of total loans and 21.0% of
s at September 30, 2015.

ogy for assessing the adequacy of the allowance establishes both specific and
s of the allowance. Loans are assigned ratings, either individually for larger
s pools, based on an internally developed grading system. The resulting
ed and approved by senior management.

mpany's non-performing assets totaled $16.6 million or 2.9% of total assets as
n or 3.0% of total assets at September 30, 2015, all of which was due to the
of the entire loan relationship described above. Non-performing loans and assets
five construction loans aggregating $10.2 million, 19 one-to four-family
ing $3.2 million, one single-family residential investment property loan totaling
mercial real estate loans aggregating $1.3 million. At June 30, 2016, the
ggregating $7.8 million that were classified as troubled debt restructurings
oans aggregating $5.6 million as of June 30, 2016 were classified as
t of not achieving a sufficiently long payment history, under the restructured

the loans to performing (accrual) status. Two of these three loans totaling $4.2
the Company's largest relationship discussed above) are more than 90 days past
continuation of funding by the Company due to the re-negotiation of the project's
brought suit against the Bank in late March 2016 alleging various matters related
under the loans related to this project. The Bank intends to vigorously defend the
be made as to the outcome of the litigation or the effect on the project. The
ve performed in accordance with the terms of their revised agreements. As of June
ad reviewed $19.5 million of loans for possible impairment of which $14.4
ified as substandard compared to $16.7 million reviewed for possible impairment
h was classified substandard as of September 30, 2015. At June 30, 2016,
sted of 20 loans. We did not have any assets classified as "doubtful" or "loss" at either
er 30, 2015.

npany had $5.6 million of loans delinquent 30-89 days as to interest and/or
onsisted of 12 one-to-four family residential loans totaling $2.3 million and three
ans totaling $3.3 million.

had a total of five loans totaling $2.6 million that had been designated "special
nsist of three loans extended to a single borrower and are secured by real estate. All
ted "special mention" due to concerns with regard to the borrower's cash flow
0, 2015, we had a total of eight loans aggregating $3.4 million designated as

s the amounts of non-performing assets (defined as non-accruing loans, accruing
t as to principal and/or interest and real estate owned) as of June 30, 2016 and
either date did the Company have any accruing loans 90 days or more past due

	June 30, 2016		September 30, 2015	
	(Dollars in Thousands)			
ntial	$ 4,633		$ 3,547	
	1,346		1,589	
velopment	10,113		8,796	
	16,092		13,932	
l)	207		869	
ets	$ 16,639		$ 14,801	
ns as a percentage of loans, net	4.70	%	4.46	%
ns as a percentage of total assets	2.89	%	3.04	%
ets as a percentage of total assets	2.93	%	3.04	%

nces are shown net of related loss allowances and consist solely of real property.

n-interest income amounted to $400,000 and $883,000 for the three and nine
30, 2016, compared to $445,000 and $2.8 million, respectively, for the
15. The three and nine month periods in 2015 reflected the $231,000 and $2.0
on the sale of two branch offices as well as the recognition during the quarter
$138,000 gain on the sale of a loan originated through the Small Business
By comparison, during the three and nine month periods ended June 30, 2016, the
sed service charge income, gains on the sale of five mortgage-backed securities
f $11.2 million recording a gain of $152,000 and a $8,000 gain from three agency
aling $8.0 million with an amortized value slightly below par.

r the three and nine month periods ended June 30, 2016, non-interest expense
.0% and $1.4 million or 11.7%, respectively, compared to the same periods in the
asons for the decreases for the three and nine month periods ended June 30, 2016
and employee expense, professional services, office occupancy, advertising and
The reduction in operating expenses was a direct result of the implementation of
se reduction plan announced at the beginning of the 2016 fiscal year.

the three month period ended June 30, 2016, the Company recorded a tax
pared to a $40,000 tax benefit for the same period in 2015. For the nine month
6, the Company recorded income tax expense of $836,000 as compared to
od in 2015. The Company's tax liability for both three and nine month periods in
tly reduced due the Company's ability to utilize its prior period capital loss
e entire amount of the gain recorded relating to the sale of the two branch offices.

ITAL RESOURCES

represented by cash and cash equivalents, is a product of its operating, investing
Our primary sources of funds are deposits, scheduled principal and interest
repayments and the maturity of loans, mortgage-backed securities and other
nds provided from operations. While scheduled payments from the amortization
cked securities and maturing investment securities are relatively predictable
flows and loan and securities prepayments can be greatly influenced by market
c conditions and competition. We also maintain excess funds in short-term,
t provide additional liquidity. At June 30, 2016, our cash and cash equivalents
n. In addition, our available-for-sale investment securities amounted to an
on at such date.

nd existing and future loan commitments, to fund maturing certificates of deposit
drawals, to invest in other interest-earning assets, and to meet operating expenses.
mpany had $10.8 million in outstanding commitments to originate fixed loans, not
. The Company also had commitments under unused lines of credit of $3.7
it outstanding of $2.0 million at June 30, 2016. Certificates of deposit as of June
g in one year or less totaled $134.1 million. Based upon historical experience, we
nt portion of the maturing certificates of deposit will be redeposited with us.

from loan and securities payments and prepayments as well as from sales of
es, we have significant borrowing capacity available to fund liquidity needs
r borrowings consist solely of advances from the Federal Home Loan Bank of
which we are a member. Under terms of the collateral agreement with the FHLB, we
ge loans as well as our stock in the FHLB as collateral for such advances. At June
illion in outstanding FHLB advances and had the ability to obtain an additional
dvances. Additional borrowing capacity with the FHLB could be obtained with
vestment securities. The Bank has also obtained approval to borrow from the
count window.

l continue to have sufficient funds and alternative funding sources to meet our

narizes the Company’s and Bank’s regulatory capital ratios as of June 30, 2016 and
ompares them to current regulatory guidelines.

	Actual Ratio	Required for Capital Adequacy Purposes	To Be Well Capitalized Under Prompt Corrective Action Provisions
assets)			
	20.35 %	N/A	N/A
	18.02 %	4.0 %	5.0 %
eighted assets)			
	40.53 %	N/A	N/A
	35.98 %	5.1 %(a)	6.5 %
ghted assets)			
	40.20 %	N/A	N/A
	35.60 %	6.6 %(a)	8.0 %
hted assets)			
	41.40 %	N/A	N/A
	36.85 %	8.6 %(a)	10.0 %
assets)			
	23.73 %	N/A	N/A
	19.50 %	4.0 %	5.0 %
eighted assets)			
	50.63 %	N/A	N/A
	41.66 %	4.5 %	6.5 %
ghted assets)			
	50.63 %	N/A	N/A
	41.65 %	4.0 %	6.0 %
hted assets)			
	51.98 %	N/A	N/A
	43.00 %	8.0 %	10.0 %

n of capital conservation buffer.

ON AND CHANGING PRICES

accompanying notes, and related financial data of the Company presented herein
ordance with generally accepted accounting principles which require the
position and operating results in terms of historical dollars, without considering
rchasing power of money over time due to inflation.

mpanies, substantially all of the assets and liabilities of a financial institution are
result, interest rates have a more significant impact on a financial institution's
cts of general levels of inflation. Interest rates do not necessarily move in the
ame magnitude as the price of goods and services, since such prices are affected
ent than interest rates. In the current interest rate environment, liquidity and the
Company's assets and liabilities are critical to the maintenance of acceptable

et Risk. Market risk is the risk of loss from adverse changes in market prices and
es primarily from interest rate risk which is inherent in our lending, investment
vities. To that end, management actively monitors and manages interest rate risk
narket risk, our primary risk is credit risk on our loan portfolio. We attempt to
h our loan underwriting and oversight policies.

f our interest rate risk management function is to evaluate the interest rate risk
nce sheet accounts, determine the level of risk appropriate given our business
nment, capital and liquidity requirements and performance objectives, and
t with approved guidelines. We seek to manage our exposure to risks from
while at the same time trying to improve our net interest spread. We monitor
isk relates to our operating strategies. We have established an Asset/Liability
prised of our President and Chief Executive Officer, Chief Financial Officer,
easurer and Controller. The Asset/Liability Committee meets on a regular basis
iewing our asset/liability policies and interest rate risk position. Both the extent
nterest rates are uncertainties that could have a negative impact on future

f our asset/liability management strategy we primarily have reduced our
fixed-rate callable agency bonds, increased our origination of hybrid
ily residential mortgage loans and increased our portfolio of step-up callable
issued collaterized mortgage-backed securities (“CMOs”) with short effective life.
mplemented two interest rate swaps to reduce funding cost for a five year period.
g the foregoing steps, we remain subject to a significant level of interest rate risk
ronment due to the high proportion of our loan portfolio that consists of fixed-rate
on in prior periods to invest a significant amount of our assets in long-term,
mortgage-backed securities.

ing of assets and liabilities may be analyzed by examining the extent to which
are “interest rate sensitive” and by monitoring a Company’s interest rate sensitivity
y is said to be interest rate sensitive within a specific time period if it will mature or
eriod. The interest rate sensitivity gap is defined as the difference between the
g assets maturing or repricing within a specific time period and the amount of
maturing or repricing within that same time period. A gap is considered positive
est rate sensitive assets exceeds the amount of interest rate sensitive liabilities. A
e when the amount of interest rate sensitive liabilities exceeds the amount of
ts. During a period of rising interest rates, a negative gap would tend to affect
ome while a positive gap would tend to result in an increase in net interest income.
od of falling interest rates, a negative gap would tend to result in an increase in
a positive gap would tend to affect adversely net interest income.

orth the amounts of our interest-earning assets and interest-bearing liabilities
016, which we expect, based upon certain assumptions, to reprice or mature in
riods shown (the “GAP Table”). Except as stated below, the amounts of assets and
price or mature during a particular period were determined in accordance with the
g or the contractual maturity of the asset or liability. The table sets forth an
ected repricing of assets and liabilities at June 30, 2016, on the basis of
icipated prepayments, and scheduled rate adjustments within a three-month
ected time intervals. The loan amounts in the table reflect principal balances
l and/or repriced as a result of contractual amortization and anticipated
e-rate loans and fixed-rate loans, and as a result of contractual rate adjustments on
ual prepayment rates for variable-rate and fixed-rate single-family and
nd commercial mortgage loans are assumed to range from 6.5% to 31.6%. The
or mortgage-backed securities is assumed to range from 0.8% to 20.9%. For
g accounts and money markets, the decay rates vary on an annual basis over a ten

	3 Months or Less	More than 3 Months to 1 Year	More than 1 Year to 3 Years	More than 3 Years to 5 Years	More than 5 Years	Total Amount
	(Dollars in Thousands)					
	$3,924	$16,826	$33,493	$23,239	$74,302	$151,784
	37,737	45,598	102,478	62,010	96,119	343,942
	38,572	-	-	-	-	38,572
ets	$80,233	$62,424	$135,971	$85,249	$170,421	$534,298
:						
	$1,858	$5,807	$9,359	$9,022	$41,951	$67,997
d	3,257	9,772	16,157	13,071	48,767	91,024
	41,481	92,642	62,763	25,131	-	222,017
	785	2,369	26,485	20,588	-	50,227
for	2,769	-	-	-	-	2,769
	$50,150	$110,590	$114,764	$67,812	$90,718	$434,034
	$30,083	$(48,166)	$21,207	$17,437	$79,703	$100,264
	$30,083	$(18,083)	$3,124	$20,561	$100,264	
gap						
at	5.41 %	-3.25 %	0.56 %	3.70 %	18.02 %	
ng						
tive						
30,	159.99 %	88.75 %	101.13 %	105.99 %	123.10 %	

are included in the period in which the balances are expected to be redeployed
sult of anticipated prepayments, scheduled rate adjustments and contractual

s of the gap analysis, investment securities are reflected at amortized cost.

p analysis, loans receivable includes non-performing loans and is gross of the
ses and unamortized deferred loan fees, but net of the undisbursed portion of

(4) Includes FHLB stock.

te sensitivity gap represents the difference between interest-earning assets and
ies.

inherent in the method of analysis presented in the foregoing table. For example,
d liabilities may have similar maturities or periods to repricing, they may react in
es in market interest rates. Also, the interest rates on certain types of assets and
advance of changes in market interest rates, while interest rates on other types
n market rates. Additionally, certain assets, such as variable-rate loans, have
anges in interest rates both on a short-term basis and over the life of the asset.
change in interest rates, prepayment and early withdrawal levels would likely
those assumed in calculating the table. Finally, the ability of many borrowers to
loans may be adversely affected in the event of an interest rate increase.

lysis. Our interest rate sensitivity also is monitored by management through the
erates estimates of the changes in our net portfolio value (“NPV”) over a range of
V is the present value of expected cash flows from assets, liabilities and
s. The NPV ratio, under any interest rate scenario, is defined as the NPV in that
arket value of assets in the same scenario. The “Sensitivity Measure” is the decline
points, caused by a 2% increase or decrease in rates, whichever produces a larger
le sets forth our NPV as of June 30, 2016 and reflects the changes to NPV as a
ustained changes in interest rates as indicated.

olio Value		NPV as % of Portfolio Value of Assets	
$ Change	% Change	NPV Ratio	Change
n Thousands)			
$ (33,883)	(26.43)%	19.15 %	(3.89)%
(22,332)	(17.42)%	20.61 %	(2.43)%
(10,457)	(8.16)%	21.99 %	(1.05)%
-	-	23.04 %	-
588	0.46 %	22.64 %	(0.40)%
2,049	1.60 %	22.51 %	(0.53)%
11,632	9.07 %	23.76 %	0.72 %

he Company’s NPV was $131.1 million or 27.2% of the market value of assets.
nt increase in interest rates, the Company’s “post shock” NPV would be $107.4
arket value of assets.

AP Table, certain shortcomings are inherent in the methodology used in the above
nents. Modeling changes in NPV requires the making of certain assumptions
lect the manner in which actual yields and costs respond to changes in market
d, the models presented assume that the composition of our interest sensitive
ng at the beginning of a period remains constant over the period being measured
rticular change in interest rates is reflected uniformly across the yield curve
to maturity or repricing of specific assets and liabilities. Accordingly, although
an indication of interest rate risk exposure at a particular point in time, such
nd does not provide a precise forecast of the effect of changes in market interest
he and will differ from actual results.

VE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

d not been any material change to the market risk disclosure contained in the
t on Form 10-K for the year ended September 30, 2015, set forth in Item 7,
and Analysis of Financial Condition and Results of Operation –Exposure to
"

ND PROCEDURES

d, with the participation of our Chief Executive Officer and Chief Financial
of our disclosure controls and procedures (as defined in Rule 13a-15(e) or
ities Exchange Act of 1934) as of the end of the period covered by this report.
our Chief Executive Officer and Chief Financial Officer have concluded that as
ed by this report, our disclosure controls and procedures are designed to ensure
to be disclosed by us in the reports that we file or submit under the Securities
recorded, processed, summarized and reported within the time periods specified in
ations and are operating in an effective manner.

control over financial reporting (as defined in Rule 13a-15(f) or 15d-15(f) under
ct of 1934) occurred during the most recent fiscal quarter that has materially
likely to materially affect, our internal control over financial reporting.

gs

n the Company's Quarterly Report on Form 10-Q for the quarter ended March 31,
on March 31, 2016, Island View Properties, Inc., trading as Island View Crossing
tieri (collectively, the "Gualtieri Parties") filed suit in the Court of Common Pleas,
a, against Prudential Savings Bank (the "Bank") seeking damages in an amount in
The lawsuit asserts allegations related to a loan (the "Loan") granted thereby to the
p a 169-unit townhouse and condominium project located in Bristol Borough in
nia (the "Island View Project").

k filed a motion with the court seeking to dismiss the majority of claims asserted.
motion is pending before the court. Discovery has recently commenced between
rties. As the case is in its early stages, no prediction can be made as to the
r, the Bank believes that it has meritorious defenses and it intends to vigorously

n the Form 10-Q, in a related case, on March 2, 2016, Lava Funding, LLC ("Lava")
Common Pleas, Philadelphia, Pennsylvania against the Bank, Francesco Gualtieri,
nd View Crossing II, LP. ("Island View Crossing") seeking damages, with respect to
ted that the Bank refused to honor an agreement allegedly made by the Bank in
ction with the issuance of a one-year term loan ("Term Loan") in the amount of
sland View Crossing and Francesco Gualtieri related to the aforementioned Island
as settled in May 2016 with the Bank acquiring the Term Loan from Lava

rivative and class action lawsuit, Parshall v. Eugene Andruczyk et al., was filed in
tgomery County, Maryland on July 21, 2016. The lawsuit names as defendants
ancorp, Inc. ("Polonia"), Polonia and the Company. The lawsuit alleges a breach of
ctors and Polonia by approving the Agreement and Plan of Merger by and
d Polonia dated as of June 2, 2016 (the "Merger Agreement") pursuant to which
nd into the Company (the "Merger") for (i) inadequate merger consideration and
sive deal protection measures in the Merger Agreement. The lawsuit also alleges
abetted the alleged breaches of fiduciary duty. The relief sought includes
t injunction against the consummation of the Merger, rescission or rescissory
completed, costs and attorney's fees. The Company believes that the claims are

to defend against this suit vigorously. However, at this time, it is not possible to
proceeding or the impact on the Company or the Merger.

noted above, the Company is involved in various other legal actions arising in
business. All such actions in the aggregate involve amounts that are believed by
erial to the financial condition and results of operations of the Company.

formation set forth in this report, you should carefully consider the factors
1A. Risk Factors" in the Company's Annual Report on Form 10-K for the year
5, as such factors could materially affect the Company's business, financial
s of operations.As of June 30, 2016, no material changes have occurred to the risk
s reported in the Company's Annual Report on Form 10-K for the fiscal year
5. The risks described in the 2015 Annual Report on Form 10-K are not the only
ces. Additional risks and uncertainties not currently known to the Company, or
y deems to be immaterial, also may have a material adverse impact on the
ncial conditions, or results of operations.

es of Equity Securities and Use of Proceeds

(a) and (b) Not applicable

chases of equity shares for the second quarter of fiscal year 2016 were as follows:

Number ares ased		Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares that May Yet Purchased Under Plans or Programs (1)
0	(2)	$ 14.42	4,000	207,522
0	(2)	$ 14.82	8,000	199,522
55		$ 14.50	15,255	184,267
55		$ 14.61		

Company announced that the Board of Directors had approved a second stock
rizing the Company to repurchase up 850,000 shares of common stock,
Company's then outstanding shares.

hased upon option exercises by participants.

enior Securities

closures

on

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/15d-14(a) Certification of Chief Financial Officer
ertifications
Document.
my Extension Schema Document.
my Extension Calculation Linkbase Document.
my Extension Label Linkbase Document.
my Extension Presentation Linkbase Document.
my Extension Definitions Linkbase Document.

nts of the Securities Exchange Act of 1934, the Registrant has duly caused this
behalf by the undersigned thereunto duly authorized.

RP, INC.

/s/ Dennis Pollack
Dennis Pollack
President and Chief Executive Officer

/s/ Jack E. Rothkopf
Jack E. Rothkopf
Senior Vice President, Chief Financial Officer and Treasurer