

Section 1: 10-Q (10-Q)

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2019

OR

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

For the transition period from _____ to _____

Commission File Number: 001-36523 (Urban Edge Properties)

Commission File Number: 333-212951-01 (Urban Edge Properties LP)

URBAN EDGE PROPERTIES URBAN EDGE PROPERTIES LP

(Exact name of Registrant as specified in its charter)

<u>Maryland</u>	<u>(Urban Edge Properties)</u>	<u>47-6311266</u>	
<u>Delaware</u>	<u>(Urban Edge Properties LP)</u>	<u>36-4791544</u>	
(State or other jurisdiction of incorporation or organization)		(I.R.S. Employer Identification Number)	
<u>888 Seventh Avenue</u>	<u>New York</u>	<u>New York</u>	<u>10019</u>
(Address of Principal Executive Offices)			(Zip Code)

Registrant's telephone number including area code: (212) 956-2556

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

Title of class of registered securities	Trading symbol	Name of exchange on which registered
Common shares of beneficial interest, par value \$0.01 per share	UE	The New York Stock Exchange

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.

Urban Edge Properties Yes NO Urban Edge Properties LP Yes NO

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Urban Edge Properties Yes NO Urban Edge Properties LP Yes NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Urban Edge Properties:

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company Emerging Growth Company

Urban Edge Properties LP:

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards pursuant to Section 13(a) of the Exchange Act.

Urban Edge Properties

Urban Edge Properties LP

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Urban Edge Properties YES NO

Urban Edge Properties LP YES NO

As of July 26, 2019, Urban Edge Properties had 121,171,003 common shares outstanding.

URBAN EDGE PROPERTIES AND URBAN EDGE PROPERTIES LP
QUARTERLY REPORT ON FORM 10-Q
QUARTER ENDED JUNE 30, 2019

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EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the period ended June 30, 2019 of Urban Edge Properties and Urban Edge Properties LP. Unless stated otherwise or the context otherwise requires, references to “UE” and “Urban Edge” mean Urban Edge Properties, a Maryland real estate investment trust (“REIT”), and references to “UELP” and the “Operating Partnership” mean Urban Edge Properties LP, a Delaware limited partnership. References to the “Company,” “we,” “us” and “our” mean collectively UE, UELP and those entities/subsidiaries consolidated by UE.

UELP is the entity through which we conduct substantially all of our business and own, either directly or through subsidiaries, substantially all of our assets. UE is the sole general partner and also a limited partner of UELP. As the sole general partner of UELP, UE has exclusive control of UELP’s day-to-day management.

As of June 30, 2019, UE owned an approximate 95.1% ownership interest in UELP. The remaining approximate 4.9% interest is owned by limited partners. The other limited partners of UELP are members of management, our Board of Trustees and contributors of property interests acquired. Under the limited partnership agreement of UELP, unitholders may present their common units of UELP for redemption at any time (subject to restrictions agreed upon at the time of issuance of the units that may restrict such right for a period of time). Upon presentation of a common unit for redemption, UELP must redeem the unit for cash equal to the then value of a share of UE’s common shares, as defined by the limited partnership agreement. In lieu of cash redemption by UELP, however, UE may elect to acquire any common units so tendered by issuing common shares of UE in exchange for the common units. If UE so elects, its common shares will be exchanged for common units on a one-for-one basis. This one-for-one exchange ratio is subject to specified adjustments to prevent dilution. UE generally expects that it will elect to issue its common shares in connection with each such presentation for redemption rather than having UELP pay cash. With each such exchange or redemption, UE’s percentage ownership in UELP will increase. In addition, whenever UE issues common shares other than to acquire common units of UELP, UE must contribute any net proceeds it receives to UELP and UELP must issue to UE an equivalent number of common units of UELP. This structure is commonly referred to as an umbrella partnership REIT, or UPREIT.

The Company believes that combining the quarterly reports on Form 10-Q of UE and UELP into this single report provides the following benefits:

- enhances investors’ understanding of UE and UELP by enabling investors to view the business as a whole in the same manner as management views and operates the business;
- eliminates duplicative disclosure and provides a more streamlined and readable presentation because a substantial portion of the disclosure applies to both UE and UELP; and
- creates time and cost efficiencies throughout the preparation of one combined report instead of two separate reports.

The Company believes it is important to understand the few differences between UE and UELP in the context of how UE and UELP operate as a consolidated company. The financial results of UELP are consolidated into the financial statements of UE. UE does not have any other significant assets, liabilities or operations, other than its investment in UELP, nor does it have employees of its own. UELP, not UE, generally executes all significant business relationships other than transactions involving the securities of UE. UELP holds substantially all of the assets of UE. UELP conducts the operations of the business and is structured as a partnership with no publicly traded equity. Except for the net proceeds from equity offerings by UE, which are contributed to the capital of UELP in exchange for units of limited partnership in UELP, as applicable, UELP generates all remaining capital required by the Company’s business. These sources may include working capital, net cash provided by operating activities, borrowings under the revolving credit agreement, the issuance of secured and unsecured debt and equity securities and proceeds received from the disposition of certain properties.

Shareholders’ equity, partners’ capital and noncontrolling interests are the main areas of difference between the consolidated financial statements of UE and UELP. The limited partners of UELP are accounted for as partners’ capital in UELP’s financial statements and as noncontrolling interests in UE’s financial statements. The noncontrolling interests in UELP’s financial statements include the interests of unaffiliated partners in consolidated entities. The noncontrolling interests in UE’s financial statements include the same noncontrolling interests at UELP’s level and limited partners of UELP. The differences between shareholders’ equity and partners’ capital result from differences in the equity issued at UE and UELP levels.

To help investors better understand the key differences between UE and UELP, certain information for UE and UELP in this report has been separated, as set forth below: Item 1. Financial Statements (unaudited), which includes specific disclosures for UE and UELP, Note 14, Equity and Noncontrolling Interest and Note 16, Earnings Per Share and Unit.

This report also includes separate Part I, Item 4. Controls and Procedures sections and separate Exhibits 31 and 32 certifications for each of UE and UELP in order to establish that the requisite certifications have been made and that UE and UELP are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934 and 18 U.S.C. §1350.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

URBAN EDGE PROPERTIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except share and per share amounts)

	June 30, 2019	December 31, 2018
ASSETS		
Real estate, at cost:		
Land	\$ 516,177	\$ 525,819
Buildings and improvements	2,155,036	2,156,113
Construction in progress	78,320	80,385
Furniture, fixtures and equipment	7,066	6,675
Total	2,756,599	2,768,992
Accumulated depreciation and amortization	(661,909)	(645,872)
Real estate, net	2,094,690	2,123,120
Right-of-use assets	85,404	—
Cash and cash equivalents	412,126	440,430
Restricted cash	51,473	17,092
Tenant and other receivables, net of allowance for doubtful accounts of \$6,486 as of December 31, 2018	32,643	28,563
Receivable arising from the straight-lining of rents, net of \$134 as of December 31, 2018	77,189	84,903
Identified intangible assets, net of accumulated amortization of \$29,479 and \$39,526, respectively	51,618	68,422
Deferred leasing costs, net of accumulated amortization of \$16,615 and \$16,826, respectively	20,667	21,277
Deferred financing costs, net of accumulated amortization of \$3,276 and \$2,764, respectively	1,723	2,219
Prepaid expenses and other assets	30,886	12,968
Total assets	<u>\$ 2,858,419</u>	<u>\$ 2,798,994</u>
LIABILITIES AND EQUITY		
Liabilities:		
Mortgages payable, net	\$ 1,548,944	\$ 1,550,242
Lease liabilities	83,050	—
Accounts payable, accrued expenses and other liabilities	85,034	98,517
Identified intangible liabilities, net of accumulated amortization of \$66,613 and \$65,058, respectively	131,705	144,258
Total liabilities	1,848,733	1,793,017
Commitments and contingencies		
Shareholders' equity:		
Common shares: \$0.01 par value; 500,000,000 shares authorized and 121,171,003 and 114,345,565 shares issued and outstanding, respectively	1,212	1,143
Additional paid-in capital	1,015,470	956,420
Accumulated deficit	(56,580)	(52,857)
Noncontrolling interests:		
Operating partnership	49,157	100,822
Consolidated subsidiaries	427	449
Total equity	1,009,686	1,005,977
Total liabilities and equity	<u>\$ 2,858,419</u>	<u>\$ 2,798,994</u>

See notes to consolidated financial statements (unaudited).

URBAN EDGE PROPERTIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(In thousands, except share and per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
REVENUE				
Rental revenue	\$ 101,488	\$ 100,768	\$ 198,796	\$ 199,162
Management and development fees	308	347	660	689
Other income	951	855	1,023	1,172
Total revenue	102,747	101,970	200,479	201,023
EXPENSES				
Depreciation and amortization	22,567	30,441	44,397	51,711
Real estate taxes	15,221	15,587	30,698	31,362
Property operating	14,416	21,765	31,477	39,668
General and administrative	10,010	8,236	20,590	15,877
Casualty and impairment loss (gain), net ⁽¹⁾	5,112	35	9,070	(1,306)
Lease expense	3,896	2,752	7,551	5,488
Total expenses	71,222	78,816	143,783	142,800
Gain on sale of real estate	11,550	50,440	28,503	50,440
Interest income	2,458	2,031	4,964	3,555
Interest and debt expense	(16,472)	(15,659)	(33,008)	(31,303)
Gain on extinguishment of debt	—	—	—	2,524
Income before income taxes	29,061	59,966	57,155	83,439
Income tax expense	(994)	(192)	(1,196)	(626)
Net income	28,067	59,774	55,959	82,813
Less net (income) loss attributable to noncontrolling interests in:				
Operating partnership	(1,518)	(6,025)	(3,873)	(8,353)
Consolidated subsidiaries	22	(12)	22	(23)
Net income attributable to common shareholders	\$ 26,571	\$ 53,737	\$ 52,108	\$ 74,437
Earnings per common share - Basic:	\$ 0.22	\$ 0.47	\$ 0.44	\$ 0.65
Earnings per common share - Diluted:	\$ 0.22	\$ 0.47	\$ 0.44	\$ 0.65
Weighted average shares outstanding - Basic	120,364	113,739	118,330	113,708
Weighted average shares outstanding - Diluted	120,461	113,942	118,436	114,151

⁽¹⁾ Refer to Note 2 to the unaudited consolidated financial statements in Part I, Item I of this Quarterly Report on Form 10-Q.

See notes to consolidated financial statements (unaudited).

URBAN EDGE PROPERTIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Unaudited)
(In thousands, except share and per share amounts)

	Common Shares		Additional Paid-In Capital	Accumulated Earnings (Deficit)	Noncontrolling Interests ("NCI")		Total Equity
	Shares	Amount			Operating Partnership	Consolidated Subsidiaries	
Balance, March 31, 2018	113,923,724	\$ 1,139	\$ 947,815	\$ (61,975)	\$ 100,036	\$ 415	\$ 987,430
Net income attributable to common shareholders	—	—	—	53,737	—	—	53,737
Net income attributable to noncontrolling interests	—	—	—	—	6,025	12	6,037
Limited partnership interests:							
Units redeemed for common shares	60,000	1	491	—	—	—	492
Reallocation of noncontrolling interests	—	—	1,136	—	(1,628)	—	(492)
Common shares issued	21,584	1	383	(36)	—	—	348
Dividends on common shares (\$0.22 per share)	—	—	—	(25,040)	—	—	(25,040)
Distributions to redeemable NCI (\$0.22 per unit)	—	—	—	—	(2,780)	—	(2,780)
Share-based compensation expense	—	—	1,154	7	1,061	—	2,222
Share-based awards retained for taxes	(1,032)	(1)	(21)	—	—	—	(22)
Balance, June 30, 2018	<u>114,004,276</u>	<u>\$ 1,140</u>	<u>\$ 950,958</u>	<u>\$ (33,307)</u>	<u>\$ 102,714</u>	<u>\$ 427</u>	<u>\$ 1,021,932</u>

	Common Shares		Additional Paid-In Capital	Accumulated Earnings (Deficit)	Noncontrolling Interests ("NCI")		Total Equity
	Shares	Amount			Operating Partnership	Consolidated Subsidiaries	
Balance, March 31, 2019	120,099,294	\$ 1,201	\$ 1,005,129	\$ (56,663)	\$ 55,976	\$ 449	\$ 1,006,092
Net income attributable to common shareholders	—	—	—	26,571	—	—	26,571
Net income (loss) attributable to noncontrolling interests	—	—	—	—	1,518	(22)	1,496
Limited partnership interests:							
Units redeemed for common shares	1,049,508	11	8,155	—	—	—	8,166
Reallocation of noncontrolling interests	—	—	536	—	(8,702)	—	(8,166)
Common shares issued	24,365	—	314	(35)	—	—	279
Dividends to common shareholders (\$0.22 per share)	—	—	—	(26,453)	—	—	(26,453)
Distributions to redeemable NCI (\$0.22 per unit)	—	—	—	—	(1,553)	—	(1,553)
Share-based compensation expense	—	—	1,377	—	1,918	—	3,295
Share-based awards retained for taxes	(2,164)	—	(41)	—	—	—	(41)
Balance, June 30, 2019	<u>121,171,003</u>	<u>\$ 1,212</u>	<u>\$ 1,015,470</u>	<u>\$ (56,580)</u>	<u>\$ 49,157</u>	<u>\$ 427</u>	<u>\$ 1,009,686</u>

See notes to consolidated financial statements (unaudited).

	Common Shares		Additional Paid-In Capital	Accumulated Earnings (Deficit)	Noncontrolling Interests ("NCI")		Total Equity
	Shares	Amount			Operating Partnership	Consolidated Subsidiaries	
Balance, December 31, 2017	113,827,529	\$ 1,138	\$ 946,402	\$ (57,621)	\$ 100,218	\$ 404	\$ 990,541
Net income attributable to common shareholders	—	—	—	74,437	—	—	74,437
Net income attributable to noncontrolling interests	—	—	—	—	8,353	23	8,376
Limited partnership interests:							
Units redeemed for common shares	70,000	1	570	—	—	—	571
Reallocation of noncontrolling interests	—	—	1,620	—	(2,191)	—	(571)
Common shares issued	123,937	2	423	(101)	—	—	324
Dividends to common shareholders (\$0.44 per share)	—	—	—	(50,037)	—	—	(50,037)
Distributions to redeemable NCI (\$0.44 per unit)	—	—	—	—	(5,566)	—	(5,566)
Share-based compensation expense	—	—	2,327	15	1,900	—	4,242
Share-based awards retained for taxes	(17,190)	(1)	(384)	—	—	—	(385)
Balance, June 30, 2018	<u>114,004,276</u>	<u>\$ 1,140</u>	<u>\$ 950,958</u>	<u>\$ (33,307)</u>	<u>\$ 102,714</u>	<u>\$ 427</u>	<u>\$ 1,021,932</u>

	Common Shares		Additional Paid-In Capital	Accumulated Earnings (Deficit)	Noncontrolling Interests ("NCI")		Total Equity
	Shares	Amount			Operating Partnership	Consolidated Subsidiaries	
Balance, December 31, 2018	114,345,565	\$ 1,143	\$ 956,420	\$ (52,857)	\$ 100,822	\$ 449	\$ 1,005,977
Net income attributable to common shareholders	—	—	—	52,108	—	—	52,108
Net income (loss) attributable to noncontrolling interests	—	—	—	—	3,873	(22)	3,851
Impact of ASC 842 adoption	—	—	—	(2,918)	—	—	(2,918)
Limited partnership interests:							
Units redeemed for common shares	6,811,692	68	54,245	—	—	—	54,313
Reallocation of noncontrolling interests	—	—	1,786	—	(56,099)	—	(54,313)
Common shares issued	45,022	1	383	(70)	—	—	314
Dividends to common shareholders (\$0.44 per share)	—	—	—	(52,843)	—	—	(52,843)
Distributions to redeemable NCI (\$0.44 per unit)	—	—	—	—	(3,129)	—	(3,129)
Share-based compensation expense	—	—	3,269	—	3,690	—	6,959
Share-based awards retained for taxes	(31,276)	—	(633)	—	—	—	(633)
Balance, June 30, 2019	<u>121,171,003</u>	<u>\$ 1,212</u>	<u>\$ 1,015,470</u>	<u>\$ (56,580)</u>	<u>\$ 49,157</u>	<u>\$ 427</u>	<u>\$ 1,009,686</u>

See notes to consolidated financial statements (unaudited).

URBAN EDGE PROPERTIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Six Months Ended June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 55,959	\$ 82,813
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	44,231	52,045
Real estate impairment loss	22,653	—
Gain on sale of real estate	(28,503)	(50,440)
Gain on extinguishment of debt	—	(2,524)
Amortization of deferred financing costs	1,439	1,440
Amortization of below market leases, net	(11,802)	(10,455)
Amortization of right-of-use assets	4,448	—
Straight-lining of rent	37	182
Share-based compensation expense	6,959	4,242
Provision for doubtful accounts	—	2,509
Change in operating assets and liabilities:		
Tenant and other receivables	(3,927)	(7,083)
Deferred leasing costs	(1,874)	(1,823)
Prepaid and other assets	(95)	2,907
Accounts payable, accrued expenses and other liabilities	(12,688)	2,883
Net cash provided by operating activities	<u>76,837</u>	<u>76,696</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Real estate development and capital improvements	(50,631)	(56,279)
Acquisition of real estate	—	(4,931)
Proceeds from sale of operating properties	33,821	54,303
Insurance proceeds	4,400	1,000
Net cash used in investing activities	<u>(12,410)</u>	<u>(5,907)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Debt repayments	(2,059)	(1,979)
Dividends to common shareholders	(52,843)	(50,037)
Distributions to redeemable noncontrolling interests	(3,129)	(5,566)
Taxes withheld for vested restricted shares	(633)	(385)
Proceeds related to the issuance of common shares	314	324
Net cash used in financing activities	<u>(58,350)</u>	<u>(57,643)</u>
Net increase in cash and cash equivalents and restricted cash	6,077	13,146
Cash and cash equivalents and restricted cash at beginning of period	457,522	500,841
Cash and cash equivalents and restricted cash at end of period	<u>\$ 463,599</u>	<u>\$ 513,987</u>

See notes to consolidated financial statements (unaudited).

	Six Months Ended June 30,	
	2019	2018
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for interest net of amounts capitalized of \$989 and \$2,423, respectively	\$ 32,478	\$ 33,340
Cash payments for income taxes	1,571	637
Cash payments for lease liabilities	4,971	—
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Accrued capital expenditures included in accounts payable and accrued expenses	15,463	27,574
Write-off of fully depreciated and impaired assets	38,101	9,918
Operating lease liabilities arising from obtaining right-of-use assets	98,980	—
Mortgage debt forgiven in foreclosure	—	11,537
RECONCILIATION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH		
Cash and cash equivalents at beginning of period	\$ 440,430	\$ 490,279
Restricted cash at beginning of period	17,092	10,562
Cash and cash equivalents and restricted cash at beginning of period	<u>\$ 457,522</u>	<u>\$ 500,841</u>
Cash and cash equivalents at end of period	\$ 412,126	\$ 500,930
Restricted cash at end of period	51,473	13,057
Cash and cash equivalents and restricted cash at end of period	<u>\$ 463,599</u>	<u>\$ 513,987</u>

See notes to consolidated financial statements (unaudited).

URBAN EDGE PROPERTIES LP
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except unit and per unit amounts)

	June 30, 2019	December 31, 2018
ASSETS		
Real estate, at cost:		
Land	\$ 516,177	\$ 525,819
Buildings and improvements	2,155,036	2,156,113
Construction in progress	78,320	80,385
Furniture, fixtures and equipment	7,066	6,675
Total	2,756,599	2,768,992
Accumulated depreciation and amortization	(661,909)	(645,872)
Real estate, net	2,094,690	2,123,120
Right-of-use assets	85,404	—
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Restricted cash	51,473	17,092
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Receivable arising from the straight-lining of rents, net of \$134 as of December 31, 2018	77,189	84,903
Identified intangible assets, net of accumulated amortization of \$29,479 and \$39,526, respectively	51,618	68,422
Deferred leasing costs, net of accumulated amortization of \$16,615 and \$16,826, respectively	20,667	21,277
Deferred financing costs, net of accumulated amortization of \$3,276 and \$2,764, respectively	1,723	2,219
Prepaid expenses and other assets	30,886	12,968
Total assets	<u>\$ 2,858,419</u>	<u>\$ 2,798,994</u>
LIABILITIES AND EQUITY		
Liabilities:		
Mortgages payable, net	\$ 1,548,944	\$ 1,550,242
Lease liabilities	83,050	—
Accounts payable, accrued expenses and other liabilities	85,034	98,517
Identified intangible liabilities, net of accumulated amortization of \$66,613 and \$65,058, respectively	131,705	144,258
Total liabilities	<u>1,848,733</u>	<u>1,793,017</u>
Commitments and contingencies		
Equity:		
Partners' capital:		
General partner: 121,171,003 and 114,345,565 units outstanding, respectively	1,016,682	957,563
Limited partners: 6,201,228 and 12,736,633 units outstanding, respectively	53,038	105,447
Accumulated deficit	(60,461)	(57,482)
Total partners' capital	1,009,259	1,005,528
Noncontrolling interest in consolidated subsidiaries	427	449
Total equity	1,009,686	1,005,977
Total liabilities and equity	<u>\$ 2,858,419</u>	<u>\$ 2,798,994</u>

See notes to consolidated financial statements (unaudited).

URBAN EDGE PROPERTIES LP
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(In thousands, except unit and per unit amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
REVENUE				
Rental revenue	\$ 101,488	\$ 100,768	\$ 198,796	\$ 199,162
Management and development fees	308	347	660	689
Other income	951	855	1,023	1,172
Total revenue	102,747	101,970	200,479	201,023
EXPENSES				
Depreciation and amortization	22,567	30,441	44,397	51,711
Real estate taxes	15,221	15,587	30,698	31,362
Property operating	14,416	21,765	31,477	39,668
General and administrative	10,010	8,236	20,590	15,877
Casualty and impairment loss (gain), net ⁽¹⁾	5,112	35	9,070	(1,306)
Lease expense	3,896	2,752	7,551	5,488
Total expenses	71,222	78,816	143,783	142,800
Gain on sale of real estate	11,550	50,440	28,503	50,440
Interest income	2,458	2,031	4,964	3,555
Interest and debt expense	(16,472)	(15,659)	(33,008)	(31,303)
Gain on extinguishment of debt	—	—	—	2,524
Income before income taxes	29,061	59,966	57,155	83,439
Income tax expense	(994)	(192)	(1,196)	(626)
Net income	28,067	59,774	55,959	82,813
Less: net (income) loss attributable to NCI in consolidated subsidiaries	22	(12)	22	(23)
Net income attributable to unitholders	\$ 28,089	\$ 59,762	\$ 55,981	\$ 82,790
Earnings per unit - Basic:	\$ 0.22	\$ 0.47	\$ 0.44	\$ 0.65
Earnings per unit - Diluted:	\$ 0.22	\$ 0.47	\$ 0.44	\$ 0.65
Weighted average units outstanding - Basic	126,478	126,178	126,442	126,178
Weighted average units outstanding - Diluted	126,580	126,602	126,554	126,621

⁽¹⁾ Refer to Note 2 to the unaudited consolidated financial statements in Part I, Item I of this Quarterly Report on Form 10-Q.

See notes to consolidated financial statements (unaudited).

URBAN EDGE PROPERTIES LP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Unaudited)
(In thousands, except unit and per unit amounts)

	Total Shares	General Partner	Total Units	Limited Partners⁽¹⁾	Accumulated Earnings (Deficit)	NCI in Consolidated Subsidiaries	Total Equity
Balance, March 31, 2018	113,923,724	948,954	12,840,764	105,771	(67,710)	415	987,430
Net income attributable to unitholders	—	—	—	—	59,762	—	59,762
Net income attributable to noncontrolling interests	—	—	—	—	—	12	12
Common units issued as a result of common shares issued by Urban Edge	21,584	384	—	—	(36)	—	348
Equity redemption of OP units	70,000	571	(70,000)	—	—	—	571
Limited partnership units issued, net	(10,000)	(563)	(31,857)	563	—	—	—
Reallocation of noncontrolling interests	—	1,620	—	(2,191)	—	—	(571)
Distributions to Partners (\$0.22 per unit)	—	—	—	—	(27,820)	—	(27,820)
Share-based compensation expense	—	1,154	—	1,061	7	—	2,222
Share-based awards retained for taxes	(1,032)	(22)	—	—	—	—	(22)
Balance, June 30, 2018	<u>114,004,276</u>	<u>\$ 952,098</u>	<u>12,738,907</u>	<u>\$ 105,204</u>	<u>\$ (35,797)</u>	<u>\$ 427</u>	<u>\$ 1,021,932</u>

⁽¹⁾ Limited partners have a 10.1% common limited partnership interest in the Operating Partnership as of June 30, 2018 in the form of units of interest in the Operating Partnership (“OP Units”) and Long-Term Incentive Plan (“LTIP”) units.

	Total Shares	General Partner	Total Units	Limited Partners⁽²⁾	Accumulated Earnings (Deficit)	NCI in Consolidated Subsidiaries	Total Equity
Balance, March 31, 2019	120,099,294	\$ 1,006,330	7,109,786	\$ 59,822	\$ (60,509)	\$ 449	\$ 1,006,092
Net income attributable to unitholders	—	—	—	—	28,089	—	28,089
Net loss attributable to noncontrolling interests	—	—	—	—	—	(22)	(22)
Common units issued as a result of common shares issued by Urban Edge	24,365	314	—	—	(35)	—	279
Equity redemption of OP units	1,049,508	8,166	(1,049,508)	—	—	—	8,166
Limited partnership units issued, net	—	—	140,950	—	—	—	—
Reallocation of noncontrolling interests	—	536	—	(8,702)	—	—	(8,166)
Distributions to Partners (\$0.22 per unit)	—	—	—	—	(28,006)	—	(28,006)
Share-based compensation expense	—	1,377	—	1,918	—	—	3,295
Share-based awards retained for taxes	(2,164)	(41)	—	—	—	—	(41)
Balance, June 30, 2019	<u>121,171,003</u>	<u>\$ 1,016,682</u>	<u>6,201,228</u>	<u>\$ 53,038</u>	<u>\$ (60,461)</u>	<u>\$ 427</u>	<u>\$ 1,009,686</u>

⁽²⁾ Limited partners have a 4.9% common limited partnership interest in the Operating Partnership as of June 30, 2019 in the form of units of interest in the OP Units and LTIP units.

See notes to consolidated financial statements (unaudited).

	Total Shares	General Partner	Total Units	Limited Partners ⁽¹⁾	Accumulated Earnings (Deficit)	NCI in Consolidated Subsidiaries	Total Equity
Balance, December 31, 2017	113,827,529	\$ 947,540	12,812,954	\$ 105,495	\$ (62,898)	\$ 404	\$ 990,541
Net income attributable to unitholders	—	—	—	—	82,790	—	82,790
Net income attributable to noncontrolling interests	—	—	—	—	—	23	23
Common units issued as a result of common shares issued by Urban Edge	123,937	425	—	—	(101)	—	324
Equity redemption of OP units	70,000	571	(70,000)	—	—	—	571
Limited partnership units issued, net	—	—	(4,047)	—	—	—	—
Reallocation of noncontrolling interests	—	1,620	—	(2,191)	—	—	(571)
Distributions to Partners (\$0.44 per unit)	—	—	—	—	(55,603)	—	(55,603)
Share-based compensation expense	—	2,327	—	1,900	15	—	4,242
Share-based awards retained for taxes	(17,190)	(385)	—	—	—	—	(385)
Balance, June 30, 2018	<u>114,004,276</u>	<u>\$ 952,098</u>	<u>12,738,907</u>	<u>\$ 105,204</u>	<u>\$ (35,797)</u>	<u>\$ 427</u>	<u>\$ 1,021,932</u>

⁽¹⁾ Limited partners have a 10.1% common limited partnership interest in the Operating Partnership as of June 30, 2018 in the form of units of interest in the OP Units and LTIP units.

	Total Shares	General Partner	Total Units	Limited Partners ⁽²⁾	Accumulated Earnings (Deficit)	NCI in Consolidated Subsidiaries	Total Equity
Balance, December 31, 2018	114,345,565	\$ 957,563	12,736,633	\$ 105,447	\$ (57,482)	\$ 449	\$ 1,005,977
Net income attributable to unitholders	—	—	—	—	55,981	—	55,981
Net loss attributable to noncontrolling interests	—	—	—	—	—	(22)	(22)
Impact of ASC 842 adoption	—	—	—	—	(2,918)	—	(2,918)
Common units issued as a result of common shares issued by Urban Edge	45,022	384	—	—	(70)	—	314
Equity redemption of OP units	6,811,692	54,313	(6,811,692)	—	—	—	54,313
Limited partnership units issued, net	—	—	276,287	—	—	—	—
Reallocation of noncontrolling interests	—	1,786	—	(56,099)	—	—	(54,313)
Distributions to Partners (\$0.44 per unit)	—	—	—	—	(55,972)	—	(55,972)
Share-based compensation expense	—	3,269	—	3,690	—	—	6,959
Share-based awards retained for taxes	(31,276)	(633)	—	—	—	—	(633)
Balance, June 30, 2019	<u>121,171,003</u>	<u>\$ 1,016,682</u>	<u>6,201,228</u>	<u>\$ 53,038</u>	<u>\$ (60,461)</u>	<u>\$ 427</u>	<u>\$ 1,009,686</u>

⁽²⁾ Limited partners have a 4.9% common limited partnership interest in the Operating Partnership as of June 30, 2019 in the form of units of interest in the OP Units and LTIP units.

See notes to consolidated financial statements (unaudited).

URBAN EDGE PROPERTIES LP
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Six Months Ended June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 55,959	\$ 82,813
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	44,231	52,045
Real estate impairment loss	22,653	—
Gain on sale of real estate	(28,503)	(50,440)
Gain on extinguishment of debt	—	(2,524)
Amortization of deferred financing costs	1,439	1,440
Amortization of below market leases, net	(11,802)	(10,455)
Amortization of right-of-use assets	4,448	—
Straight-lining of rent	37	182
Share-based compensation expense	6,959	4,242
Provision for doubtful accounts	—	2,509
Change in operating assets and liabilities:		
Tenant and other receivables	(3,927)	(7,083)
Deferred leasing costs	(1,874)	(1,823)
Prepaid and other assets	(95)	2,907
Accounts payable, accrued expenses and other liabilities	(12,688)	2,883
Net cash provided by operating activities	<u>76,837</u>	<u>76,696</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Real estate development and capital improvements	(50,631)	(56,279)
Acquisition of real estate	—	(4,931)
Proceeds from sale of operating properties	33,821	54,303
Insurance proceeds	4,400	1,000
Net cash used in investing activities	<u>(12,410)</u>	<u>(5,907)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Debt repayments	(2,059)	(1,979)
Distributions to partners	(55,972)	(55,603)
Taxes withheld for vested restricted units	(633)	(385)
Proceeds related to the issuance of common shares	314	324
Net cash used in financing activities	<u>(58,350)</u>	<u>(57,643)</u>
Net increase in cash and cash equivalents and restricted cash	6,077	13,146
Cash and cash equivalents and restricted cash at beginning of period	457,522	500,841
Cash and cash equivalents and restricted cash at end of period	<u>\$ 463,599</u>	<u>\$ 513,987</u>

See notes to consolidated financial statements (unaudited).

	Six Months Ended June 30,	
	2019	2018
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for interest net of amounts capitalized of \$989 and \$2,423, respectively	\$ 32,478	\$ 33,340
Cash payments for income taxes	1,571	637
Cash payments for lease liabilities	4,971	—
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Accrued capital expenditures included in accounts payable and accrued expenses	15,463	27,574
Write-off of fully depreciated and impaired assets	38,101	9,918
Operating lease liabilities arising from obtaining right-of-use assets	98,980	—
Mortgage debt forgiven in foreclosure	—	11,537
RECONCILIATION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH		
Cash and cash equivalents at beginning of period	\$ 440,430	\$ 490,279
Restricted cash at beginning of period	17,092	10,562
Cash and cash equivalents and restricted cash at beginning of period	<u>\$ 457,522</u>	<u>\$ 500,841</u>
Cash and cash equivalents at end of period	\$ 412,126	\$ 500,930
Restricted cash at end of period	51,473	13,057
Cash and cash equivalents and restricted cash at end of period	<u>\$ 463,599</u>	<u>\$ 513,987</u>

See notes to consolidated financial statements (unaudited).

URBAN EDGE PROPERTIES AND URBAN EDGE PROPERTIES LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. ORGANIZATION

Urban Edge Properties (“UE”, “Urban Edge” or the “Company”) (NYSE: UE) is a Maryland real estate investment trust focused on managing, developing, redeveloping, and acquiring retail real estate in urban communities, primarily in the New York metropolitan area. Urban Edge Properties LP (“UELP” or the “Operating Partnership”) is a Delaware limited partnership formed to serve as UE’s majority-owned partnership subsidiary and to own, through affiliates, all of our real estate properties and other assets. Unless the context otherwise requires, references to “we”, “us” and “our” refer to Urban Edge Properties and UELP and their consolidated entities/subsidiaries.

The Operating Partnership’s capital includes general and common limited partnership interests in the operating partnership (“OP Units”). As of June 30, 2019, Urban Edge owned approximately 95.1% of the outstanding common OP Units with the remaining limited OP Units held by members of management, our Board of Trustees and contributors of property interests acquired. Urban Edge serves as the sole general partner of the Operating Partnership. The third-party unitholders have limited rights over the Operating Partnership such that they do not have characteristics of a controlling financial interest. As such, the Operating Partnership is considered a variable interest entity (“VIE”), and the Company is the primary beneficiary which consolidates it. The Company’s only investment is the Operating Partnership. The VIE’s assets can be used for purposes other than the settlement of the VIE’s obligations and the Company’s partnership interest is considered a majority voting interest.

As of June 30, 2019, our portfolio consisted of 81 shopping centers, four malls and a warehouse park, totaling approximately 15.9 million square feet (sf).

2. BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and with the instructions of Form 10-Q. Certain information and footnote disclosures included in our annual financial statements have been condensed or omitted. In the opinion of management, the consolidated financial statements contain all adjustments, consisting of normal recurring accruals, necessary to present fairly the financial position of the Company and the Operating Partnership and the results of operations and cash flows for the interim periods presented. Operating results for the three and six months ended June 30, 2019 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2019. Accordingly, these consolidated financial statements should be read in conjunction with our consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2018, as filed with the Securities Exchange Commission (“SEC”).

The consolidated balance sheets as of June 30, 2019 and December 31, 2018 reflect the consolidation of wholly-owned subsidiaries and those entities in which we have a controlling financial interest. The consolidated statements of income for the three and six months ended June 30, 2019 and 2018 include the consolidated accounts of the Company and the Operating Partnership. All intercompany transactions have been eliminated in consolidation.

In accordance with ASC 205 *Presentation of Financial Statements*, the Company reclassified Property rentals and Tenant reimbursement income to Rental revenue on its consolidated statements of income for the three and six months ended June 30, 2019 and 2018, respectively, as reflected beginning on Form 10-K for the year ended December 31, 2018. Additionally, the Company includes credit losses related to operating lease receivables as a reduction to rental revenue in "Rental revenue" in the consolidated statements of income for the three and six months ended June 30, 2019 due to the adoption of (“ASU 2016-02”) ASC 842 *Leases*. Provision for doubtful accounts are included in "Property operating expenses" for the three and six months ended June 30, 2018.

The Company includes real estate impairment charges, and casualty losses (gains) resulting from natural disasters in Casualty and impairment loss (gain), net on its consolidated statements of income for the three and six months ended June 30, 2019 and 2018, respectively, as reflected in this Quarterly Report on Form 10-Q. Refer to Note 9 and Note 10 to the unaudited consolidated financial statements in Part I, Item I of this Quarterly Report on Form 10-Q for information regarding real estate impairment charges and casualty losses (gains), respectively.

Our primary business is the ownership, management, redevelopment, development and operation of retail shopping centers and malls. We do not distinguish our primary business or group our operations on a geographical basis for purposes of measuring performance. The Company’s chief operating decision maker reviews operating and financial information for each property on

an individual basis and therefore, each property represents an individual operating segment. None of our tenants accounted for more than 10% of our revenue or property operating income. We aggregate all of our properties into one reportable segment due to their similarities with regard to the nature and economics of the properties, tenants and operations, as well as long-term average financial performance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recently Issued Accounting Literature — Effective for the fiscal period beginning January 1, 2019, we adopted (“ASU 2016-02”) ASC 842 *Leases*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). In connection with the adoption of ASU 2016-02, we also adopted (i) ASU 2019-01 *Leases (ASC 842): Codification Improvements*, (ii) ASU 2018-20 *Leases (ASC 842): Narrow-Scope Improvements for Lessors*, (iii) ASU 2018-11 *Leases (ASC 842): Targeted Improvements*, (iv) ASU 2018-10 *Codification Improvements to ASC 842, Leases* and (v) ASU 2018-01 *Leases (ASC 842): Land Easement Practical Expedient for Transition to Topic 842*.

We initially applied the standard at the beginning of the period of adoption through the transition method issued by ASU 2018-11 and have presented comparative periods under ASC 840 *Leases*. Due to the effects of applying ASC 842, the Company recognized a \$2.9 million cumulative-effect adjustment to its accumulated deficit to adjust reserves on receivables from straight-line rents. The new standard requires lessees to apply a two-model approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification determines whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use (“ROU”) asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. The Company has elected the short-term lease recognition exemption, and therefore, leases with a term of 12 months or less are not recognized on the balance sheet. The new standard requires lessors to account for leases using an approach that is substantially equivalent to guidance for sales-type leases, direct financing leases and operating leases under ASC 840. For purposes of transition, we did not elect the hindsight practical expedient but did elect the land easement practical expedient to not reassess whether existing land easements contain leases and the practical expedient package, which has been applied consistently to all of our leases. As a result of electing the practical expedient package, we did not (i) reassess whether any expired or existing contracts are or contain leases, (ii) reassess the lease classification for any expired or existing leases or (iii) reassess initial direct costs for any existing leases.

From a lessee perspective, the initial adoption on January 1, 2019 resulted in the recognition of operating lease ROU assets and lease liabilities for 24 operating leases with an aggregate balance of \$98.5 million and \$93.6 million, respectively. On January 1, 2019, we also reclassified \$11.9 million of acquired below-market lease intangibles and \$7.1 million of accrued rent and adjusted the carrying values of our ROU assets by the corresponding amounts. If a finance lease is commenced in the future, a finance lease ROU asset and finance lease liability will be recognized on the balance sheet. The Company will recognize amortization of the finance lease ROU asset and interest expense on the lease liability. As of June 30, 2019, our operating lease ROU assets and lease liabilities were \$85.4 million and \$83.1 million, respectively, as presented on our consolidated balance sheet. The standard’s adoption has also impacted the presentation of our consolidated income statement due to accounting for the lease and non-lease components as a single lease component for all classes of underlying assets, presented as lease expense on the consolidated statement of income. Prior to the adoption of ASC 842, related lease and non-lease expense amounts were recognized within lease expense, real estate taxes, property operating expenses and general administrative expenses on the consolidated statement of income.

From a lessor perspective, the adoption resulted in additional general and administrative expenses, attributable to internal leasing department costs not meeting the definition of initial direct costs under ASC 842. Capitalized internal leasing costs were \$0.3 million for the six months ended June 30, 2018. The standard’s adoption has also impacted the presentation of our consolidated income statement due to accounting for lease and non-lease components as a single lease component, presented as rental revenue on the consolidated statement of income, however there has been no change in the timing of revenue recognition since adoption. Additionally, under the amendments issued in ASU 2018-20, the Company has accounted for common area maintenance expenses paid directly by tenants to third-parties as variable rental revenue and has reported the corresponding expense within property operating expenses, however real estate taxes and insurance expenses paid directly by tenants have not been accounted for by the Company.

The adoption of this standard has also resulted in additional quantitative and qualitative footnote disclosures (refer to Note 8 Leases).

ASU 2016-13, *Financial Instruments - Credit Losses (ASC 326): Measurement of Credit Losses* will become effective for the fiscal period beginning January 1, 2020. ASU 2016-13 introduces a new model for estimating credit losses for certain types of financial instruments and also modifies the impairment model with new methodology for estimating credits losses. In November

2018, the FASB issued ASU 2018-19 *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, which included amendments to clarify receivables arising from operating leases are within the scope ASC 842. Due to the adoption of ASC 842, the Company includes credit losses related to operating lease receivables as a reduction to rental revenue in "Rental revenue" in the consolidated statements of income. The Company does not expect the adoption of ASU 2016-13 to have a material impact on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13 *Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement* to ASC 820, *Fair Value Measurement*. ASU 2018-13 modifies the disclosure requirements for fair value measurements by removing, modifying, and/or adding certain disclosures. ASU 2018-13 is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2019. We elected to early adopt ASU 2018-13 effective January 1, 2019. The adoption of this update did not have a material impact on our consolidated financial statements and disclosures.

Any other recently issued accounting standards or pronouncements not disclosed above have been excluded as they are not relevant to the Company or the Operating Partnership, or they are not expected to have a material impact on our consolidated financial statements.

4. ACQUISITIONS AND DISPOSITIONS

Acquisitions

During the six months ended June 30, 2019, no acquisitions were completed by the Company.

As of June 30, 2019, we were under contract to purchase an office building in Maywood, NJ, adjacent to our existing property, Bergen Town Center. The building is subject to a ground lease, which the Company will acquire the lessee position of for a purchase price of \$7.1 million. The transaction is scheduled to close by the end of 2019. We are also under contract to purchase a retail outparcel in Paramus, NJ, adjacent to our existing property, Bergen Town Center, for a gross purchase price of \$6.6 million. The transaction is scheduled to close by the end of 2019.

Dispositions

On March 15, 2019, we completed the sale of our property in Chicopee, MA for \$18.2 million, net of selling costs, resulting in a \$17.0 million gain on sale of real estate recognized during the six months ended June 30, 2019.

On May 14, 2019, we completed the sale of our property in Glen Burnie, MD for \$15.6 million, net of selling costs, resulting in a \$11.6 million gain on sale of real estate recognized during the three and six months ended June 30, 2019.

Real Estate Held for Sale

As of June 30, 2019, our properties in Tysons Corner, VA and Springfield, MA were classified as held for sale based on executed contracts of sale with third-party buyers. The Company classifies properties as held for sale when executed contract contingencies have been satisfied, which signify that the sale is legally binding. The aggregate asset and liability amounts of these properties were \$22.3 million and \$12.1 million, respectively, and were included in prepaid expenses and other assets and accounts payable, accrued expenses and other liabilities, respectively, in our consolidated balance sheets as of June 30, 2019. On July 9, 2019, we completed the sale of our property in Springfield, MA for \$9.7 million, net of selling costs. The sale of our property in Tysons Corner, VA is scheduled to close by the end of 2019.

5. IDENTIFIED INTANGIBLE ASSETS AND LIABILITIES

Our identified intangible assets (acquired in-place and above-market leases) and liabilities (acquired below-market leases), net of accumulated amortization were \$51.6 million and \$131.7 million as of June 30, 2019, respectively, and \$68.4 million and \$144.3 million as of December 31, 2018, respectively.

Amortization of acquired below-market leases, net of acquired above-market leases resulted in additional rental income of \$9.4 million and \$11.8 million for the three and six months ended June 30, 2019, respectively, and \$7.8 million and \$10.5 million for the same periods in 2018.

Amortization of acquired in-place leases and customer relationships resulted in additional depreciation and amortization expense of \$1.9 million and \$4.0 million for the three and six months ended June 30, 2019, respectively, and \$5.8 million and \$8.6 million for the same periods in 2018.

The following table sets forth the estimated annual amortization income and expense related to intangible assets and liabilities for the remainder of 2019 and the five succeeding years:

(Amounts in thousands)	Below-Market		Above-Market		In-Place Leases
Year	Operating Lease Amortization		Operating Lease Amortization		In-Place Leases
2019 ⁽¹⁾	\$	4,827	\$	(567)	\$ (3,506)
2020		9,570		(996)	(6,124)
2021		9,432		(797)	(4,934)
2022		9,355		(433)	(4,032)
2023		9,308		(327)	(3,702)
2024		9,061		(266)	(3,264)

⁽¹⁾ Remainder of 2019.

6. MORTGAGES PAYABLE

The following is a summary of mortgages payable as of June 30, 2019 and December 31, 2018.

(Amounts in thousands)	Maturity	Interest Rate at June 30, 2019	June 30, 2019	December 31, 2018
First mortgages secured by:				
Variable rate				
Cherry Hill (Plaza at Cherry Hill) ⁽¹⁾	5/24/2022	4.04%	\$ 28,930	\$ 28,930
Westfield (One Lincoln Plaza) ⁽¹⁾	5/24/2022	4.04%	4,730	4,730
Woodbridge (Plaza at Woodbridge) ⁽¹⁾	5/25/2022	4.04%	55,340	55,340
Jersey City (Hudson Commons) ⁽²⁾	11/15/2024	4.34%	29,000	29,000
Watchung ⁽²⁾	11/15/2024	4.34%	27,000	27,000
Bronx (1750-1780 Gun Hill Road) ⁽²⁾	12/1/2024	4.34%	24,500	24,500
Total variable rate debt			<u>169,500</u>	<u>169,500</u>
Fixed rate				
Montehiedra (senior loan)	7/6/2021	5.33%	84,314	84,860
Montehiedra (junior loan)	7/6/2021	3.00%	30,000	30,000
Bergen Town Center - West, Paramus	4/8/2023	3.56%	300,000	300,000
Bronx (Shops at Bruckner)	5/1/2023	3.90%	11,283	11,582
Jersey City (Hudson Mall) ⁽⁴⁾	12/1/2023	5.07%	23,977	24,326
Yonkers Gateway Center ⁽⁵⁾	4/6/2024	4.16%	30,919	31,704
Las Catalinas	8/6/2024	4.43%	130,000	130,000
Brick	12/10/2024	3.87%	50,000	50,000
North Plainfield	12/10/2025	3.99%	25,100	25,100
Middletown	12/1/2026	3.78%	31,400	31,400
Rockaway	12/1/2026	3.78%	27,800	27,800
East Hanover (200 - 240 Route 10 West)	12/10/2026	4.03%	63,000	63,000
North Bergen (Tonnelles Ave)	4/1/2027	4.18%	100,000	100,000
Manchester	6/1/2027	4.32%	12,500	12,500
Millburn	6/1/2027	3.97%	24,000	24,000
Totowa	12/1/2027	4.33%	50,800	50,800
Woodbridge (Woodbridge Commons)	12/1/2027	4.36%	22,100	22,100
East Brunswick	12/6/2027	4.38%	63,000	63,000
East Rutherford	1/6/2028	4.49%	23,000	23,000
Hackensack	3/1/2028	4.36%	66,400	66,400
Marlton	12/1/2028	3.86%	37,400	37,400
East Hanover Warehouses	12/1/2028	4.09%	40,700	40,700
Union (2445 Springfield Ave)	12/10/2028	4.01%	45,600	45,600
Freeport (Freeport Commons)	12/10/2029	4.07%	43,100	43,100
Garfield	12/1/2030	4.14%	40,300	40,300
Mt Kisco ⁽³⁾	11/15/2034	6.40%	13,741	13,987
Total fixed rate debt			<u>1,390,434</u>	<u>1,392,659</u>
			Total mortgages payable	1,559,934
			Unamortized debt issuance costs	(10,990)
			<u>Total mortgages payable, net of unamortized debt issuance costs</u>	<u>\$ 1,548,944</u>
				<u>\$ 1,550,242</u>

⁽¹⁾ Bears interest at one month LIBOR plus 160 bps.

⁽²⁾ Bears interest at one month LIBOR plus 190 bps.

⁽³⁾ The mortgage payable balance on the loan secured by Mt Kisco includes \$0.9 million and \$1.0 million of unamortized debt discount as of June 30, 2019 and December 31, 2018, respectively. The effective interest rate including amortization of the debt discount is 7.29% as of June 30, 2019.

- (4) The mortgage payable balance on the loan secured by Hudson Mall includes \$1.1 million and \$1.2 million of unamortized debt premium as of June 30, 2019 and December 31, 2018, respectively. The effective interest rate including amortization of the debt premium is 3.82% as of June 30, 2019.
- (5) The mortgage payable balance on the loan secured by Yonkers Gateway Center includes \$0.6 million and \$0.7 million of unamortized debt premium as of June 30, 2019 and December 31, 2018, respectively. The effective interest rate including amortization of the debt premium is 3.73% as of June 30, 2019.

The net carrying amount of real estate collateralizing the above indebtedness amounted to approximately \$1.3 billion as of June 30, 2019. Our mortgage loans contain covenants that limit our ability to incur additional indebtedness on these properties and in certain circumstances require lender approval of tenant leases and/or yield maintenance upon repayment prior to maturity. As of June 30, 2019, we were in compliance with all debt covenants.

During 2017, our property in Englewood, NJ was transferred to a receiver. On January 31, 2018, our property in Englewood, NJ was sold at a foreclosure sale and on February 23, 2018, the court order was received approving the sale and discharging the receiver of all assets and liabilities related to the property. We recognized a gain on extinguishment of debt of \$2.5 million as a result of the forgiveness of outstanding mortgage debt of \$11.5 million, which is included in gain on extinguishment of debt in the consolidated statement of income for the six months ended June 30, 2018.

As of June 30, 2019, the principal repayments for the next five years and thereafter are as follows:

(Amounts in thousands)

Year Ending December 31,

2019 ⁽¹⁾	\$	2,573
2020		7,515
2021		123,475
2022		99,976
2023		344,368
2024		274,316
Thereafter		707,711

⁽¹⁾ Remainder of 2019.

On January 15, 2015, we entered into a \$500 million Revolving Credit Agreement (the "Agreement") with certain financial institutions. On March 7, 2017, we amended and extended the Agreement. The amendment increased the credit facility size by \$100 million to \$600 million and extended the maturity date to March 7, 2021 with two six-month extension options. On July 29, 2019, we entered into a second amendment to the Agreement to extend the maturity date to January 29, 2024 with two six-month extension options. Company borrowings under the Agreement are subject to interest at LIBOR plus 1.05% to 1.50% and an annual facility fee of 15 to 30 basis points. Both the spread over LIBOR and the facility fee are based on our current leverage ratio and are subject to increase if our leverage ratio increases above predefined thresholds. The Agreement contains customary financial covenants including a maximum leverage ratio of 60% and a minimum fixed charge coverage ratio of 1.5x. No amounts have been drawn to date under the Agreement. Financing fees associated with the existing Agreement of \$1.7 million and \$2.2 million as of June 30, 2019 and December 31, 2018, respectively, are included in deferred financing fees, net in the consolidated balance sheets. Subsequent to June 30, 2019, additional deferred financing fees of \$2.7 million were incurred as a result of the second amendment to the Agreement.

7. INCOME TAXES

The Company elected to be taxed as a REIT under sections 856-860 of the Internal Revenue Code of 1986, as amended (the “Code”), commencing with the filing of its 2015 tax return for its tax year ended December 31, 2015. With exception to the Company’s taxable REIT subsidiary (“TRS”), to the extent the Company meets certain requirements under the Code, the Company will not be taxed on its federal taxable income. If we fail to qualify as a REIT for any taxable year, we will be subject to federal income taxes at regular corporate rates (including any alternative minimum tax, which, for corporations, was repealed under the Tax Cuts and Jobs Act (“TCJA”) for tax years beginning after December 31, 2017) and may not be able to qualify as a REIT for the four subsequent taxable years. In addition to its TRS, the Company is subject to certain foreign and state and local income taxes, including a 29% non-resident withholding tax on its two Puerto Rico malls, which are included in income tax expense in the consolidated statements of income. The Company is also subject to certain other taxes, including state and local franchise taxes which are included in general and administrative expenses in the consolidated statements of income.

On December 22, 2017, the TCJA was signed into law. The TCJA amends the Internal Revenue Code to reduce tax rates and modify policies, credits, and deductions for individuals and businesses. Effective January 1, 2018, for businesses, the TCJA reduces the corporate tax rate from a maximum of 35% to a flat 21% rate. Since UE has elected to qualify as a REIT under sections 856-860 of the Internal Revenue Code with intent to distribute 100% of its taxable income and did not have any activities in a Taxable REIT Subsidiary (“TRS”) prior to January 1, 2018, there was no impact to the Company’s financial statements.

On December 31, 2017, the Company elected, for tax purposes, to treat the wholly-owned limited partnership that held its Allentown property as a TRS. A TRS is a corporation, other than a REIT, in which we directly or indirectly hold stock, which has made a joint election with us to be treated as a TRS under Section 856(l) of the Code. A TRS is required to pay regular U.S. federal income tax, and state and local income tax where applicable, as a non-REIT “C” corporation. The Allentown legal entity restructuring resulted in a capital gain recognized for tax purposes in 2017 and a step up in tax basis to the Allentown property resulting in no capital gains recognized for tax purposes in 2018 upon the property’s sale on April 26, 2018. The Company’s consolidated financial statements for the three and six months ended June 30, 2018 reflect the TRS’ federal and state corporate income taxes associated with the operating activities at the TRS. The tax expense recorded in association with the operating activities of the TRS was \$0.2 million for the six months ended June 30, 2018. As of December 31, 2018, the Allentown TRS had been dissolved and as such, the Company’s consolidated financial statements for the three and six months ended June 30, 2019 do not reflect any corporate income taxes associated with such TRS.

During the three months ended June 30, 2019, certain non-real estate operating activities, non-qualifying for REIT purposes, commenced through the Company’s operating TRS and are subject to federal, state and local income taxes. These income taxes are included in the income tax expense in the consolidated statements of income.

Our two Puerto Rico malls are subject to a 29% non-resident withholding tax which is included in income tax expense in the consolidated statements of income. The Puerto Rico tax expense recorded was \$0.9 million and \$0.2 million for the three months ended June 30, 2019 and 2018, respectively, and \$1.1 million and \$0.4 million for the six months ended June 30, 2019 and 2018, respectively. Both properties are held in a special partnership for Puerto Rico tax reporting (the general partner being a qualified REIT subsidiary or “QRS”).

The REIT and the other minority members are partners in the Operating Partnership. As such, the partners are required to report their share of taxable income on their tax returns.

8. LEASES

Leases — We have approximately 1,200 operating leases at our retail shopping centers and malls, which generate rental income from tenants and operating cash flows for the Company. Our tenant leases are dependent on the Company, as lessor, agreeing to provide our tenants with the right to control the use of our real estate assets, as lessees. Our real estate assets are comprised of retail shopping centers and malls. Tenants agree to use and control their agreed upon space for their business purposes. Thus, our tenants obtain substantially all of the economic benefits from the use of our shopping center space and have the right to direct how and for what purpose the real estate space is used throughout the period of use. Given these contractual terms, the Company has determined that all tenant contracts of this nature contain a lease. The Company assesses lease classification for each new and modified lease. All new and modified leases commenced in the six months ended June 30, 2019 have been assessed and classified as operating leases.

Contractual rent increases of renewal options are often fixed at the time of the initial lease agreement which may result in tenants being able to exercise their renewal options at amounts that are less than the fair value of the rent at the date of renewal. In addition to fixed base rents, certain rental income derived from our tenant leases is variable and may be dependent on percentage rent or

the Consumer Price Index ("CPI"). Variable lease payments from percentage rents are earned by the Company in the event the tenant's gross sales exceed certain amounts. Terms of percentage rent are agreed upon in the tenant's lease and will vary based on the tenant's sales. Variable lease payments dependent on the CPI, will change in accordance with the corresponding increase or decrease in CPI if negotiated and agreed upon in the tenant's lease. Variable lease payments dependent on percentage rent and the CPI were \$0.7 million for the six months ended June 30, 2019. Variable lease payments also arise from tenant expense reimbursements, which provide for the recovery of all or a portion of the operating expenses, common area maintenance expenses, real estate taxes, insurance and capital improvements of the respective property and amounted to \$54.4 million in the six months ended June 30, 2019. The Company accounts for variable lease payments as "Rental revenue" on the consolidated statement of income in the period in which the changes in facts and circumstances on which the variable lease payments are based occur.

The Company also has 21 properties in its portfolio either completely or partially on land or a building that are owned by third parties. These properties are leased or subleased to us pursuant to ground or building leases, with remaining terms ranging from less than one year to over 80 years and provide us the right to operate each such property. We also lease or sublease real estate for our three corporate offices with remaining terms ranging from one to two years. ROU assets are recorded for these leases, which represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from these leases. ROU assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. The initial measurement of a ROU asset may differ from the initial measurement of the lease liability due to initial direct costs, prepaid lease payments and lease incentives. As of June 30, 2019, no other contracts have been identified as leases. Our leases often offer renewal options, which we assess against relevant economic factors to determine whether the Company is reasonably certain of exercising or not exercising the option. Lease payments associated with renewal periods, for which the Company has determined are reasonably certain of being exercised, are included in the measurement of the corresponding lease liability and ROU asset. During the second quarter, the Company reassessed the lease term of one of its ground leases due to a change in circumstances in our election to renew the ground lease. As a result of this reassessment, the Company remeasured the lease liability by using revised inputs as of the reassessment date and recorded an additional ROU asset and lease liability of \$5.0 million, respectively.

The discount rate applied to measure each ROU asset and lease liability is based on the incremental borrowing rate of the lease due to the rate implicit in the lease not being readily determinable. The Company initially considers the general economic environment and factors in various financing and asset specific secured borrowings so that the overall incremental borrowing rate is appropriate to the intended use of the lease. Certain expenses derived from these leases are variable and are not included in the measurement of the corresponding lease liability and ROU asset, but are recognized in the period in which the obligation for those payments is incurred. These variable lease payments consist of payments for real estate taxes and common area maintenance, which is dependent on projects and activities at each individual property under ground or building lease.

Accounts Receivable and Changes in Collectibility Assessment — Accounts receivable includes unpaid amounts billed to tenants, disputed enforceable charges and accrued revenues for future billings to tenants for property expenses. We periodically evaluate the collectibility of amounts due from tenants and disputed enforceable charges, resulting from the inability of tenants to make required payments under their lease agreements. We recognize changes in the collectibility assessment of these operating leases as adjustments to rental revenue. Management exercises judgment in assessing collectibility and considers payment history and current credit status. Accounts receivable are written-off directly when they are deemed to be uncollectible.

Leases as lessor

We have approximately 1,200 operating leases at our retail shopping centers and malls, which generate rental income from tenants and operating cash flows for the Company. Our tenant base comprises a diverse group of merchants including department stores, supermarkets, discounters, entertainment offerings, health clubs, DIY stores, in-line specialty shops, restaurants and other food and beverage vendors and service providers. Tenant leases for under 10,000 sf generally have lease terms of five years or less. Tenant leases for 10,000 sf or more are considered anchor leases and generally have lease terms of 10 to 25 years, with one or more renewal options available upon expiration of the initial lease term. Contractual rent increases for the renewal options are often fixed at the time of the initial lease agreement which may result in tenants being able to exercise their renewal options at amounts that are less than the fair value of the rent at the date of renewal.

The components of rental revenue for the three and six months ended June 30, 2019 were as follows:

(Amounts in thousands)	<u>Three Months Ended June 30, 2019</u>	<u>Six Months Ended June 30, 2019</u>
Rental Revenue		
Fixed lease revenue	\$ 74,896	\$ 143,380
Variable lease revenue	26,592	55,416
Total rental revenue	<u>\$ 101,488</u>	<u>\$ 198,796</u>

Maturity analysis of lease payments as lessor

The Company's operating leases are disclosed in the aggregate due to their consistent nature as real estate leases. As of June 30, 2019, the undiscounted cash flows to be received from lease payments of our operating leases on an annual basis for the next five years and thereafter are as follows:

(Amounts in thousands)	
<u>Year Ending December 31,</u>	
2019 ⁽¹⁾	\$ 132,367
2020	253,816
2021	234,377
2022	215,545
2023	192,209
2024	158,997
Thereafter	872,575
Total undiscounted cash flows	<u>\$ 2,059,886</u>

⁽¹⁾ Remainder of 2019.

As of December 31, 2018, future base rental revenue under non-cancelable operating leases, under ASC 840 as lessor, was as follows:

(Amounts in thousands)	
<u>Year Ending December 31,</u>	
2019	\$ 256,598
2020	235,652
2021	216,247
2022	198,449
2023	176,282
Thereafter	986,865

These future minimum amounts do not include additional rents based on a percentage of tenants' sales and tenant expense reimbursements. For the year ended December 31, 2018, rental revenue from percentage rent was \$2.0 million. For the year ended December 31, 2018, rental revenue from tenant expense reimbursements was \$108.7 million.

Property, plant and equipment under operating leases as lessor

As of June 30, 2019, substantially all of the Company's real estate assets are subject to operating leases.

Leases as lessee

As of June 30, 2019, the Company had 21 properties in its portfolio either completely or partially on land or a building that was owned by third parties. These properties are leased or subleased to us pursuant to ground or building leases, with remaining terms ranging from less than one year to over 80 years and provide us the right to operate the property. We also lease or sublease real estate for our three corporate offices with remaining terms ranging from one to two years.

The components of lease expense for the three and six months ended June 30, 2019 were as follows:

(Amounts in thousands)	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Lease expense		
Operating lease cost ⁽¹⁾	\$ 3,127	\$ 6,108
Variable lease cost	769	1,443
Total lease expense	\$ 3,896	\$ 7,551

⁽¹⁾ During the three and six months ended June 30, 2019, the Company recognized sublease income of \$5.2 million and \$10.2 million, respectively, included in rental revenue on the consolidated statement of income in relation to certain ground and building lease arrangements. Operating lease cost includes amortization of below-market ground lease intangibles and straight-line lease expense.

Supplemental balance sheet information related to leases was as follows:

	June 30, 2019
Supplemental noncash information	
Weighted-average remaining lease term - operating leases	16.2 years
Weighted-average discount rates - operating leases	3.97%

Maturity analysis of lease payments as lessee

The undiscounted cash flows to be paid on an annual basis for the next five years and thereafter are presented in the table below. The total amount of lease payments, on an undiscounted basis, are reconciled to the lease liability on the consolidated balance sheet by considering the present value discount.

(Amounts in thousands)	
Year Ending December 31,	
2019 ⁽¹⁾	\$ 4,887
2020	9,228
2021	8,639
2022	8,658
2023	8,456
2024	8,463
Thereafter	68,956
Total undiscounted cash flows	117,287
Present value discount	(34,237)
Discounted cash flows	\$ 83,050

⁽¹⁾ Remainder of 2019.

As of December 31, 2018, future lease payments under operating lease agreements, including extension options if reasonably assured of being exercised, under ASC 840 as lessee, were as follows:

(Amounts in thousands)	
Year Ending December 31,	
2019	\$ 10,640
2020	9,614
2021	8,957
2022	8,982
2023	8,850
Thereafter	85,535

9. FAIR VALUE MEASUREMENTS

ASC 820, *Fair Value Measurement and Disclosures* defines fair value and establishes a framework for measuring fair value. The objective of fair value is to determine the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price). ASC 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three levels: Level 1 - quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities; Level 2 - observable prices based on inputs not quoted in active markets, but corroborated by market data; and Level 3 - unobservable inputs used when little or no market data is available. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as consider counterparty credit risk in our assessment of fair value.

Financial Assets and Liabilities Measured at Fair Value on a Recurring or Non-Recurring Basis

There were no financial assets or liabilities measured at fair value on a recurring or non-recurring basis as of June 30, 2019 and December 31, 2018.

Financial Assets and Liabilities not Measured at Fair Value

Financial assets and liabilities that are not measured at fair value on the consolidated balance sheets include cash and cash equivalents and mortgages payable. Cash and cash equivalents are carried at cost, which approximates fair value. The fair value of mortgages payable is calculated by discounting the future contractual cash flows of these instruments using current risk-adjusted rates available to borrowers with similar credit ratings, which are provided by a third-party specialist. The fair value of cash and cash equivalents is classified as Level 1 and the fair value of mortgages payable is classified as Level 2. The table below summarizes the carrying amounts and fair value of these financial instruments as of June 30, 2019 and December 31, 2018.

(Amounts in thousands)	As of June 30, 2019		As of December 31, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Cash and cash equivalents	\$ 412,126	\$ 412,126	\$ 440,430	\$ 440,430
Liabilities:				
Mortgages payable ⁽¹⁾	\$ 1,559,934	\$ 1,592,828	\$ 1,562,159	\$ 1,543,963

⁽¹⁾ Carrying amounts exclude unamortized debt issuance costs of \$11.0 million and \$11.9 million as of June 30, 2019 and December 31, 2018, respectively.

Nonfinancial Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

We assess the carrying value of our properties for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

During the three months ended June 30, 2019, the Company recognized impairment charges of \$18.7 million on two retail properties that the Company intends to market and sell within the next two years. The impairment loss was calculated as the difference between the assets' individual carrying values and the estimated aggregated fair values of \$28.5 million, less estimated selling costs. We also recognized a \$4.0 million impairment charge on an additional property during the three months ended March 31, 2019 as a result of the loss of a significant tenant at the property. The valuation of these properties were based on comparable sale transactions in the properties' surrounding areas. The Company believes the inputs utilized to measure the fair values were reasonable in the context of applicable market conditions, however due to the significance of the unobservable inputs in the overall fair value measures, including market conditions and expectations for growth, the Company determined that such fair value measurements are classified as Level 3. The impairment charges are included as an expense within casualty and impairment loss (gain), net on our consolidated statements of income for the three and six months ended June 30, 2019.

10. COMMITMENTS AND CONTINGENCIES

There are various legal actions against us in the ordinary course of business. After consultation with legal counsel, the outcome of such matters will not have a material adverse effect on our financial condition, results of operations or cash flows.

Redevelopment

As of June 30, 2019, we had approximately \$120.8 million of active development, redevelopment and anchor repositioning projects underway, of which \$20.7 million remains to be funded. Based on current plans and estimates, we anticipate the remaining amounts will be expended over the next two years.

Insurance

The Company maintains (i) general liability insurance with limits of \$200 million for properties in the U.S. and Puerto Rico and (ii) all-risk property insurance with limits of \$500 million per occurrence and in the aggregate for properties in the U.S. and \$139 million for properties in Puerto Rico, subject to the terms, conditions, exclusions, deductibles and sub-limits when applicable for certain perils such as floods and earthquakes and (iii) numerous other insurance policies including trustees' and officers' insurance, workers' compensation and automobile-related liabilities insurance. The Company's insurance includes coverage for acts of terrorism but excludes coverage for nuclear, biological, chemical or radiological terrorism events as defined by the Terrorism Risk Insurance Program Reauthorization Act, which expires in December 2020. In addition, the Company maintains coverage for certain cybersecurity losses with limits of \$5 million per occurrence and in the aggregate providing first and third-party coverage including network interruption, event management, cyber extortion and claims for media content, security and privacy liability. Insurance premiums are typically charged directly to each of the retail properties and warehouses but not all of the cost of such premiums are recovered. The Company is responsible for deductibles, losses in excess of insurance coverage, and the portion of premiums not reimbursable by tenants at our properties, which could be material.

We continue to monitor the state of the insurance market and the scope and costs of coverage for acts of terrorism. However, we cannot anticipate what coverage will be available on commercially reasonable terms in the future and expect premiums across most property coverage lines to increase in light of recent events. The incurrence of uninsured losses, costs or uncovered premiums could materially and adversely affect our business, results of operations and financial condition.

Certain of our loans and other agreements contain customary covenants requiring the maintenance of insurance coverage. Although we believe that we currently have adequate insurance coverage for purposes of these agreements, we may not be able to obtain an equivalent amount of coverage at reasonable costs in the future. If lenders or other counterparties insist on greater coverage than we are able to obtain, such requirement could materially and adversely affect our ability to finance our properties and expand our portfolio.

Tornado-Related Charges

On June 13, 2018, a tornado hit our shopping center in Wilkes-Barre, PA, damaging approximately 13% of the property's gross leasable area. During the three months ended June 30, 2019, the Company settled the related insurance claim with its carrier for \$5.5 million. Of this amount, the Company recognized \$4.8 million as a casualty gain in the three months ended June 30, 2019. As part of the settlement, the Company recognized \$0.2 million and \$0.3 million as business interruption proceeds within rental revenue for the three and six months ended June 30, 2019, respectively.

Hurricane-Related Charges

On September 20, 2017, Hurricane Maria made landfall, damaging our two properties in Puerto Rico. During the six months ended June 30, 2018, the Company received \$1.5 million in casualty insurance proceeds, which were partially offset by \$0.2 million of hurricane related costs, resulting in net casualty gains of \$1.3 million included in casualty and impairment loss (gain), net on the accompanying consolidated statements of income.

During the three and six months ended June 30, 2018, the Company recognized a \$0.2 million net casualty gain and \$0.5 million of business interruption losses, respectively. For the six months ended June 30, 2018, losses of \$0.7 million pertained to rent abatements due to tenants that had not reopened since the hurricane, recorded as a reduction of rental revenue, offset by a \$0.2 million reversal within property operating expenses to provision for doubtful accounts for payments received from tenants on rents previously reserved.

During the three months ended June 30, 2019, the Company reached a settlement agreement with its carrier regarding its final insurance recovery related to Hurricane Maria for \$14.3 million, of which \$3.3 million was previously received, subject to deductibles of \$2.3 million. We recognized an \$8.7 million casualty gain in the second quarter of 2019 as a result of the remaining insurance proceeds from the settlement agreement for our two malls in Puerto Rico.

Environmental Matters

Each of our properties has been subjected to varying degrees of environmental assessment at various times. Based on these assessments, we have accrued costs of \$1.7 million on our consolidated balance sheets as of June 30, 2019 and December 31, 2018, respectively, for remediation costs for environmental contamination at certain properties. While this accrual reflects our best estimates of the potential costs of remediation at these properties, there can be no assurance that the actual costs will not exceed these amounts. During the three and six months ended June 30, 2018, the Company recognized \$0.3 million and \$0.6 million, respectively, of environmental remediation costs within property operating expenses on the consolidated statements of income. Although we are not aware of any other material environmental contamination, there can be no assurance that the identification of new areas of contamination, changes in the extent or known scope of contamination, the discovery of additional sites, or changes in cleanup requirements would not result in significant costs to us.

Bankruptcies

Although our rental revenue is supported by long-term leases, leases may be rejected in a bankruptcy proceeding and the related tenant stores may permanently vacate prior to lease expiration. In the event a tenant with a significant number of leases in our shopping centers files for bankruptcy and rejects its leases with us, we could experience a reduction in our revenues. We monitor the operating performance and rent collections of all tenants in our shopping centers, especially those tenants in arrears or operating retail formats that are experiencing significant changes in competition, business practice, or store closings in other locations.

Sears Holdings Corporation (“Sears”), the parent company of Kmart, filed for Chapter 11 bankruptcy protection on October 15, 2018. The Company had four Kmart leases comprising approximately 547,000 sf, which generated \$8.5 million in annual rental revenue. In January 2019, Sears announced the acquisition of its assets by ESL Investments (“ESL”) for approximately \$5.2 billion. Property rents were paid on all four Kmart locations through April 2019. During the second quarter of 2019, our Kmart leases at Las Catalinas and Huntington, NY were rejected and we recognized a \$7.4 million write-off of the below-market intangible liability connected with the lease in Huntington, NY (classified within rental revenues). ESL assumed the Company’s remaining two Kmart leases at Montehiedra and at Bruckner Commons during the second quarter of 2019. The Company is monitoring the proceedings and considering its alternatives.

During the second quarter, the Company received \$1.1 million of bankruptcy settlement income in connection with the bankruptcy proceedings of Toys “R” Us Inc. (“Toys “R” Us”). The settlement proceeds were used to offset outstanding credit losses and the remaining proceeds were recorded to other income. Prior to liquidation in 2018, the Company had leases with Toys “R” Us at nine locations with annual gross rents of \$7.6 million. No determination has been made as to the amount or timing of additional bankruptcy settlement proceeds, if any, that may be received.

11. PREPAID EXPENSES AND OTHER ASSETS

The following is a summary of the composition of the prepaid expenses and other assets in the consolidated balance sheets:

(Amounts in thousands)	Balance at	
	June 30, 2019	December 31, 2018
Assets held for sale	\$ 22,289	\$ —
Other assets	3,231	2,765
Prepaid expenses:		
Real estate taxes	1,772	6,911
Insurance	1,913	2,509
Licenses/fees	1,681	783
Total Prepaid expenses and other assets	\$ 30,886	\$ 12,968

12. ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER LIABILITIES

The following is a summary of the composition of accounts payable, accrued expenses other liabilities in the consolidated balance sheets:

(Amounts in thousands)	Balance at	
	June 30, 2019	December 31, 2018
Accrued capital expenditures and leasing costs	\$ 21,201	\$ 29,754
Deferred tenant revenue	19,152	28,697
Liabilities held for sale	12,081	—
Accrued interest payable	9,196	8,950
Deferred tax liability, net	5,363	5,532
Security deposits	5,671	5,396
Accrued payroll expenses	3,326	5,747
Other liabilities and accrued expenses	9,044	7,371
Accrued rent ⁽¹⁾	—	7,070
Total accounts payable, accrued expenses and other liabilities	\$ 85,034	\$ 98,517

⁽¹⁾ In connection with the adoption of ASC 842 on January 1, 2019, we reclassified \$7.1 million of accrued rent and adjusted the carrying values of our ROU assets by the corresponding amount.

13. INTEREST AND DEBT EXPENSE

The following table sets forth the details of interest and debt expense in the consolidated statements of income:

(Amounts in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Interest expense	\$ 15,752	\$ 14,942	\$ 31,568	\$ 29,864
Amortization of deferred financing costs	720	717	1,440	1,439
Total Interest and debt expense	\$ 16,472	\$ 15,659	\$ 33,008	\$ 31,303

14. EQUITY AND NONCONTROLLING INTEREST

At-The-Market Program

In 2016, the Company established an at-the-market (“ATM”) equity program, pursuant to which the Company may offer and sell from time to time its common shares, par value \$0.01 per share, with an aggregate gross sales price of up to \$250.0 million through a consortium of broker dealers acting as sales agents. As of June 30, 2019, \$241.3 million of common shares remained available for issuance under this ATM equity program and there were no common shares issued under the ATM equity program during the three and six months ended June 30, 2019 and 2018, respectively. Actual future sales will depend on a variety of factors including, but not limited to, market conditions, the trading price of our common shares and our capital needs. We have no obligation to sell the remaining shares available under the active ATM equity program.

Dividends and Distributions

During the three months ended June 30, 2019 and 2018, respectively, the Company declared dividends on our common shares and OP unit distributions of \$0.22 per share/unit. During the six months ended June 30, 2019 and 2018, respectively, the Company declared dividends on our common shares and OP unit distributions of \$0.44 per share/unit in the aggregate.

Noncontrolling Interests in Operating Partnership

Redeemable noncontrolling interests reflected on the consolidated balance sheets of the Company are comprised of OP units and limited partnership interests in the Operating Partnership in the form of LTIP unit awards. LTIP unit awards were granted to certain executives pursuant to our 2015 Omnibus Share Plan (the “Omnibus Share Plan”) and our 2018 Inducement Equity Plan (the “Inducement Plan”). OP units were issued to contributors in exchange for their property interests in connection with the Company’s property acquisitions in 2017.

The total of the OP units and LTIP units represent a 5.4% and 6.9% weighted-average interest in the Operating Partnership for the three and six months ended June 30, 2019, respectively. Holders of outstanding vested LTIP units may, from and after two years from the date of issuance, redeem their LTIP units for cash, or for the Company's common shares on a one-for-one basis, solely at our election. Holders of outstanding OP units may redeem their units for cash or the Company's common shares on a one-for-one basis, solely at our election.

In connection with the separation from Vornado Realty L.P. ("VRLP"), the Company issued 5.7 million OP units, which represented a 5.4% interest in the Operating Partnership, to VRLP in exchange for interests in VRLP properties contributed by VRLP. On February 28, 2019, the Company issued 5.7 million common shares to VRLP, in exchange for an equal number of OP units after receiving a notice of redemption from VRLP. The issuance is exempt from registration in reliance upon Section 4(a)(2) of the Securities Act of 1933, as amended, on the basis that no public offering was made.

Noncontrolling Interest in Consolidated Subsidiaries

The noncontrolling interest relates to the 5% interest held by others in our property in Walnut Creek, CA (Mount Diablo). The net income attributable to noncontrolling interest is presented separately in our consolidated statements of income.

15. SHARE-BASED COMPENSATION

Share-Based Compensation Expense

Share-based compensation expense, which is included in general and administrative expenses in our consolidated statements of income, is summarized as follows:

(Amounts in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Share-based compensation expense components:				
Restricted share expense	\$ 336	\$ 614	\$ 1,087	\$ 1,201
Stock option expense	999	519	2,070	1,104
LTIP expense	995	208	2,203	374
Outperformance Plan ("OPP") expense	923	858	1,487	1,540
Deferred share unit ("DSU") expense	42	23	112	23
Total Share-based compensation expense	\$ 3,295	\$ 2,222	\$ 6,959	\$ 4,242

Equity award activity during the six months ended June 30, 2019 included: (i) 276,482 LTIP units granted, (ii) 180,213 stock options granted, (iii) 31,578 restricted shares granted, (iv) 693,441 stock options vested, (v) 96,378 restricted shares vested and (vi) 80,681 LTIP units vested.

2019 Long-Term Incentive Plan

On April 4, 2019, the Compensation Committee of the Board of Trustees of the Company approved the Company's 2019 Long-Term Incentive Plan ("2019 LTI Plan"). The Plan is a multi-year, equity compensation program under which participants, including our Chairman and Chief Executive Officer, have the opportunity to earn awards in the form of LTIP units that vest based on the passage of time (one-third of the program) and performance goals tied to our relative and absolute total shareholder return ("TSR") during the three-year performance period following their grant (two-thirds of the program).

For the performance-based awards under the 2019 LTI Plan, participants, have the opportunity to earn awards in the form of LTIP Units if, and only if, Urban Edge's absolute and relative TSR meets certain criteria over the three-year performance measurement period (the "Performance Period") beginning on February 27, 2019 and ending on February 26, 2022. The Company issued 489,319 LTIP Units under the 2019 LTI Plan.

Under the Absolute TSR component, 40% of the LTIP Units will be earned if the Company's TSR over the Performance Period is equal to 18%, 100% of the LTIP Units will be earned if the Company's TSR over the Performance Period is equal to 27%, and 165% of the LTIP Units will be earned if the Company's TSR over the Performance Period is equal to or greater than 36%. The Relative TSR component is based on the Company's performance compared to a peer group comprised of 14 companies. Under the Relative TSR Component, 40% of the LTIP Units will be earned if the Company's TSR over the Performance Period is equal to the 35th percentile of the peer group, 100% of the LTIP Units will be earned if the Company's TSR over the Performance Period is equal to the 55th percentile of the peer group, and 165% of the LTIP Units will be earned if the Company's TSR over the

Performance Period is equal to or above the 75th percentile of the peer group, with earning determined using linear interpolation if between such relative and absolute TSR thresholds. The fair value of the performance-based award portion of the 2019 LTI Plan on the date of grant was \$4.3 million using a Monte Carlo simulation to estimate the fair value through a risk-neutral premise.

The time-based awards under the 2019 LTI Plan, also granted in the form of LTIP Units, vest ratably over three years except in the case of our Chairman and Chief Executive Officer, where the vesting is ratably over four years. As of June 30, 2019, the Company granted time-based awards under the 2019 LTI Plan that represent 112,910 LTIP units with a grant date fair value of \$2.0 million.

Units Granted to Trustees

On May 9, 2019, certain trustees elected to receive a portion of their compensation in deferred share units and an aggregate of 5,608 shares were granted to those trustees based on the weighted average grant date fair value of \$15.60. In addition, certain trustees elected to receive a portion of their compensation in LTIP units and an aggregate of 28,040 LTIP units, were granted to those trustees based on the weighted average grant date fair value of \$14.98.

16. EARNINGS PER SHARE AND UNIT

Urban Edge Earnings per Share

We have calculated earnings per share (“EPS”) under the two-class method. The two-class method is an earnings allocation methodology whereby EPS for each class of Urban Edge common shares and participating securities is calculated according to dividends declared and participating rights in undistributed earnings. Restricted shares issued pursuant to our share-based compensation program are considered participating securities, and as such have non-forfeitable rights to receive dividends.

The following table sets forth the computation of our basic and diluted earnings per share:

(Amounts in thousands, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Numerator:				
Net income attributable to common shareholders	\$ 26,571	\$ 53,737	\$ 52,108	\$ 74,437
Less: Earnings allocated to unvested participating securities	(22)	(97)	(45)	(135)
Net income available for common shareholders - basic	\$ 26,549	\$ 53,640	\$ 52,063	\$ 74,302
Impact of assumed conversions:				
OP and LTIP units	—	—	—	153
Net income available for common shareholders - dilutive	\$ 26,549	\$ 53,640	\$ 52,063	\$ 74,455
Denominator:				
Weighted average common shares outstanding - basic	120,364	113,739	118,330	113,708
Effect of dilutive securities ⁽¹⁾ :				
Stock options using the treasury stock method	—	—	—	2
Restricted share awards	97	203	106	195
Assumed conversion of OP and LTIP units	—	—	—	246
Weighted average common shares outstanding - diluted	120,461	113,942	118,436	114,151
Earnings per share available to common shareholders:				
Earnings per common share - Basic	\$ 0.22	\$ 0.47	\$ 0.44	\$ 0.65
Earnings per common share - Diluted	\$ 0.22	\$ 0.47	\$ 0.44	\$ 0.65

⁽¹⁾ For the three and six months ended June 30, 2019 and the three months ended June 30, 2018, the effect of the redemption of OP and LTIP units for Urban Edge common shares would have an anti-dilutive effect on the calculation of diluted EPS. Accordingly, the impact of such redemption has not been included in the determination of diluted EPS for this period.

Operating Partnership Earnings per Unit

The following table sets forth the computation of basic and diluted earnings per unit:

(Amounts in thousands, except per unit amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Numerator:				
Net income attributable to unitholders	\$ 28,089	\$ 59,762	\$ 55,981	\$ 82,790
Less: net income attributable to participating securities	(23)	(102)	(47)	(144)
Net income available for unitholders	<u>\$ 28,066</u>	<u>\$ 59,660</u>	<u>\$ 55,934</u>	<u>\$ 82,646</u>
Denominator:				
Weighted average units outstanding - basic	126,478	126,178	126,442	126,178
Effect of dilutive securities issued by Urban Edge	97	203	106	197
Unvested LTIP units	5	221	6	246
Weighted average units outstanding - diluted	<u>126,580</u>	<u>126,602</u>	<u>126,554</u>	<u>126,621</u>
Earnings per unit available to unitholders:				
Earnings per unit - Basic	<u>\$ 0.22</u>	<u>\$ 0.47</u>	<u>\$ 0.44</u>	<u>\$ 0.65</u>
Earnings per unit - Diluted	<u>\$ 0.22</u>	<u>\$ 0.47</u>	<u>\$ 0.44</u>	<u>\$ 0.65</u>

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Certain statements contained herein constitute forward-looking statements as such term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are not guarantees of future performance. They represent our intentions, plans, expectations and beliefs and are subject to numerous assumptions, risks and uncertainties. Our future results, financial condition and business may differ materially from those expressed in these forward-looking statements. You can find many of these statements by looking for words such as "approximates," "believes," "expects," "anticipates," "estimates," "intends," "plans," "would," "may" or other similar expressions in this Quarterly Report on Form 10-Q. Many of the factors that will determine the outcome of these and our other forward-looking statements are beyond our ability to control or predict; these factors include, among others, the estimated remediation and repair costs related to natural disasters at the affected properties and the loss of or bankruptcy of a major tenant and the impact of any such event. For further discussion of factors that could materially affect the outcome of our forward-looking statements, see "Risk Factors" in Part I, Item 1A, of the Company's Annual Report on Form 10-K for the year ended December 31, 2018 and the other documents filed by the Company with the SEC, including the information contained in this Quarterly Report on Form 10-Q.

For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. You are cautioned not to place undue reliance on our forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We do not undertake any obligation to release publicly any revisions to our forward-looking statements to reflect events or circumstances occurring after the date of this Quarterly Report on Form 10-Q.

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto included in Part I of this Quarterly Report on Form 10-Q.

Overview

Urban Edge Properties ("UE", "Urban Edge" or the "Company") (NYSE: UE) is a Maryland real estate investment trust that manages, develops, redevelops, and acquires retail real estate, primarily in the New York metropolitan area. Urban Edge Properties LP ("UEL" or the "Operating Partnership") is a Delaware limited partnership formed to serve as UE's majority-owned partnership subsidiary and to own, through affiliates, all of our real estate properties and other assets. Unless the context otherwise requires, references to "we", "us" and "our" refer to Urban Edge Properties and UELP and their consolidated entities/subsidiaries.

The Operating Partnership's capital includes general and common limited partnership interests in the operating partnership ("OP Units"). As of June 30, 2019, Urban Edge owned approximately 95.1% of the outstanding common OP Units with the remaining limited OP Units held by members of management, our Board of Trustees and contributors of property interests acquired. Urban Edge serves as the sole general partner of the Operating Partnership.

As of June 30, 2019, our portfolio consisted of 81 shopping centers, four malls and a warehouse park, totaling approximately 15.9 million square feet.

Critical Accounting Policies and Estimates

The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018 contains a description of our critical accounting policies, including accounting for real estate and revenue recognition. For the six months ended June 30, 2019, there were no material changes to these policies, other than the adoption of ASU 2016-02 and updates to the Company's policies on leases, accounts receivable and changes in collectibility assessment described in Note 3 and Note 8 to the unaudited consolidated financial statements in Part 1, Item 1 of this Quarterly Report on Form 10-Q.

Recent Accounting Pronouncements

Refer to Note 3 to the unaudited consolidated financial statements in Part I, Item I of this Quarterly Report on Form 10-Q for information regarding recent accounting pronouncements that may affect us.

Results of Operations

We derive substantially all of our revenue from rents received from tenants under existing leases on each of our properties. This revenue includes fixed base rents, recoveries of expenses that we have incurred and that we pass through to the individual tenants and percentage rents that are based on specified percentages of tenants' revenue, in each case as provided in the respective leases.

Our primary cash expenditures consist of our property operating and capital costs, general and administrative expenses, and interest and debt expense. Property operating expenses include: real estate taxes, repairs and maintenance, management expenses, insurance and utilities; general and administrative expenses include payroll, professional fees, information technology, office expenses and other administrative expenses; and interest and debt expense primarily consist of interest on our mortgage debt. In addition, we incur substantial non-cash charges for depreciation and amortization on our properties. We also capitalize certain expenses, such as taxes, interest and salaries related to properties under development or redevelopment until the property is ready for its intended use.

Our consolidated results of operations often are not comparable from period to period due to the impact of property acquisitions, dispositions, developments, redevelopments and changes in accounting policies. The results of operations of any acquired properties are included in our financial statements as of the date of acquisition.

The following provides an overview of our key financial metrics based on our consolidated results of operations (refer to cash Net Operating Income ("NOI"), same-property cash NOI and Funds From Operations applicable to diluted common shareholders ("FFO") described later in this section):

(Amounts in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net income	\$ 28,067	\$ 59,774	\$ 55,959	\$ 82,813
FFO applicable to diluted common shareholders ⁽¹⁾	57,582	39,580	94,102	83,680
Cash NOI ⁽²⁾	60,135	54,731	119,478	114,662
Same-property cash NOI ⁽²⁾	53,375	54,344	106,370	108,388

⁽¹⁾ Refer to page 38 for a reconciliation to the nearest generally accepted accounting principles ("GAAP") measure.

⁽²⁾ Refer to page 37 for a reconciliation to the nearest GAAP measure.

Development/Redevelopment Activity

The Company has 12 active development, redevelopment or anchor repositioning projects with total estimated costs of \$120.8 million, of which \$100.1 million (or 83%) has been incurred as of June 30, 2019. During the second quarter, the Company invested \$18.1 million in redevelopment projects and completed the anchor retenanting at Woodbridge Commons in Woodbridge, NJ and the ShopRite expansion at Rockaway River Commons in Rockaway, NJ.

Acquisition/Disposition Activity

On March 15, 2019, we completed the sale of our property in Chicopee, MA for \$18.2 million, net of selling costs, resulting in a \$17.0 million gain on sale of real estate recognized during the six months ended June 30, 2019.

On May 14, 2019, we completed the sale of our property in Glen Burnie, MD for \$15.6 million, net of selling costs, resulting in a \$11.6 million gain on sale of real estate recognized during the three and six months ended June 30, 2019.

On July 9, 2019, we completed the sale of our property in Springfield, MA for \$9.7 million, net of selling costs. The Company will recognize a gain on sale of real estate in the third quarter of 2019 in connection with this transaction.

As of June 30, 2019, we were under contract to purchase an office building in Maywood, NJ, adjacent to our existing property, Bergen Town Center. The building is subject to a ground lease, which the Company will acquire the lessee position of for a purchase price of \$7.1 million. The transaction is scheduled to close by the end of 2019. We are also under contract to purchase a retail outparcel in Paramus, NJ, adjacent to our existing property, Bergen Town Center, for a gross purchase price of \$6.6 million. The transaction is scheduled to close by the end of 2019.

Equity Activity

Equity award activity during the six months ended June 30, 2019 included: (i) 276,482 LTIP units granted, (ii) 180,213 stock options granted, (iii) 31,578 restricted shares granted, (iv) 693,441 stock options vested, (v) 96,378 restricted shares vested and (vi) 80,681 LTIP units vested. Refer to Note 15 to the unaudited consolidated financial statements in Part I, Item I of this Quarterly Report on Form 10-Q for more information regarding the Company's equity award activity.

On April 4, 2019, the Compensation Committee of the Board of Trustees of the Company approved the Company's 2019 Long-Term Incentive Plan ("2019 LTI Plan"). The Plan is a multi-year, equity compensation program under which participants, including our Chairman and Chief Executive Officer, have the opportunity to earn awards in the form of LTIP units that vest based on the passage of time (one-third of the program) and performance goals tied to our relative and absolute total shareholder return ("TSR") during the three-year performance period following their grant (two-thirds of the program). During the three months ended June 30, 2019, the Company issued 489,319 performance-based LTIP units and 112,910 time-based LTIP units, respectively, in connection with the 2019 LTI Plan. Refer to Note 15 to the unaudited consolidated financial statements in Part I, Item I of this Quarterly Report on Form 10-Q for more information regarding the 2019 LTI Plan.

Comparison of the Three Months Ended June 30, 2019 to June 30, 2018

Net income for the three months ended June 30, 2019 was \$28.1 million, compared to net income of \$59.8 million for the three months ended June 30, 2018. The following table summarizes certain line items from our consolidated statements of income that we believe are important in understanding our operations and/or those items which significantly changed in the three months ended June 30, 2019 as compared to the same period of 2018:

(Amounts in thousands)	Three Months Ended June 30, 2019			\$ Change
	2019	2018		
Total revenue	\$ 102,747	\$ 101,970	\$	777
Depreciation and amortization	22,567	30,441		(7,874)
Property operating expenses	14,416	21,765		(7,349)
General and administrative	10,010	8,236		1,774
Casualty and impairment loss, net	5,112	35		5,077
Lease expense	3,896	2,752		1,144
Gain on sale of real estate	11,550	50,440		(38,890)
Interest income	2,458	2,031		427
Interest and debt expense	16,472	15,659		813
Income tax expense	994	192		802

Total revenue increased by \$0.8 million to \$102.7 million in the second quarter of 2019 from \$102.0 million in the second quarter of 2018. The increase is primarily attributable to:

- \$2.3 million increase in write-offs of below-market lease intangible liabilities related to recaptured leases;
- \$0.5 million net increase in other income due to an increase in tenant bankruptcy settlement income, offset by a decrease in lease termination income; and
- \$0.2 million increase due to rent abatements reflected as a reduction of rental revenue in the second quarter of 2018 at our two malls in Puerto Rico and at our property in Wilkes-Barre, PA as a result of natural disasters, partially offset by
- \$1.3 million decrease as a result of property dispositions since the second quarter of 2018;
- \$0.6 million decrease in property rentals due to lease terminations and modifications, offset by rent commencements and contractual rent increases since the second quarter of 2018; and
- \$0.3 million decrease due to credit losses related to operating lease receivables recognized against rental income in the second quarter of 2019 in accordance with the new lease accounting standard, ASC 842, as compared to being included in property operating expenses in the second quarter of 2018.

Depreciation and amortization expenses decreased by \$7.9 million to \$22.6 million in the second quarter of 2019 from \$30.4 million in the second quarter of 2018. The decrease is primarily attributable to:

- \$8.4 million decrease in depreciation and amortization as a result of write-offs of existing tenant improvements and intangible assets related to recaptured leases in the second quarter of 2018, partially offset by
- \$0.5 million increase from development projects and tenant improvements placed into service.

Property operating expenses decreased by \$7.3 million to \$14.4 million in the second quarter of 2019 from \$21.8 million in the second quarter of 2018. The decrease is primarily attributable to:

- \$6.0 million lease termination payment to acquire the Toys “R” Us lease at Hudson Mall in Jersey City, NJ in the second quarter of 2018;
- \$1.3 million due to the provision for doubtful accounts recognized in property operating expenses in the second quarter of 2018 compared to being recorded as credit losses against rental revenue in the second quarter of 2019; and
- \$0.8 million decrease in common area maintenance projects, partially offset by
- \$0.8 million of common area maintenance expenses recognized on a gross basis at tenant-maintained centers in accordance with the new lease accounting standard, ASC 842.

General and administrative expenses increased by \$1.8 million to \$10.0 million in the second quarter of 2019 from \$8.2 million in the second quarter of 2018. The increase is primarily attributable to:

- \$1.1 million increase in share-based compensation expense due to additional equity awards granted since the second quarter of 2018;
- \$0.4 million of severance expenses incurred in the second quarter of 2019; and
- \$0.3 million increase in professional fees for consulting, recruitment and legal services.

We recognized a \$5.1 million casualty and impairment loss in the second quarter of 2019 attributable to:

- \$18.7 million of real estate impairment charges recognized against the carrying values of two properties, partially offset by
- \$13.6 million from insurance settlements for Hurricane Maria at our two malls in Puerto Rico and for tornado damage at our shopping center in Wilkes-Barre, PA.

Lease expense increased by \$1.1 million to \$3.9 million in the second quarter of 2019 from \$2.8 million in the second quarter of 2018. The increase is primarily attributable to the recognition of common area maintenance and real estate taxes associated with ground or building leases within lease expense in accordance with the new lease accounting standard, ASC 842, effective January 1, 2019.

We recognized a gain on sale of real estate of \$11.6 million in the second quarter of 2019 due to the sale of our property in Glen Burnie, MD on May 14, 2019. A gain on sale of real estate of \$50.4 million was recognized in the second quarter of 2018 as a result of the sale of our property in Allentown, PA on April 26, 2018.

Interest income increased by \$0.4 million to \$2.5 million in the second quarter of 2019 from \$2.0 million in the second quarter of 2018. The increase is primarily attributable to an increase in interest rates.

Interest and debt expense increased by \$0.8 million to \$16.5 million in the second quarter of 2019 from \$15.7 million in the second quarter of 2018. The increase is primarily attributable to a decrease in interest capitalized due to the completion of development projects and higher interest rates on variable rate debt.

Income tax expense increased by \$0.8 million to \$1.0 million in the second quarter of 2019 from \$0.2 million in the second quarter of 2018 due to the tax impact of the insurance settlement related to Hurricane Maria.

Comparison of the Six Months Ended June 30, 2019 to June 30, 2018

Net income for the six months ended June 30, 2019 was \$56.0 million, compared to net income of \$82.8 million for the six months ended June 30, 2018. The following table summarizes certain line items from our consolidated statements of income that we believe are important in understanding our operations and/or those items which significantly changed in the six months ended June 30, 2019 as compared to the same period of 2018:

(Amounts in thousands)	Six Months Ended June 30,		\$ Change
	2019	2018	
Total revenue	\$ 200,479	\$ 201,023	\$ (544)
Depreciation and amortization	44,397	51,711	(7,314)
Property operating expenses	31,477	39,668	(8,191)
General and administrative	20,590	15,877	4,713
Casualty and impairment (loss) gain, net	(9,070)	1,306	(10,376)
Lease expense	7,551	5,488	2,063
Gain on sale of real estate	28,503	50,440	(21,937)
Interest income	4,964	3,555	1,409
Interest and debt expense	33,008	31,303	1,705
Gain on extinguishment of debt	—	2,524	(2,524)
Income tax expense	1,196	626	570

Total revenue decreased by \$0.5 million to \$200.5 million in the six months ended June 30, 2019 from \$201.0 million in the six months ended June 30, 2018. The decrease is primarily attributable to:

- \$3.0 million decrease as a result of property dispositions;
- \$0.8 million due to credit losses related to operating lease receivables recognized against rental income in 2019 in accordance with the new lease accounting standard, ASC 842, effective January 1, 2019, as compared to being included in property operating expenses in 2018;
- \$0.1 million decrease in property rentals due to lease terminations and modifications, offset by rent commencements and contractual rent increases, partially offset by
- \$2.3 million increase in write-offs of below-market lease intangible liabilities related to recaptured leases;
- \$0.8 million increase due to rent abatements, reflected as a reduction of rental revenue in the six months ended June 30, 2018, recognized at our two malls in Puerto Rico and at our property in Wilkes-Barre, PA as a result of natural disasters; and

- \$0.3 million net increase in other income due to an increase in tenant bankruptcy settlement income, offset by a decrease in lease termination income.

Depreciation and amortization expenses decreased by \$7.3 million to \$44.4 million in the six months ended June 30, 2019 from \$51.7 million in the six months ended June 30, 2018. The decrease is primarily attributable to:

- \$8.4 million decrease in depreciation and amortization as a result of write-offs of existing tenant improvements and intangible assets related to recaptured leases in the second quarter of 2018, partially offset by
- \$1.1 million increase from development projects and tenant improvements placed into service.

Property operating expenses decreased by \$8.2 million to \$31.5 million in the six months ended June 30, 2019 from \$39.7 million in the six months ended June 30, 2018. The decrease is primarily attributable to:

- \$6.0 million lease termination payment to acquire the Toys “R” Us lease at Hudson Mall in Jersey City, NJ in the second quarter of 2018;
- \$2.5 million due to provision for doubtful accounts recognized in property operating expenses in the six months ended June 30, 2018 and rental revenue in the six months ended June 30, 2019;
- \$1.1 million decrease due to higher common area maintenance expenses incurred for snow removal in 2018; and
- \$0.6 million of environmental remediation costs accrued in the six months ended June 30, 2018, partially offset by
- \$1.5 million of common area maintenance expenses recognized on a gross basis at tenant-maintained centers in accordance with the new lease accounting standard, ASC 842; and
- \$0.5 million increase in repair costs for vacant spaces.

General and administrative expenses increased by \$4.7 million to \$20.6 million in the six months ended June 30, 2019 from \$15.9 million in the six months ended June 30, 2018. The increase is primarily attributable to:

- \$2.4 million increase in share-based compensation expense due to additional equity awards granted;
- \$1.2 million increase in professional fees for consulting, recruitment and legal services;
- \$0.4 million of severance expenses;
- \$0.4 million of accelerated amortization of unvested equity awards associated with the retirement of the Company’s Chief Operating Officer; and
- \$0.3 million increase in transaction costs.

A casualty and impairment loss, net of \$9.1 million was recognized in the in the six months ended June 30, 2019 attributable to:

- \$22.7 million of real estate impairment charges recognized against the carrying values of three properties, partially offset by
- \$13.6 million from insurance settlements for Hurricane Maria at our two malls in Puerto Rico and for tornado damage at our shopping center in Wilkes-Barre, PA.

We recognized a \$1.3 million casualty and impairment gain in the six months ended June 30, 2018 comprised of \$1.5 million of insurance proceeds offset by \$0.2 million of expenses incurred as a result of Hurricane Maria in Puerto Rico.

Lease expense increased by \$2.1 million to \$7.6 million in the six months ended June 30, 2019 from \$5.5 million in the six months ended June 30, 2018. The increase is primarily attributable to the recognition of common area maintenance and real estate taxes associated with ground or building leases within lease expense in accordance with the new lease accounting standard, ASC 842, effective January 1, 2019.

We recognized a gain on sale of real estate of \$28.5 million in the six months ended June 30, 2019 due to the sale of our property in Chicopee, MA on March 15, 2019 and the sale of our property in Glen Burnie, MD on May 14, 2019. A gain on sale of real estate of \$50.4 million was recognized in the second quarter of 2018 as a result of the sale of our property in Allentown, PA on April 26, 2018.

Interest income increased by \$1.4 million to \$5.0 million in the six months ended June 30, 2019 from \$3.6 million in the six months ended June 30, 2018. The increase is primarily attributable to an increase in interest rates.

Interest and debt expense increased by \$1.7 million to \$33.0 million in the six months ended June 30, 2019 from \$31.3 million in the six months ended June 30, 2018. The increase is primarily attributable to:

- \$1.2 million decrease in interest capitalized due to the completion of development projects; and
- \$0.5 million increase resulting from higher interest rates on variable rate debt.

We recognized a \$2.5 million gain on extinguishment of debt in the six months ended June 30, 2018 as a result of the foreclosure sale and forgiveness of the \$11.5 million mortgage debt secured by our property in Englewood, NJ.

Income tax expense increased by \$0.6 million to \$1.2 million in the six months ended June 30, 2019 from \$0.6 million in the six months ended June 30, 2018 primarily attributable to the tax impact from the insurance settlement for our two malls in Puerto Rico related to Hurricane Maria.

Non-GAAP Financial Measures

Throughout this section, we have provided certain information on a “same-property” cash basis which includes the results of operations that were owned and operated for the entirety of the reporting periods being compared, totaling 82 properties for the three and six months ended June 30, 2019 and 2018, respectively. Information provided on a same-property basis excludes properties that were under development, redevelopment or that involve anchor repositioning where a substantial portion of the gross leasable area is taken out of service and also excludes properties acquired or sold during the periods being compared. While there is judgment surrounding changes in designations, a property is removed from the same-property pool when a property is considered to be a redevelopment property because it is undergoing significant renovation or retreating pursuant to a formal plan and is expected to have a significant impact on property operating income based on the retreating that is occurring. A development or redevelopment property is moved back to the same-property pool once a substantial portion of the NOI growth expected from the development or redevelopment is reflected in both the current and comparable prior year period, generally one year after at least 80% of the expected NOI from the project is realized on a cash basis. Acquisitions are moved into the same-property pool once we have owned the property for the entirety of the comparable periods and the property is not under significant development or redevelopment.

We calculate same-property cash NOI using net income as defined by GAAP reflecting only those income and expense items that are reflected in cash NOI, adjusted for the following items: lease termination fees, bankruptcy settlement income, and income and expenses that we do not believe are representative of ongoing operating results, if any.

The most directly comparable GAAP financial measure to cash NOI is net income. Cash NOI excludes certain components from net income in order to provide results that are more closely related to a property’s results of operations. We calculate cash NOI by adjusting net income to add back depreciation and amortization expense, general and administrative expenses, casualty and real estate impairment losses and non-cash lease expense, and deduct non-cash rental income resulting from the straight-lining of rents and amortization of acquired below market leases net of above market leases.

We use cash NOI internally to make investment and capital allocation decisions and to compare the unlevered performance of our properties to our peers. Further, we believe cash NOI is useful to investors as a performance measure because, when compared across periods, cash NOI reflects the impact on operations from trends in occupancy rates, rental rates, operating costs and acquisition and disposition activity on an unleveraged basis, providing perspective not immediately apparent from net income. As such, cash NOI assists in eliminating disparities in net income due to the development, redevelopment, acquisition or disposition of properties during the periods presented, and thus provides a more consistent performance measure for the comparison of the operating performance of the Company’s properties. Cash NOI and same-property cash NOI should not be considered substitutes for net income and may not be comparable to similarly titled measures employed by others.

Same-property cash NOI decreased by \$1.0 million, or (1.8)%, for the three months ended June 30, 2019 as compared to the three months ended June 30, 2018 and decreased by \$2.0 million, or (1.9)%, for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018.

The following table reconciles net income to cash NOI and same-property cash NOI for the three and six months ended June 30, 2019 and 2018, respectively.

(Amounts in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net income	\$ 28,067	\$ 59,774	\$ 55,959	\$ 82,813
Management and development fee income from non-owned properties	(308)	(347)	(660)	(689)
Other expense (income)	318	4	548	(73)
Depreciation and amortization	22,567	30,441	44,397	51,711
General and administrative expense	10,010	8,236	20,590	15,877
Casualty and impairment loss (gain), net ⁽¹⁾	5,112	35	9,070	(1,306)
Gain on sale of real estate	(11,550)	(50,440)	(28,503)	(50,440)
Interest income	(2,458)	(2,031)	(4,964)	(3,555)
Interest and debt expense	16,472	15,659	33,008	31,303
Gain on extinguishment of debt	—	—	—	(2,524)
Income tax expense	994	192	1,196	626
Non-cash revenue and expenses	(9,089)	(6,792)	(11,163)	(9,081)
Cash NOI	60,135	54,731	119,478	114,662
Adjustments:				
Non-same property cash NOI ⁽²⁾	(5,608)	(5,780)	(11,929)	(12,059)
Tenant bankruptcy settlement income and lease termination income	(1,152)	(813)	(1,179)	(977)
Lease termination payment	—	6,000	—	6,000
Natural disaster related operating loss	—	(128)	—	178
Environmental remediation costs	—	334	—	584
Same-property cash NOI	\$ 53,375	\$ 54,344	\$ 106,370	\$ 108,388
Cash NOI related to properties being redeveloped	5,640	4,830	11,497	9,721
Same-property cash NOI including properties in redevelopment	\$ 59,015	\$ 59,174	\$ 117,867	\$ 118,109

⁽¹⁾ The three and six months ended June 30, 2019 reflect real estate impairment losses, offset by insurance proceeds for Hurricane Maria at our two malls in Puerto Rico and for tornado damage at our shopping center in Wilkes-Barre, PA. The six months ended June 30, 2018 reflect hurricane-related insurance proceeds net of expenses.

⁽²⁾ Non-same property cash NOI includes cash NOI related to properties being redeveloped and properties acquired or disposed.

Funds From Operations

FFO for the three months ended June 30, 2019 was \$57.6 million compared to \$39.6 million for the three months ended June 30, 2018 and \$94.1 million for the six months ended June 30, 2019 compared to \$83.7 million for the six months ended June 30, 2018.

We calculate FFO in accordance with the National Association of Real Estate Investment Trusts' ("Nareit") definition. Nareit defines FFO as net income (computed in accordance with GAAP), excluding gains (or losses) from sales of depreciable real estate and land when connected to the main business of a REIT, impairments on depreciable real estate or land related to a REIT's main business, and rental property depreciation and amortization expense. We believe FFO is a meaningful non-GAAP financial measure useful in comparing our levered operating performance from period to period both internally and among our peers because this non-GAAP measure excludes net gains on sales of depreciable real estate, real estate impairment losses, rental property depreciation and amortization expense which implicitly assumes that the value of real estate diminishes predictably over time rather than fluctuating based on market conditions. FFO does not represent cash flows from operating activities in accordance with GAAP, should not be considered an alternative to net income as an indication of our performance, and is not indicative of cash flow as a measure of liquidity or our ability to make cash distributions. FFO may not be comparable to similarly titled measures employed by others.

(Amounts in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net income	\$ 28,067	\$ 59,774	\$ 55,959	\$ 82,813
Less net (income) loss attributable to noncontrolling interests in:				
Operating partnership	(1,518)	(6,025)	(3,873)	(8,353)
Consolidated subsidiaries	22	(12)	22	(23)
Net income attributable to common shareholders	26,571	53,737	52,108	74,437
Adjustments:				
Rental property depreciation and amortization	22,348	30,258	43,971	51,330
Gain on sale of real estate	(11,550)	(50,440)	(28,503)	(50,440)
Real estate impairment loss	18,695	—	22,653	—
Limited partnership interests in operating partnership ⁽¹⁾	1,518	6,025	3,873	8,353
FFO applicable to diluted common shareholders	\$ 57,582	\$ 39,580	\$ 94,102	\$ 83,680

⁽¹⁾ Represents earnings allocated to LTIP and OP unitholders for unissued common shares which have been excluded for purposes of calculating earnings per diluted share for the periods presented.

Liquidity and Capital Resources

Due to the nature of our business, the cash generated from operations is primarily paid to our shareholders and unitholders of the Operating Partnership in the form of distributions. Our status as a REIT requires that we distribute at least 90% of our REIT taxable income each year. Our Board of Trustees declared a quarterly dividend of \$0.22 per common share and OP unit for each of the first two quarters of 2019, or an annual rate of \$0.88. We expect to pay regular cash dividends; however, the timing, declaration, amount and payment of distributions to shareholders and unitholders of the Operating Partnership fall within the discretion of our Board of Trustees. Our Board of Trustees' decisions regarding the payment of dividends depends on many factors, such as maintaining our REIT tax status, our financial condition, earnings, capital requirements, debt service obligations, limitations under our financing arrangements, industry practice, legal requirements, regulatory constraints, and other factors.

Property rental income is our primary source of cash flow and is dependent on a number of factors including our occupancy level and rental rates, as well as our tenants' ability to pay rent. Our properties provide us with a relatively consistent stream of cash flow that enables us to pay operating expenses, debt service and recurring capital expenditures. Other sources of liquidity to fund cash requirements include proceeds from financings, equity offerings and asset sales.

Our short-term liquidity requirements consist of normal recurring operating expenses, lease obligations, regular debt service requirements, recurring expenditures (general & administrative expenses), expenditures related to leasing activity and distributions to shareholders and unitholders of the Operating Partnership. Our long-term capital requirements consist primarily of maturities under our long-term debt agreements, development and redevelopment costs and potential acquisitions.

At June 30, 2019, we had cash and cash equivalents, including restricted cash, of \$463.6 million and no amounts drawn on our line of credit. There were no common shares issued under the ATM equity program during the three and six months ended June 30, 2019 and 2018, respectively. In addition, we had the following sources of capital available:

(Amounts in thousands)	June 30, 2019	
<u>ATM equity program⁽¹⁾</u>		
Original offering amount	\$	250,000
Available capacity	\$	241,300
<u>Revolving credit agreement⁽²⁾</u>		
Total commitment amount	\$	600,000
Available capacity	\$	600,000
Maturity ⁽³⁾		March 7, 2021

⁽¹⁾ Refer to Note 14 to the unaudited consolidated financial statements in Part I, Item I of this Quarterly Report on Form 10-Q.

⁽²⁾ Refer to Note 6 to the unaudited consolidated financial statements in Part I, Item I of this Quarterly Report on Form 10-Q.

⁽³⁾ On July 29, 2019, we entered into an amendment to extend the maturity date to January 29, 2024 with two six-month extension options.

We have no debt scheduled to mature in 2019. We currently believe that cash flows from operations over the next 12 months, together with cash on hand, our ATM equity program, our revolving credit agreement and our general ability to access the capital markets will be sufficient to finance our operations and fund our debt service requirements and capital expenditures.

Summary of Cash Flows

Cash and cash equivalents including restricted cash was \$463.6 million at June 30, 2019, compared to \$457.5 million as of December 31, 2018 and \$514.0 million as of June 30, 2018, an increase of \$6.1 million and a decrease of \$50.4 million, respectively. Our cash flow activities are summarized as follows:

(Amounts in thousands)	Six Months Ended June 30,			Increase (Decrease)		
	2019		2018			
Net cash provided by operating activities	\$	76,837	\$	76,696	\$	141
Net cash used in investing activities		(12,410)		(5,907)		(6,503)
Net cash used in financing activities		(58,350)		(57,643)		(707)

Operating Activities

Net cash provided by operating activities primarily consists of cash inflows from rental revenue and cash outflows for property operating expenses, general and administrative expenses and interest and debt expense.

Net cash provided by operating activities of \$76.8 million for the six months ended June 30, 2019 increased by \$0.1 million from \$76.7 million as of June 30, 2018 due to timing of cash receipts and payments related to tenant collections including the impact of recovery income.

Investing Activities

Net cash flow used in investing activities is impacted by the timing and extent of our real estate development, capital improvements, and acquisition and disposition activities during the period.

Net cash used in investing activities of \$12.4 million for the six months ended June 30, 2019, increased by \$6.5 million from \$5.9 million for the six months ended June 30, 2018 due to (i) \$20.5 million decrease in cash provided from the sale of properties, partially offset by (ii) \$5.6 million decrease in cash used for real estate development and capital improvements at existing properties, (iii) \$4.9 million decrease in cash used for acquisitions and (iv) \$3.4 million increase in insurance proceeds for physical property damages received in the six months ended June 30, 2019.

Financing Activities

Net cash flow used in financing activities is impacted by the timing and extent of issuances of debt and equity securities, distributions paid to common shareholders and unitholders of the Operating Partnership as well as principal and other payments associated with our outstanding indebtedness.

Net cash used in financing activities of \$58.4 million for the six months ended June 30, 2019, increased by \$0.7 million from \$57.6 million for the six months ended June 30, 2018 due to (i) \$0.4 million increase in distributions to shareholders and unitholders, (ii) \$0.2 million increase in tax withholdings on vested restricted stock and (iii) \$0.1 million increase in debt repayments.

Financing Activities and Contractual Obligations

Below is a summary of our outstanding debt and weighted average interest rate as of June 30, 2019.

(Amounts in thousands)	Principal balance at June 30, 2019	Weighted Average Interest Rate at June 30, 2019
Mortgages payable:		
Fixed rate debt	\$ 1,390,434	4.12%
Variable rate debt ⁽¹⁾	169,500	4.18%
Total mortgages payable	1,559,934	4.13%
Unamortized debt issuance costs	(10,990)	
Total mortgages payable, net of unamortized debt issuance costs	<u>\$ 1,548,944</u>	

⁽¹⁾ As of June 30, 2019, \$80.5 million of our variable rate debt bears interest at one month LIBOR plus 190 bps and \$89 million of our variable rate debt bears interest at one month LIBOR plus 160 bps.

The net carrying amount of real estate collateralizing the above indebtedness amounted to approximately \$1.3 billion as of June 30, 2019. Our mortgage loans contain covenants that limit our ability to incur additional indebtedness on these properties and in certain circumstances, require lender approval of tenant leases and/or yield maintenance upon repayment prior to maturity. As of June 30, 2019, we were in compliance with all debt covenants.

On January 15, 2015, we entered into a \$500 million Revolving Credit Agreement (the "Agreement") with certain financial institutions. On March 7, 2017, we amended and extended the Agreement. The amendment increased the credit facility size by \$100 million to \$600 million and extended the maturity date to March 7, 2021 with two six-month extension options. On July 29, 2019, we entered into a second amendment to the Agreement to extend the maturity date to January 29, 2024 with two six-month extension options. Company borrowings under the Agreement are subject to interest at LIBOR plus an applicable margin of 1.05% to 1.50% and an annual facility fee of 15 to 30 basis points. Both the spread over LIBOR and the facility fee are based on our current leverage ratio and are subject to increase if our leverage ratio increases above predefined thresholds. The Agreement contains customary financial covenants, including a maximum leverage ratio of 60% and a minimum fixed charge coverage ratio of 1.5x. No amounts have been drawn to date under the Agreement.

In the event that LIBOR is discontinued, the interest rates for our debt following such event will be based on either alternate base rates or agreed upon replacement rates. Such an event would not affect our ability to borrow or maintain already outstanding borrowings, although it could result in higher interest rates.

Capital Expenditures

The following summarizes capital expenditures presented on a cash basis for the six months ended June 30, 2019 and 2018:

(Amounts in thousands)	Six Months Ended June 30,	
	2019	2018
Capital expenditures:		
Development and redevelopment costs	\$ 45,488	\$ 52,372
Capital improvements	1,633	1,510
Tenant improvements and allowances	3,399	1,097
Total capital expenditures	\$ 50,520	\$ 54,979

As of June 30, 2019, we had approximately \$120.8 million of active redevelopment, development and anchor repositioning projects at various stages of completion and \$113.0 million of completed projects, a decrease of \$16.8 million from \$250.6 million of projects as of December 31, 2018. We have advanced these projects \$10.8 million since December 31, 2018 and anticipate that these projects will require an additional \$23.9 million over the next two years to complete. We expect to fund these projects using cash on hand, proceeds from dispositions, secured debt, or issuing equity.

Commitments and Contingencies

Insurance

The Company maintains (i) general liability insurance with limits of \$200 million for properties in the U.S. and Puerto Rico and (ii) all-risk property insurance with limits of \$500 million per occurrence and in the aggregate for properties in the U.S. and \$139 million for properties in Puerto Rico, subject to the terms, conditions, exclusions, deductibles and sub-limits when applicable for certain perils such as floods and earthquakes and (iii) numerous other insurance policies including trustees' and officers' insurance, workers' compensation and automobile-related liabilities insurance. The Company's insurance includes coverage for acts of terrorism but excludes coverage for nuclear, biological, chemical or radiological terrorism events as defined by the Terrorism Risk Insurance Program Reauthorization Act, which expires in December 2020. In addition, the Company maintains coverage for certain cybersecurity losses with limits of \$5 million per occurrence and in the aggregate providing first and third-party coverage including network interruption, event management, cyber extortion and claims for media content, security and privacy liability. Insurance premiums are typically charged directly to each of the retail properties and warehouses but not all of the cost of such premiums are recovered. The Company is responsible for deductibles, losses in excess of insurance coverage, and the portion of premiums not reimbursable by tenants at our properties, which could be material.

We continue to monitor the state of the insurance market and the scope and costs of coverage for acts of terrorism. However, we cannot anticipate what coverage will be available on commercially reasonable terms in the future and expect premiums across most property coverage lines to increase in light of recent events. The incurrence of uninsured losses, costs or uncovered premiums could materially and adversely affect our business, results of operations and financial condition.

Certain of our loans and other agreements contain customary covenants requiring the maintenance of insurance coverage. Although we believe that we currently have adequate insurance coverage for purposes of these agreements, we may not be able to obtain an equivalent amount of coverage at reasonable costs in the future. If lenders or other counterparties insist on greater coverage than we are able to obtain, such requirement could materially and adversely affect our ability to finance our properties and expand our portfolio.

Tornado-Related Charges

On June 13, 2018, a tornado hit our shopping center in Wilkes-Barre, PA, damaging approximately 13% of the property's gross leasable area. During the three months ended June 30, 2019, the Company settled the related insurance claim with its carrier for \$5.5 million. Of this amount, the Company recognized \$4.8 million as a casualty gain in the three months ended June 30, 2019. As part of the settlement, the Company recognized \$0.2 million and \$0.3 million as business interruption proceeds within rental revenue for the three and six months ended June 30, 2019, respectively.

Hurricane-Related Charges

On September 20, 2017, Hurricane Maria made landfall, damaging our two properties in Puerto Rico. During the six months ended June 30, 2018, the Company received \$1.5 million in casualty insurance proceeds, which were partially offset by \$0.2 million of hurricane related costs, resulting in net casualty gains of \$1.3 million included in casualty and impairment loss (gain), net on the accompanying consolidated statements of income.

During the three and six months ended June 30, 2018, the Company recognized a \$0.2 million net casualty gain and \$0.5 million of business interruption losses, respectively. For the six months ended June 30, 2018, losses of \$0.7 million pertained to rent abatements due to tenants that had not reopened since the hurricane, recorded as a reduction of rental revenue, offset by a \$0.2 million reversal within property operating expenses to provision for doubtful accounts for payments received from tenants on rents previously reserved.

During the three months ended June 30, 2019, the Company reached a settlement agreement with its carrier regarding its final insurance recovery related to Hurricane Maria for \$14.3 million, of which \$3.3 million was previously received, subject to deductibles of \$2.3 million. We recognized an \$8.7 million casualty gain in the second quarter of 2019 as a result of the remaining insurance proceeds from the settlement agreement for our two malls in Puerto Rico.

Environmental Matters

Each of our properties has been subjected to varying degrees of environmental assessment at various times. Based on these assessments, we have accrued costs of \$1.7 million on our consolidated balance sheets as of June 30, 2019 and December 31, 2018, respectively, for remediation costs for environmental contamination at certain properties. While this accrual reflects our best estimates of the potential costs of remediation at these properties, there can be no assurance that the actual costs will not exceed these amounts. During the three and six months ended June 30, 2018, the Company recognized \$0.3 million and \$0.6 million, respectively, of environmental remediation costs within property operating expenses on the consolidated statements of income. Although we are not aware of any other material environmental contamination, there can be no assurance that the identification of new areas of contamination, changes in the extent or known scope of contamination, the discovery of additional sites, or changes in cleanup requirements would not result in significant costs to us.

Bankruptcies

Although our rental revenue is supported by long-term leases, leases may be rejected in a bankruptcy proceeding and the related tenant stores may permanently vacate prior to lease expiration. In the event a tenant with a significant number of leases in our shopping centers files for bankruptcy and rejects its leases with us, we could experience a reduction in our revenues. We monitor the operating performance and rent collections of all tenants in our shopping centers, especially those tenants in arrears or operating retail formats that are experiencing significant changes in competition, business practice, or store closings in other locations.

Sears, the parent company of Kmart, filed for Chapter 11 bankruptcy protection on October 15, 2018. The Company had four Kmart leases comprising approximately 547,000 sf, which generated \$8.5 million in annual rental revenue. In January 2019, Sears announced the acquisition of its assets by ESL for approximately \$5.2 billion. Property rents were paid on all four Kmart locations through April 2019. During the second quarter of 2019, our Kmart leases at Las Catalinas and Huntington, NY were rejected and we recognized a \$7.4 million write-off of the below-market intangible liability connected with the lease in Huntington, NY (classified within rental revenues). ESL assumed the Company's remaining two Kmart leases at Montehiedra and at Bruckner Commons during the second quarter of 2019. The Company is monitoring the proceedings and considering its alternatives.

During the second quarter, the Company received \$1.1 million of bankruptcy settlement income in connection with the bankruptcy proceedings of Toys "R" Us. The settlement proceeds were used to offset outstanding credit losses and the remaining proceeds were recorded to other income. Prior to liquidation in 2018, the Company had leases with Toys "R" Us at nine locations with annual gross rents of \$7.6 million. No determination has been made as to the amount or timing of additional bankruptcy settlement proceeds, if any, that may be received.

Inflation and Economic Condition Considerations

Most of our leases contain provisions designed to partially mitigate the impact of inflation. Although inflation has been low in recent periods and has had a minimal impact on the performance of our shopping centers, it is very possible that inflation will increase in future years. Most of our leases require tenants to pay their share of operating expenses, including common area maintenance, real estate taxes and insurance, thereby reducing our exposure to increases in costs and operating expenses resulting from inflation, although some larger tenants have capped the amount of these operating expenses they are responsible for under the lease. A small number of our leases also include percentage rent clauses enabling us to receive additional rent based on tenant

sales above a predetermined level, which sales generally increase as prices rise and are typically related to increases in the Consumer Price Index or similar inflation indices.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements as of June 30, 2019 or December 31, 2018.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

We have exposure to fluctuations in interest rates, which are sensitive to many factors that are beyond our control. The following table discusses our exposure to hypothetical changes in market rates of interest on interest expense for our variable rate debt and fixed-rate debt. Interest rate risk amounts were determined by considering the impact of hypothetical interest rates on our debt. This analysis does not take into account all of the factors that may affect our debt, such as the effect that a changing interest rate environment could have on the overall level of economic activity or the action that our management might take to reduce our exposure to the change. This analysis assumes no change in our financial structure. Our exposure to a change in interest rates is summarized in the table below.

(Amounts in thousands)	2019			2018	
	June 30, Balance	Weighted Average Interest Rate	Effect of 1% Change in Base Rates	December 31, Balance	Weighted Average Interest Rate
Variable Rate	\$ 169,500	4.18%	\$ 1,695	\$ 169,500	4.09%
Fixed Rate	1,390,434	4.12%	— ⁽²⁾	1,392,659	4.12%
	<u>\$ 1,559,934</u> ⁽¹⁾		<u>\$ 1,695</u>	<u>\$ 1,562,159</u> ⁽¹⁾	

⁽¹⁾ Excludes unamortized debt issuance costs of \$11.0 million and \$11.9 million as of June 30, 2019 and December 31, 2018, respectively.

⁽²⁾ If the weighted average interest rate of our fixed rate debt increased by 1% (i.e. due to refinancing at higher rates), annualized interest expense would have increased by approximately \$13.9 million based on outstanding balances as of June 30, 2019.

We may utilize various financial instruments to mitigate the impact of interest rate fluctuations on our cash flows and earnings, including hedging strategies, depending on our analysis of the interest rate environment and the costs and risks of such strategies. As of June 30, 2019, we did not have any hedging instruments in place.

Fair Value of Debt

The estimated fair value of our consolidated debt is calculated based on current market prices and discounted cash flows at the current rate at which similar loans would be made to borrowers with similar credit ratings for the remaining term of such debt. As of June 30, 2019, the estimated fair value of our consolidated debt was \$1.6 billion.

Other Market Risks

As of June 30, 2019, we had no material exposure to any other market risks (including foreign currency exchange risk or commodity price risk).

In making this determination and for purposes of the SEC's market risk disclosure requirements, we have estimated the fair value of our financial instruments at June 30, 2019 based on pertinent information available to management as of that date. Although management is not aware of any factors that would significantly affect the estimated amounts as of June 30, 2019, future estimates of fair value and the amounts which may be paid or realized in the future may differ significantly from amounts presented.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures (Urban Edge Properties)

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”)) that are designed to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures. Because of inherent limitations, disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of disclosure controls and procedures are met.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective.

There have not been any changes in our internal control over financial reporting (as defined in Rule 13a-15(f)) that occurred during the three months ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Evaluation of Disclosure Controls and Procedures (Urban Edge Properties LP)

The Operating Partnership’s management maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”)) that are designed to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer of our general partner, as appropriate to allow timely decisions regarding required disclosures. Because of inherent limitations, disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of disclosure controls and procedures are met.

The Operating Partnership’s management, with the participation of the Chief Executive Officer and Chief Financial Officer of our general partner, evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer of our general partner concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective.

There have not been any changes in our internal control over financial reporting (as defined in Rule 13a-15(f)) that occurred during the three months ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are party to various legal actions that arise in the ordinary course of business. In our opinion, after consultation with legal counsel, the outcome of such matters is not expected to have a material adverse effect on our financial position, results of operations or cash flows.

ITEM 1A. RISK FACTORS

Except to the extent additional factual information disclosed elsewhere in this Quarterly Report on Form 10-Q relates to such risk factors (including, without limitation, the matters discussed in Part I, “*Item 2-Management’s Discussion and Analysis of Financial Condition and Results of Operations*”), there were no material changes to the risk factors disclosed in Part I, “*Item 1A. Risk Factors*” of our Annual Report on Form 10-K for the year ended December 31, 2018 filed with the SEC on February 13, 2019.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS***Urban Edge Properties***

(a) During the three months ended June 30, 2019, we issued 1,049,508 shares of common shares in exchange for 1,049,508 OP Units that were held by certain limited partners of our Operating Partnership in connection with certain of our prior acquisitions. OP Units are generally redeemable for cash or, at our discretion, exchangeable into shares of our common stock on a one-for-one basis. The cash redemption amount per OP Unit is based on the market price of a shares of our common stock at the time of redemption. These shares of common stock were issued in reliance on an exemption from registration under Section 4(a)(2) of the Securities Act of 1933, as amended. We relied on the exemption under Section 4(a)(2) based upon factual representations received from the limited partners who received the shares of common stock.

(b) Not applicable.

(c) Issuer Purchases of Equity Securities.

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet to be Purchased Under the Plan or Program
April 1, 2019 - April 30, 2019	—	\$ —	N/A	N/A
May 1, 2019 - May 31, 2019	—	—	N/A	N/A
June 1, 2019 - June 30, 2019	2,164 ⁽¹⁾	19.05	N/A	N/A
	2,164	\$ 19.05	N/A	N/A

⁽¹⁾ Represents common shares surrendered by employees to us to satisfy such employees' tax withholding obligations in connection with the vesting of restricted common shares.

Urban Edge Properties LP

(a) Not applicable.

(b) Not applicable.

(c) Issuer Purchases of Equity Securities.

Period	(a) Total Number of Units Purchased	(b) Average Price Paid per Unit	(c) Total Number of Units Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Units that May Yet to be Purchased Under the Plan or Program
April 1, 2019 - April 30, 2019	—	\$ —	N/A	N/A
May 1, 2019 - May 31, 2019	—	—	N/A	N/A
June 1, 2019 - June 30, 2019	2,164 ⁽¹⁾	19.05	N/A	N/A
	2,164	\$ 19.05	N/A	N/A

⁽¹⁾ Represents common units of the Operating Partnership previously held by Urban Edge Properties that were redeemed in connection with the surrender of restricted common shares of Urban Edge Properties by employees to Urban Edge Properties to satisfy such employees' tax withholding obligations in connection with the vesting of restricted common shares.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

On July 29, 2019, we entered into the second amendment to our Revolving Credit Agreement with certain financial institutions. The second amendment extends the maturity date of our Revolving Credit Agreement until January 29, 2024, adjusts the applicable interest rates and annual facility fee, in each case as set forth in Note 6 to the unaudited consolidated financial statements in Part I, Item I of this Quarterly Report on Form 10-Q, provides for the possible application of an alternate interest rate in the event of the discontinuation of LIBOR or certain other enumerated events, and makes additional non-material modifications to our Revolving Credit Agreement. The foregoing summary is qualified in its entirety by reference to the second amendment to our Revolving Credit Agreement, a copy of which is filed with this Quarterly Report on Form 10-Q as Exhibit 10.1.

ITEM 6. EXHIBITS

The exhibits listed below are included in, or incorporated by reference into, this Quarterly Report on Form 10-Q.

INDEX TO EXHIBITS

The following exhibits are included as part of this Quarterly Report on Form 10-Q:

Exhibit Number	Exhibit Description
<u>10.1*</u>	<u>Second Amendment, dated as of July 29, 2019, to Revolving Credit Agreement by and among Urban Edge Properties LP, as Borrower, each of the Banks party thereto, and Wells Fargo Bank, National Association, as Administrative Agent</u>
<u>31.1*</u>	<u>Certification by the Chief Executive Officer for Urban Edge Properties pursuant to rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
<u>31.2*</u>	<u>Certification by the Chief Financial Officer for Urban Edge Properties pursuant to rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
<u>31.3*</u>	<u>Certification by the Chief Executive Officer for Urban Edge Properties LP pursuant to rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
<u>31.4*</u>	<u>Certification by the Chief Financial Officer for Urban Edge Properties LP pursuant to rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
<u>32.1**</u>	<u>Certification by the Chief Executive Officer and Chief Financial Officer for Urban Edge Properties pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
<u>32.2**</u>	<u>Certification by the Chief Executive Officer and Chief Financial Officer for Urban Edge Properties LP pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Extension Calculation Linkbase
101.LAB	Inline XBRL Extension Labels Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
104	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101.*)

* Filed herewith

** In accordance with Item 601 (b)(32) of Regulation S-K, this Exhibit is not deemed “filed” for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that section. Such certifications will not be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

PART IV

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized.

URBAN EDGE PROPERTIES

(Registrant)

/s/ Mark Langer

Mark Langer, Chief Financial Officer

Date: July 31, 2019

URBAN EDGE PROPERTIES LP

By: Urban Edge Properties, General Partner

/s/ Mark Langer

Mark Langer, Chief Financial Officer

Date: July 31, 2019

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Section 2: EX-10.1 (EXHIBIT 10.1)

Execution Version

EXHIBIT 10.1

SECOND AMENDMENT TO REVOLVING CREDIT AGREEMENT

THIS SECOND AMENDMENT TO REVOLVING CREDIT AGREEMENT (this "Amendment") dated as of July 29, 2019, by and among URBAN EDGE PROPERTIES LP, a Delaware limited partnership (the "Borrower"), each of the Banks party hereto and WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent (the "Administrative Agent").

WHEREAS, the Borrower, the Banks, the Administrative Agent and certain other parties have entered into that certain Revolving Credit Agreement dated as of January 15, 2015 and amended by that certain First Amendment to Revolving Credit Agreement dated as of March 7, 2017 (as further amended and as in effect immediately prior to the effectiveness of this Amendment, the "Credit Agreement"); and

WHEREAS, the Borrower, the Banks and the Administrative Agent desire to amend certain provisions of the Credit Agreement on the terms and conditions contained herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, the parties hereto agree as follows:

Section 1. Specific Amendments to Credit Agreement. Upon the effectiveness of this Amendment, the parties hereto agree that the Credit Agreement shall be amended as follows:

(a) The Credit Agreement is amended by replacing the table in clause (a) of the definition of “Applicable Margin” contained in Section 1.01 thereof in its entirety with the following:

Level	Ratio of Total Outstanding Indebtedness to Capitalization Value	Applicable Margin for LIBOR Loans	Applicable Margin for Base Rate Loans
1	< 0.35 to 1.00	1.050%	0.050%
2	≥ 0.35 to 1.00 but < 0.40 to 1.00	1.100%	0.100%
3	≥ 0.40 to 1.00 but < 0.45 to 1.00	1.150%	0.150%
4	≥ 0.45 to 1.00 but < 0.50 to 1.00	1.250%	0.250%
5	≥ 0.50 to 1.00 but < 0.55 to 1.00	1.300%	0.300%
6	≥ 0.55 to 1.00	1.500%	0.500%

(b) The Credit Agreement is further amended by replacing the table in clause (b) of the definition of “Applicable Margin” contained in Section 1.01 thereof in its entirety with the following:

Level	Credit Rating (S&P/Moody’s/Fitch)	Applicable Margin for LIBOR Loans	Applicable Margin for Base Rate Loans
1	A-/A3/A (or equivalent) or better	0.775%	0.000%
2	BBB+/Baa1/BBB+ (or equivalent)	0.825%	0.000%
3	BBB/Baa2/BBB (or equivalent)	0.900%	0.000%
4	BBB-/Baa3/BBB- (or equivalent)	1.100%	0.100%
5	Lower than BBB-/Baa3/BBB- (or equivalent or unrated)	1.450%	0.450%

(c) The Credit Agreement is further amended by replacing the table in clause (a) of the definition of “Facility Fee” contained in Section 1.01 thereof in its entirety with the following:

Level	Facility Fee
1	0.150%
2	0.150%
3	0.200%
4	0.200%
5	0.300%
6	0.300%

(d) The Credit Agreement is further amended by replacing clause (b) of the definition of “Applicable Margin” contained in Section 1.01 thereof in its entirety with the following:

(b) During the Investment Grade Pricing Period, the percentage rate set forth in the table below corresponding to the Level into which the Credit Rating then falls. Any change in the Credit Rating which would cause the Applicable Margin to be determined at a different Level shall be effective as of the first day of the first calendar month immediately following receipt by the Administrative Agent of written notice delivered by the Borrower in accordance with Section 6.09(16) that the Credit Rating has changed; provided, however, if the Borrower has not delivered the notice required by such Section but the Administrative Agent becomes aware that the Credit Rating has changed, then the Administrative Agent may, in its reasonable discretion, adjust the Level at which the Applicable Margin is determined effective as of the first day of the first calendar month following the date the Administrative Agent becomes aware that the Credit Rating has changed. During any period during the Investment Grade Pricing Period that the Borrower receives only two Credit Ratings, and such Credit Ratings are not equivalent, the Applicable Margin shall be the higher of the two Credit Ratings. During any period during the Investment Grade Pricing Period that the Borrower receives more than two Credit Ratings, and such Credit Ratings are not all equivalent, the Applicable Margin shall be (A) if the difference between the highest and the lowest of such Credit Ratings is one ratings category (e.g. Baa2 by Moody’s and BBB- by S&P or Fitch), the Applicable Margin shall be the rate per annum that would

be applicable if the highest of the Credit Ratings were used; and (B) if the difference between the highest and the lowest of such Credit Ratings is two ratings categories (e.g. Baa1 by Moody's and BBB- by S&P or Fitch) or more, the Applicable Margin shall be the rate per annum that would be applicable if the average of the two highest Credit Ratings were used, provided that if such average is not a recognized rating category (i.e., the difference between the Credit Ratings is an even number of ratings categories), then the Applicable Margin shall be determined based on the lower of the two highest Credit Ratings. During any period during the Investment Grade Pricing Period for which the Borrower has received a Credit Rating from only one Rating Agency, the Applicable Margin for purposes of this clause (b) shall be determined based on such Credit Rating so long as such Credit Rating is from either S&P or Moody's. During any period during the Investment Grade Pricing Period that the Borrower has (a) no Credit Rating from any Rating Agency or (b) received a Credit Rating from only one Rating Agency that is neither S&P or Moody's, the Applicable Margin for purposes of this clause (b) shall be determined based on Level 5.

(e) The Credit Agreement is further amended by restating the definitions of "Anti-Corruption Laws", "Capitalization Value", "LIBOR Interest Rate", "Maturity Date", "OFAC", "Sanctioned Country", "Sanctioned Person" and "Sanctions" contained in Section 1.01 thereof in their entirety as follows:

"Anti-Corruption Laws" means all laws, rules, and regulations of any jurisdiction applicable to the Borrower or its Subsidiaries from time to time concerning or relating to bribery or corruption, including, without limitation, the United States Foreign Corrupt Practices Act of 1977 and the rules and regulations thereunder and the U.K. Bribery Act 2010 and the rules and regulations thereunder.

"Capitalization Value" means, at any time, the sum (without duplication) of the Borrower's Ownership Share of (a) with respect to Properties of the Borrower and its Subsidiaries, individually determined and aggregated, NOI (excluding NOI attributable to Properties the value of which is to be included in Capitalization Value under the immediately following clause (b)) of each such Property for the most recently ended calendar quarter, annualized (i.e., multiplied by four), capitalized at the Capitalization Rate; (b) the GAAP book value of (i) all Properties of the Borrower and its Subsidiaries acquired during the four fiscal quarters most recently ended and (ii) all Transition Properties (except, in the case of either clause (i) or (ii), any such Property (or, solely in the case of clause (ii) above, any portion of such Property) which the Borrower has elected in a written notice to the Administrative Agent be included in determinations of Capitalization Value under the immediately preceding clause (a)); (c) all Unrestricted Cash and Cash Equivalents of the Borrower and its Subsidiaries; (d) the fair market value of publicly traded securities and the book value of notes and mortgage loans receivable, Capitalized Development Costs, Equity Interests in Non-Real Estate Affiliates which do not have publicly traded securities, other Stock Holdings and Unimproved Land of the Borrower and its Subsidiaries at such time, all as determined in accordance with GAAP; and (e) leasing commissions, management fees and development fees paid by third parties to the Borrower or a Wholly Owned Subsidiary of the Borrower in respect of any Property owned by another Subsidiary (other than a Wholly Owned Subsidiary) or an Unconsolidated Affiliate to the extent that the Borrower's or such Wholly Owned Subsidiary's share of such commissions and fees exceeds the Borrower's Ownership Share of such Subsidiary or Unconsolidated Affiliate, for the most recently ended calendar quarter, annualized (i.e., multiplied by four), capitalized at the Capitalization Rate. The Borrower's Ownership Share of assets held by (A) Unconsolidated Affiliates (excluding

assets of the type described in the immediately preceding clause (c)) will be included in the calculation of Capitalization Value consistent with the above described treatment for assets owned by the Borrower or a Subsidiary and (B) Public Affiliates the publicly traded securities of which, or Non-Real Estate Affiliates (other than Public Affiliates) the Equity Interest of which, are included in Capitalization Value under the immediately preceding clause (d) shall not be included under any of the other preceding clauses. For the purposes of this definition, (1) for any Disposition of Property by the Borrower or any Subsidiary during any calendar quarter, NOI will be reduced by actual NOI generated from such Property, (2) the aggregate contribution to Capitalization Value in excess of 35% of the aggregate of notes and mortgage loans receivable, Capitalized Development Costs, publicly traded securities, other Stock Holdings and Unimproved Land of the Borrower and its Subsidiaries, and leasing commissions and management and development fees (determined after giving effect to any exclusion required under the immediately following clause (3)) shall not be included in Capitalization Value, (3) the aggregate amount of leasing commissions and management and development fees in excess of 15% of NOI included in the determination of Capitalization Value under the immediately preceding clause (e) shall not be included in Capitalization Value and (4) if the amount otherwise included pursuant to the above terms of this definition in Capitalization Value derived from Unconsolidated Affiliates that are not Public Affiliates, less the Borrower's Ownership Share of the Total Outstanding Indebtedness of such Unconsolidated Affiliates, exceeds 25% of the Capitalization Value (determined without giving effect to this clause (4)), Capitalization Value shall be reduced by the amount of such excess.

"LIBOR Interest Rate" means, subject to implementation of a Benchmark Replacement in accordance with Section 3.02, with respect to any LIBOR Loan for any Interest Period, the rate of interest obtained by dividing (i) the rate of interest per annum determined on the basis of the rate for deposits in Dollars for a period equal to the applicable Interest Period as published by ICE Benchmark Administration Limited, a United Kingdom Company, or a comparable or successor quoting service reasonably approved by the Agent, at approximately 11:00 a.m. (London time), two Banking Days prior to the first day of the applicable Interest Period by (ii) 1 minus the Eurodollar Reserve Percentage. If, for any reason, the rate referred to in the preceding clause (i) is not so published, then the rate to be used for such clause (i) shall be determined by the Administrative Agent to be the arithmetic average of the rate per annum at which deposits in Dollars would be offered by first class banks in the London interbank market to the Administrative Agent at approximately 11:00 a.m. (London time) two Banking Days prior to the first day of the applicable Interest Period for a period equal to such Interest Period. Any change in the maximum rate of reserves described in the preceding clause (ii) shall result in a change in the LIBOR Interest Rate on the date on which such change in such maximum rate becomes effective. Notwithstanding the foregoing, (x) in no event shall the LIBOR Interest Rate (including, without limitation, any Benchmark Replacement with respect thereto) be less than zero and (y) unless otherwise specified in any amendment to this Agreement entered into in accordance with Section 3.02, in the event that a Benchmark Replacement with respect to the LIBOR Interest Rate is implemented then all references herein to the LIBOR Interest Rate shall be deemed references to such Benchmark Replacement.

"Maturity Date" means January 29, 2024, subject to extension pursuant to Section 2.17.

“**OFAC**” means the U.S. Department of the Treasury’s Office of Foreign Assets Control.

“**Sanctioned Country**” means, at any time, a country, region or territory which is itself the subject or target of any Sanctions (including, as of the Second Amendment Date, Cuba, Iran, North Korea, Syria and Crimea).

“**Sanctioned Person**” means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by OFAC (including, without limitation, OFAC’s Specially Designated Nationals and Blocked Persons List and OFAC’s Consolidated Non-SDN List), the U.S. Department of State, the United Nations Security Council, the European Union, any European Union member state, Her Majesty’s Treasury of the United Kingdom, or other Governmental Authority with jurisdiction over the Borrower or any of its Subsidiaries, (b) any Person operating, organized or resident in a Sanctioned Country or (c) any Person owned or controlled by any such Person or Persons described in clauses (a) or (b), including a Person that is deemed by OFAC to be a Sanctions target based on the ownership of such legal entity by Sanctioned Person(s).

“**Sanctions**” means any and all economic or financial sanctions, sectoral sanctions, secondary sanctions, trade embargoes and anti-terrorism laws, including but not limited to those imposed, administered or enforced from time to time by the U.S. government (including those administered by OFAC or the U.S. Department of State), the United Nations Security Council, the European Union, any European Union member state, Her Majesty’s Treasury of the United Kingdom, or other Governmental Authority with jurisdiction over any Bank, the Borrower or any of its Subsidiaries or Affiliates.

(f) The Credit Agreement is further amended by adding the following definitions of “Anti-Money Laundering Laws”, “Benchmark Replacement”, “Benchmark Replacement Adjustment”, “Benchmark Replacement Conforming Changes”, “Benchmark Replacement Date”, “Benchmark Transition Event”, “Benchmark Transition Start Date”, “Benchmark Unavailability Period”, “Beneficial Ownership Certification”, “Beneficial Ownership Regulation”, “Early Opt-in Election”, “Eurodollar Reserve Percentage”, “Federal Reserve Bank of New York’s Website”, “Relevant Governmental Body”, “Second Amendment Date”, “SOFR”, “Term SOFR” and “Unadjusted Benchmark Replacement” to Section 1.01 thereof in the appropriate alphabetical location:

“**Anti-Money Laundering Laws**” means any and all laws, statutes, regulations or obligatory government orders, decrees, ordinances or rules of any Governmental Authority applicable to a Loan Party, its Subsidiaries or Affiliates related to terrorism financing or money laundering, including any applicable provision of the Patriot Act and The Currency and Foreign Transactions Reporting Act (also known as the “Bank Secrecy Act,” 31 U.S.C. §§ 5311-5330 and 12U.S.C. §§ 1818(s), 1820 (b) and 1951-1959).

“**Benchmark Replacement**” means the sum of: (a) the alternate benchmark rate (which may include Term SOFR) that has been selected by the Administrative Agent and the Borrower giving due consideration to (i) any selection or recommendation of a replacement rate or the mechanism for determining such a rate by the Relevant Governmental Body or (ii) any evolving or then-prevailing market convention for determining a rate of interest as a replacement to LIBOR Interest Rate for U.S. dollar-denominated syndicated credit facilities and (b) the Benchmark Replacement Adjustment; provided that, if the

Benchmark Replacement as so determined would be less than zero, the Benchmark Replacement will be deemed to be zero for the purposes of this Agreement.

“Benchmark Replacement Adjustment” means, with respect to any replacement of LIBOR Interest Rate with an Unadjusted Benchmark Replacement for each applicable Interest Period, the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected by the Administrative Agent and the Borrower giving due consideration to (i) any selection or recommendation of a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of LIBOR Interest Rate with the applicable Unadjusted Benchmark Replacement by the Relevant Governmental Body or (ii) any evolving or then-prevailing market convention for determining a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of LIBOR Interest Rate with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated syndicated credit facilities at such time.

“Benchmark Replacement Conforming Changes” means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of “Base Rate,” the definition of “Interest Period,” timing and frequency of determining rates and making payments of interest and other administrative matters) that the Administrative Agent determines may be appropriate to reflect the adoption and implementation of such Benchmark Replacement and to permit the administration thereof by the Administrative Agent in a manner substantially consistent with market practice (or, if the Administrative Agent determines that adoption of any portion of such market practice is not administratively feasible or if the Administrative Agent determines that no market practice for the administration of the Benchmark Replacement exists, in such other manner of administration as the Administrative Agent decides is reasonably necessary in connection with the administration of this Agreement).

“Benchmark Replacement Date” means the earlier to occur of the following events with respect to LIBOR Interest Rate:

(1) in the case of clause (1) or (2) of the definition of “Benchmark Transition Event,” the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of LIBOR Interest Rate permanently or indefinitely ceases to provide LIBOR Interest Rate; or

(2) in the case of clause (3) of the definition of “Benchmark Transition Event,” the date of the public statement or publication of information referenced therein.

“Benchmark Transition Event” means the occurrence of one or more of the following events with respect to LIBOR Interest Rate:

(1) a public statement or publication of information by or on behalf of the administrator of LIBOR Interest Rate announcing that such administrator has ceased or will cease to provide LIBOR Interest Rate, permanently or indefinitely, provided that, at the time of such statement or

publication, there is no successor administrator that will continue to provide LIBOR Interest Rate;

(2) a public statement or publication of information by the regulatory supervisor for the administrator of LIBOR Interest Rate, the U.S. Federal Reserve System, an insolvency official with jurisdiction over the administrator for LIBOR Interest Rate, a resolution authority with jurisdiction over the administrator for LIBOR Interest Rate or a court or an entity with similar insolvency or resolution authority over the administrator for LIBOR Interest Rate, which states that the administrator of LIBOR Interest Rate has ceased or will cease to provide LIBOR Interest Rate permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide LIBOR Interest Rate; or

(3) a public statement or publication of information by the regulatory supervisor for the administrator of LIBOR Interest Rate announcing that LIBOR Interest Rate is no longer representative.

“Benchmark Transition Start Date” means (a) in the case of a Benchmark Transition Event, the earlier of (i) the applicable Benchmark Replacement Date and (ii) if such Benchmark Transition Event is a public statement or publication of information of a prospective event, the 90th day prior to the expected date of such event as of such public statement or publication of information (or if the expected date of such prospective event is fewer than 90 days after such statement or publication, the date of such statement or publication) and (b) in the case of an Early Opt-in Election, the date specified by the Administrative Agent or the Required Banks, as applicable, by notice to the Borrower, the Administrative Agent (in the case of such notice by the Required Banks) and the Banks.

“Benchmark Unavailability Period” means, if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to LIBOR Interest Rate and solely to the extent that LIBOR Interest Rate has not been replaced with a Benchmark Replacement, the period (x) beginning at the time that such Benchmark Replacement Date has occurred if, at such time, no Benchmark Replacement has replaced LIBOR Interest Rate for all purposes hereunder in accordance with clauses (b)-(e) of Section 3.02 and (y) ending at the time that a Benchmark Replacement has replaced LIBOR Interest Rate for all purposes hereunder pursuant to clauses (b)-(e) of Section 3.02.

“Beneficial Ownership Certification” means a certification regarding beneficial ownership as required by the Beneficial Ownership Regulation.

“Beneficial Ownership Regulation” means 31 CFR § 1010.230.

“Early Opt-in Election” means the occurrence of:

(1) (i) a determination by the Administrative Agent or (ii) a notification by the Required Banks to the Administrative Agent (with a copy to the Borrower) that the Required Banks have determined that U.S. dollar-denominated syndicated credit facilities being executed at such time, or that

include language similar to that contained in clauses (b)-(e) of Section 3.02, are being executed or amended, as applicable, to incorporate or adopt a new benchmark interest rate to replace LIBOR Interest Rate, and

(2) (i) the election by the Administrative Agent or (ii) the election by the Required Banks to declare that an Early Opt-in Election has occurred and the provision, as applicable, by the Administrative Agent of written notice of such election to the Borrower and the Banks or by the Required Banks of written notice of such election to the Administrative Agent.

“Eurodollar Reserve Percentage” means, for any day, the percentage which is in effect for such day as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, without limitation, any basic, supplemental or emergency reserves) in respect of eurocurrency liabilities or any similar category of liabilities for a member bank of the Federal Reserve System in New York City.

“Federal Reserve Bank of New York’s Website” means the website of the Federal Reserve Bank of New York at <http://www.newyorkfed.org>, or any successor source.

“Relevant Governmental Body” means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto.

“Second Amendment Date” means July 29, 2019.

“SOFR” with respect to any day means the secured overnight financing rate published for such day by the Federal Reserve Bank of New York, as the administrator of the benchmark, (or a successor administrator) on the Federal Reserve Bank of New York’s Website.

“Term SOFR” means the forward-looking term rate based on SOFR that has been selected or recommended by the Relevant Governmental Body.

“Unadjusted Benchmark Replacement” means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

(g) The Credit Agreement is further amended by restating Section 1.02 thereof in its entirety as follows:

SECTION 1.02. Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP, and, except as otherwise provided herein, all financial data required to be delivered hereunder shall be prepared in accordance with GAAP. Notwithstanding the first sentence of this Section 1.02, all accounting terms, ratios and calculations shall be determined without giving effect to Accounting Standards Codification 842 (or any other Accounting Standards Codification or Financial Accounting Standard having a similar result or effect) (and related interpretations) to the extent any lease (or

similar arrangement conveying the right to use) would be required to be treated as a capital lease thereunder where such lease (or similar arrangement) would have been treated as an operating lease under GAAP as in effect immediately prior to the effectiveness of the Accounting Standards Codification 842, provided that the Borrower shall provide to the Administrative Agent and the other Banks financial statements and other documents as reasonably requested by the Administrative Agent or any Bank setting forth a reconciliation between calculations of such ratio or requirement made in accordance with GAAP and made without giving effect to Accounting Standards Codification 842.

(h) The Credit Agreement is further amended by adding the following Sections 1.06 and 1.07 immediately after Section 1.05 thereof:

SECTION 1.06. Rates. The Administrative Agent does not warrant or accept responsibility for, and shall not have any liability with respect to, the administration, submission or any other matter related to the rates in the definition of “LIBOR Interest Rate”.

SECTION 1.07. Divisions. For all purposes under the Loan Documents, in connection with any division or plan of division under Delaware law (or any comparable event under a different jurisdiction’s laws): (a) if any asset, right, obligation or liability of any Person becomes the asset, right, obligation or liability of a different Person, then it shall be deemed to have been transferred from the original Person to the subsequent Person, and (b) if any new Person comes into existence, such new Person shall be deemed to have been organized on the first date of its existence by the holders of its equity interests at such time.

(i) The Credit Agreement is further amended by adding the following sentence at the end of the second paragraph of Section 2.07 thereof:

In computing interest on any Loan, the date of the making of such Loan or the first day of an Interest Period applicable to such Loan or, with respect to a Base Rate Loan being Converted from a LIBOR Loan, the date of Conversion of such LIBOR Loan to such Base Rate Loan, as the case may be, shall be included, and the date of payment of such Loan or the expiration date of an Interest Period applicable to such Loan or, with respect to a Base Rate Loan being Converted to a LIBOR Loan, the date of Conversion of such Base Rate Loan to such LIBOR Loan, as the case may be, shall be excluded; provided, that if a Loan is repaid on the same day on which it is made, one day’s interest shall be paid on that Loan.

(j) The Credit Agreement is further amended by replacing “0.075%” in Section 2.17(iii) thereof with “0.0625%”.

(k) The Credit Agreement is further amended by restating Section 3.02 thereof in its entirety as follows:

SECTION 3.02. Alternate Rate of Interest.

(a) Circumstances Affecting LIBOR Interest Rate Availability. Anything herein to the contrary notwithstanding, if, on or prior to the determination of the LIBOR Interest Rate for any Interest Period:

(i) Administrative Agent reasonably determines (which determination shall be conclusive, absent manifest error) that adequate and

reasonable means do not exist for ascertaining the LIBOR Interest Rate for such Interest Period;

(ii) Administrative Agent reasonably determines (which determination shall be conclusive) that quotations of interest rates for the relevant deposits referred to in the definition of LIBOR Interest Rate are not being provided in the relevant amounts or for the relevant maturities for purposes of determining rates of interest for LIBOR Loans as provided herein; or

(iii) Administrative Agent reasonably determines (which determination shall be conclusive) that the relevant rates of interest referred to in the definition of "LIBOR Interest Rate" upon the basis of which the rate of interest for LIBOR Loans or Bid Rate Loans for such Interest Period is to be determined (without regard to the references to the Benchmark Replacement in such definition) do not adequately cover the cost to any Bank of making or maintaining such LIBOR Loan or Bid Rate Loan for such Interest Period;

then the Administrative Agent shall give notice thereof to the Borrower and the Banks as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower and the Banks that the circumstances giving rise to such notice no longer exist, (i) any notice by the Borrower of Election, Conversion or Continuation that requests the Conversion of any Loan to, or Continuation of any Loan as, a LIBOR Loan shall be ineffective, (ii) if the Borrower requests a Ratable Loan, such Loan shall be made or Continued as a Base Rate Loan and (iii) any request by the Borrower for a Bid Rate Loan shall be ineffective; provided that if the circumstances giving rise to such notice do not affect all the Banks, then requests by the Borrower for Bid Rate Loans may be made to Banks that are not affected thereby.

(b) Benchmark Replacement. Notwithstanding anything to the contrary herein or in any other Loan Document, upon the occurrence of a Benchmark Transition Event or an Early Opt-in Election, as applicable, the Administrative Agent and the Borrower may amend this Agreement to replace LIBOR Interest Rate with a Benchmark Replacement. Any such amendment with respect to a Benchmark Transition Event will become effective at 5:00 p.m. on the fifth (5th) Banking Day after the Administrative Agent has posted such proposed amendment to all Banks and the Borrower so long as the Administrative Agent has not received, by such time, written notice of objection to such amendment from Banks comprising the Required Banks. Any such amendment with respect to an Early Opt-in Election will become effective on the date that Banks comprising the Required Banks have delivered to the Administrative Agent written notice that such Required Banks accept such amendment. No replacement of LIBOR Interest Rate with a Benchmark Replacement pursuant to clauses (b)-(e) of this Section 3.02 will occur prior to the applicable Benchmark Transition Start Date.

(c) Benchmark Replacement Conforming Changes. In connection with the implementation of a Benchmark Replacement, the Administrative Agent will have the right to make Benchmark Replacement Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Loan Document, any

amendments implementing such Benchmark Replacement Conforming Changes will become effective without any further action or consent of any other party to this Agreement.

(d) Notices; Standards for Decisions and Determinations. The Administrative Agent will promptly notify the Borrower and the Banks of (i) any occurrence of a Benchmark Transition Event or an Early Opt-in Election, as applicable, and its related Benchmark Replacement Date and Benchmark Transition Start Date, (ii) the implementation of any Benchmark Replacement, (iii) the effectiveness of any Benchmark Replacement Conforming Changes and (iv) the commencement or conclusion of any Benchmark Unavailability Period. Any determination, decision or election that may be made by the Administrative Agent or Banks pursuant to clauses (b)-(e) of this Section 3.02, including any applicable determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action, will be conclusive and binding absent manifest error and may be made in its or their sole discretion and without consent from any other party hereto, except, in each case, as expressly required pursuant to clauses (b)-(e) of this Section 3.02.

(e) Benchmark Unavailability Period. Upon the Borrower's receipt of notice of the commencement of a Benchmark Unavailability Period, the Borrower may revoke any request for a borrowing of a LIBOR Loan, conversion to or continuation of LIBOR Loans to be made, converted or continued during any Benchmark Unavailability Period and, failing that, the Borrower will be deemed to have converted any such request into a request for a borrowing of or conversion to Base Rate Loans. During any Benchmark Unavailability Period, the component of Base Rate based upon LIBOR Interest Rate will not be used in any determination of Base Rate.

(l) The Credit Agreement is further amended by restating Section 5.26 thereof in its entirety as follows:

SECTION 5.26. Anti-Corruption Laws, Anti-Money Laundering Laws and Sanctions.

(a) None of (i) the General Partner, the Borrower, any Subsidiary, any of their respective directors and officers acting on behalf of the Borrower or any Subsidiary with respect to this Agreement or any other Loan Document, or, to the knowledge of the Borrower or such Subsidiary, any of their respective directors, officers or Affiliates, or (ii) to the knowledge of the Borrower, any agent or representative of the Borrower or any Subsidiary that will act in any capacity in connection with or benefit from this Agreement, (A) is a Sanctioned Person or currently the subject or target of any Sanctions, (B) is controlled by or is acting on behalf of a Sanctioned Person, (C) has its assets located in a Sanctioned Country, (D) is under administrative, civil or criminal investigation for an alleged violation of, or received notice from or made a voluntary disclosure to any governmental entity regarding a possible violation of, Anti-Corruption Laws, Anti-Money Laundering Laws or Sanctions by a governmental authority that enforces Sanctions or any Anti-Corruption Laws or Anti-Money Laundering Laws, or (E) directly or indirectly derives revenues from investments in, or transactions with, Sanctioned Persons.

(b) Each of the Borrower and its Subsidiaries has implemented and maintains in effect policies and procedures designed to ensure compliance by the General Partner, the Borrower and its Subsidiaries and their respective directors, officers, employees, agents and

Affiliates with all Anti-Corruption Laws, Anti-Money Laundering Laws and applicable Sanctions.

(c) Each of the General Partner, the Borrower and its Subsidiaries, each director, officer, and to the knowledge of Borrower, employee, agent and Affiliate of Borrower and each such Subsidiary, is in compliance with all Anti-Corruption Laws, Anti-Money Laundering Laws in all material respects and applicable Sanctions.

(d) No proceeds of any Loan or Letter of Credit have been used, directly or indirectly, by the Borrower, any of its Subsidiaries or any of its or their respective directors, officers, employees and agents in violation of Section 7.06.

(m) The Credit Agreement is further amended by adding the following Section 5.27 immediately after Section 5.26 thereof:

SECTION 5.27. Beneficial Ownership Certification. As of the Second Amendment Date, all information included in the Beneficial Ownership Certification is true and correct to the knowledge of the officer of the General Partner that executes such certification.

(n) The Credit Agreement is further amended by adding the following Section 6.12 immediately after Section 6.11 thereof:

SECTION 6.12. Compliance with Anti-Corruption Laws, Beneficial Ownership Regulation, Anti-Money Laundering Laws and Sanctions. The Borrower will (a) maintain in effect and enforce policies and procedures designed to promote and achieve compliance by the General Partner, the Borrower, its Subsidiaries and their respective directors, officers, employees and agents with all applicable Anti-Corruption Laws, Anti-Money Laundering Laws and Sanctions, (b) notify the Administrative Agent and each Bank that previously received a Beneficial Ownership Certification of any change in the information provided in the Beneficial Ownership Certification that would result in a change to the list of beneficial owners identified therein and (c) promptly upon the reasonable request of the Administrative Agent or any Bank, provide the Administrative Agent or such Bank, as the case may be, any information or documentation requested by it for purposes of complying with the Beneficial Ownership Regulation.

(o) The Credit Agreement is further amended by restating Section 7.06 thereof in its entirety as follows:

SECTION 7.06. Use of Proceeds and Letters of Credit. Request any Loan or Letter of Credit, and the Borrower shall not use, and shall ensure that its Subsidiaries and its or their respective directors, trustees, officers, employees and agents shall not use, the proceeds of any Loan or Letter of Credit (A) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws or any Anti-Money Laundering Laws, (B) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country, or (C) in any manner that would result in the violation of any Sanctions applicable to any party hereto.

(p) The Credit Agreement is further amended by replacing “Fifty Million Dollars (\$50,000,000)” in clause (a) of Section 9.01(4) thereof with “Seventy-Five Million Dollars (\$75,000,000)”.

(q) The Credit Agreement is further amended by replacing “Fifty Million Dollars (\$50,000,000)” in Section 9.01(6) thereof with “Seventy-Five Million Dollars (\$75,000,000)”.

(r) The Credit Agreement is further amended by adding the following Section 12.26 immediately after Section 12.25 thereof:

SECTION 12.26. Acknowledgement Regarding Any Supported QFCs. To the extent that the Loan Documents provide support, through a guarantee or otherwise, for hedging obligations or any other agreement or instrument that is a QFC (such support, “QFC Credit Support” and each such QFC a “Supported QFC”), the parties acknowledge and agree as follows with respect to the resolution power of the Federal Deposit Insurance Corporation under the Federal Deposit Insurance Act and Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (together with the regulations promulgated thereunder, the “U.S. Special Resolution Regimes”) in respect of such Supported QFC and QFC Credit Support (with the provisions below applicable notwithstanding that the Loan Documents and any Supported QFC may in fact be stated to be governed by the laws of the State of New York and/or of the United States or any other state of the United States):

(a) In the event a Covered Entity that is party to a Supported QFC (each, a “Covered Party”) becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer of such Supported QFC and the benefit of such QFC Credit Support (and any interest and obligation in or under such Supported QFC and such QFC Credit Support, and any rights in property securing such Supported QFC or such QFC Credit Support) from such Covered Party will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if the Supported QFC and such QFC Credit Support (and any such interest, obligation and rights in property) were governed by the laws of the United States or a state of the United States. In the event a Covered Party or a BHC Act Affiliate of a Covered Party becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under the Loan Documents that might otherwise apply to such Supported QFC or any QFC Credit Support that may be exercised against such Covered Party are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if the Supported QFC and the Loan Documents were governed by the laws of the United States or a state of the United States. Without limitation of the foregoing, it is understood and agreed that rights and remedies of the parties with respect to a Defaulting Lender shall in no event affect the rights of any Covered Party with respect to a Supported QFC or any QFC Credit Support.

(b) As used in this Section 12.26 the following terms have the following meanings:

“BHC Act Affiliate” of a party means an “affiliate” (as such term is defined under, and interpreted in accordance with, 12 U.S.C. 1841(k)) of such party.

“Covered Entity” means any of the following:

- (i) a “covered entity” as that term is defined in, and interpreted in accordance with, 12 C.F.R. §252.82(b);
- (ii) a “covered bank” as that term is defined in, and interpreted in accordance with, 12 C.F.R. §47.3(b); or
- (iii) a “covered FSI” as that term is defined in, and interpreted in accordance with, 12 C.F.R. §382.2(b).

“Default Right” has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§252.81, 47.2 or 382.1, as applicable.

“QFC” has the meaning assigned to the term “qualified financial contract” in, and shall be interpreted in accordance with, 12 U.S.C. 5390(c)(8)(D).

(s) The Credit Agreement is further amended by replacing “SCHEDULE I” attached thereto with “SCHEDULE I” attached hereto.

Section 2. Conditions Precedent. The effectiveness of this Amendment is subject to receipt by the Administrative Agent of each of the following in form and substance satisfactory to the Administrative Agent:

(a) a counterpart of this Amendment (this Amendment and any other agreements or documents executed by the Borrower in connection with this Amendment (collectively, the “Amendment Documents”)) duly executed by the Borrower, the Administrative Agent and each of the Banks;

(b) Favorable opinions, dated as of the Second Amendment Date, from counsels for Borrower and General Partner addressed to the Administrative Agent and the Banks, as to such matters as Administrative Agent may reasonably request;

(c) A certified copy of a certificate from the Secretary of State or equivalent state official of the states where Borrower and General Partner are organized, dated as of the most recent practicable date, showing the good standing or partnership qualification of Borrower and General Partner;

(d) A certified copy of a certificate from the Secretary of State or equivalent state official of the state where Borrower and General Partner maintain their principal places of business (if different from its respective state of formation) dated as of the most recent practicable date, showing the qualification to transact business in such state as a foreign limited partnership or foreign trust, as the case may be, for Borrower and General Partner;

(e) A copy of a resolution or resolutions adopted by the Board of Trustees of General Partner, certified by the Secretary or an Assistant Secretary of General Partner as being in full force and effect on the Second Amendment Date, authorizing the Loans provided for herein and the execution, delivery and performance of the Loan Documents to be executed and delivered by General Partner hereunder on behalf Borrower;

(f) A certificate, signed by the Secretary or an Assistant Secretary of General Partner and dated the Second Amendment Date, as to the incumbency, and containing the specimen signature or signatures, of the Persons authorized to execute and deliver the Loan Documents to be executed and delivered by it and Borrower hereunder;

(g) A certificate of the sort required by paragraph (3) of Section 6.09 of the Credit Agreement calculated on a pro forma basis as of the quarter ending March 31, 2019;

(h) The following statements shall be true and Administrative Agent shall have received a certificate dated as of the Second Amendment Date signed by a duly authorized signatory of Borrower stating, to the best of the certifying party's knowledge, the following:

(1) All representations and warranties contained in this Amendment and in each of the other Loan Documents are true and correct in all material respects on and as of the Second Amendment Date as though made on and as of such date (except in those cases where such representation or warranty expressly relates to an earlier date or is qualified as to "materiality", "Material Adverse Change" or similar language (which shall be true and correct in all respects as qualified therein) and except for changes in factual circumstances permitted hereunder and thereunder);

(2) No Default or Event of Default has occurred and is continuing;

(3) No litigation, action, suit, investigation or other arbitral, administrative or judicial proceeding shall be pending or threatened which could reasonably be expected to (A) result in a Material Adverse Change or (B) restrain or enjoin, impose materially burdensome conditions on, or otherwise materially and adversely affect, the ability of Borrower to fulfill its obligations under the Loan Documents to which it is a party; and

(4) Borrower has received all approvals, consents and waivers, and has made or given all necessary filings and notices, as shall be required to consummate the transactions contemplated hereby without the occurrence of any default under, conflict with or violation of (A) any Law or (B) any agreement, document or instrument to which Borrower is a party or by which Borrower or its properties is bound;

(i) evidence that (i) all fees due and payable to the Administrative Agent, the Banks and the arrangers pursuant to those certain fee letters by and among the Borrower, the arrangers and the Administrative Agent have been paid and (ii) all fees, expenses and reimbursement amounts due and payable to the Administrative Agent and the arrangers, including without limitation, the reasonable fees and expenses of counsel to the Administrative Agent, have been paid;

(j) Each Loan Party or Subsidiary thereof that qualifies as a "legal entity customer" under the Beneficial Ownership Regulation shall have delivered to the Administrative Agent, and any Bank requesting the same, a Beneficial Ownership Certification in relation to such Loan Party or Subsidiary, in each case, at least five (5) Banking Days prior to the Second Amendment Date;

(k) The Borrower shall have provided to the Administrative Agent and the Banks the documentation and other information requested by the Administrative Agent in order to comply with the requirements of any Anti-Money Laundering Laws, including the PATRIOT Act and any applicable "know your customer" rules and regulations; and

(l) such other documents, agreements and instruments as the Administrative Agent, or any Bank through the Administrative Agent, may reasonably request.

Notwithstanding anything herein to the contrary, by its execution and delivery of this Amendment, the Administrative Agent and each Bank party hereto acknowledges and agrees that each of the conditions

precedent to the effectiveness of this Amendment that have not previously been waived by such Banks in accordance with the terms of this Amendment has been satisfied and that this Amendment is effective upon the execution and delivery of this Amendment by the Borrower, each such Bank and the Administrative Agent.

Section 3. New Banks; Exiting Banks; and Reallocations.

(a) Reallocations. Upon the effectiveness of this Amendment, the outstanding amounts of all Ratable Loans of the Banks having a Loan Commitment under the Credit Agreement prior to the effectiveness of this Amendment (the “Existing Loan Commitment”) previously made to the Borrower shall be reallocated among the Banks in accordance with their respective Pro Rata Share of the Loan Commitment set forth on SCHEDULE I attached hereto. In order to effect such reallocations, the New Bank (as defined below) and each other Bank whose Loan Commitment after giving effect to this Amendment exceeds its Existing Loan Commitment (each, an “Assignee Bank”) shall be deemed to have purchased at par a portion of all right, title and interest in, and all obligations in respect of, the Existing Loan Commitment of each Exiting Bank (as defined below) and each Bank whose Loan Commitment after giving effect to this Amendment will be less than its Existing Loan Commitment (each, an “Assignor Bank”) so that the outstanding principal amount of the Loan Commitment of each Bank will be as set forth on SCHEDULE I attached hereto. Such purchases shall be deemed to have been effective by way of, and subject to the terms and conditions of, Assignment and Assumptions without the payment of any related assignment fee, and, except for replacement Notes to be provided to any Assignee Bank requesting such replacement Note and, if applicable, any Assignor Bank requesting such replacement Note, in the principal amounts of their respective Loan Commitment upon the effectiveness of this Amendment, no other documents or instruments shall be, or shall be required to be, executed in connection with such assignments (all of which are hereby waived). The Assignee Bank shall make the proceeds of such purchases available to the Administrative Agent which shall then make such amounts of the proceeds of such purchases available to each Assignor Bank as is necessary to purchase in full at par the Existing Loan Commitment owing to each respective Assignor Bank. The Assignor Banks, the Assignee Bank and the other Banks shall make such cash settlements among themselves, through the Administrative Agent, as the Administrative Agent may direct with respect to such reallocations and assignments so that the aggregate principal amount of the Ratable Loans shall be held by the Banks (including the New Bank) with their respective Pro Rata Share in accordance with their respective Loan Commitment as set forth on SCHEDULE I attached hereto.

(b) Representations and Warranties and Acknowledgements of New Bank. Upon the effectiveness of this Amendment, SunTrust Bank (the “New Bank”) acknowledges and agrees that it shall be a Bank under the Credit Agreement holding a Loan Commitment in the amount set forth on SCHEDULE I hereto. Accordingly, the New Bank shall have all of the rights and obligations of a Bank under the Credit Agreement and the other Loan Documents with respect to the New Bank’s Loan Commitment. The New Bank (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Amendment to consummate the transactions contemplated hereby and to become a Bank under the Credit Agreement, (ii) subject to the approval of the Administrative Agent as evidenced by its signature to this Amendment, it meets all the requirements to be an Eligible Assignee, (iii) it is sophisticated with respect to decisions to acquire assets of the type represented by the New Bank’s Loan Commitment, and either it, or the person exercising discretion in making its decision with respect to such New Bank’s Loan Commitment is experienced in such matter, (iv) it has received a copy of the Credit Agreement, and has received or has been according the opportunity to receive copies of the most recent financial statements delivered pursuant to Section 6.09(1) and (2) thereof, as applicable, and such other documents and information as it deems appropriate to make its own credit analysis and decision to enter into this Amendment and to provide the New Bank’s Loan Commitment and (v) it has, independently and without

reliance upon the Administrative Agent or any Bank and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Amendment and to provide the New Bank's Loan Commitment; and (b) agrees that (i) it will, independently and without reliance upon the Administrative Agent or any Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Bank.

(c) Exiting Banks. Upon the effectiveness of this Amendment and reallocations and assignments set forth in this Section 3, all outstanding amounts due under the Credit Agreement and the other Loan Documents to each of (i) Capital One, National Association, (ii) United Bank National Association and (iii) Deutsche Bank AG New York Branch (collectively, the "Exiting Banks" and each, an "Exiting Bank") shall be paid in full, and each Exiting Bank shall cease to be a Bank under the Credit Agreement; provided, that the obligations of the Credit Parties under the Loan Documents that are intended to survive any Bank ceasing to be a Bank or a party to any Loan Document shall survive in accordance with their respective terms for the benefit of each Exiting Bank, as applicable.

Section 4. Representations. The Borrower represents and warrants to the Administrative Agent and the Banks that:

(a) Authorization of Loan Documents and Borrowings. The Borrower has the right and power, and has taken all necessary action to authorize it, to borrow and obtain other extensions of credit under the Credit Agreement as amended by this Amendment. The Borrower has the right and power, and has taken all necessary action to authorize it, to execute and deliver the Amendment Documents and perform the Amendment Documents and the Credit Agreement as amended by this Amendment in accordance with their respective terms and to consummate the transactions contemplated hereby and thereby. The Amendment Documents have been duly executed and delivered by the duly authorized officers of the Borrower and each of the Amendment Documents and the Credit Agreement as amended by this Amendment is a legal, valid and binding obligation of such Person enforceable against such Person in accordance with its respective terms, except as the same may be limited by bankruptcy, insolvency, and other similar laws affecting the rights of creditors generally and the availability of equitable remedies for the enforcement of certain obligations (other than the payment of principal) contained herein or therein and as may be limited by equitable principles generally.

(b) Binding Effect. This Amendment and the Credit Agreement as amended by this Amendment constitute valid and binding agreements of the Borrower, enforceable against the Borrower in accordance with their terms.

(c) No Default. No Default or Event of Default has occurred and is continuing as of the date hereof nor will exist immediately after giving effect to this Amendment.

(d) No Material Adverse Change. Since December 31, 2018, there has not been any material adverse condition or material adverse change in or affecting, nor has any circumstance or condition occurred that could reasonably be expected to result in a material adverse change in, or have a material adverse effect on, the business, assets, liabilities, financial condition or results of operations of the Borrower and its subsidiaries, taken as a whole.

(e) No Guarantors. As of the Second Amendment Date and after giving effect to this Amendment, no Subsidiary is required to be a Guarantor pursuant to Section 6.11 of the Credit Agreement as amended by this Amendment.

Section 5. Reaffirmation of Representations. The Borrower hereby repeats and reaffirms all representations and warranties made or deemed made by the Borrower to the Administrative Agent and the Banks in the Credit Agreement as amended by this Amendment and the other Loan Documents on and as of the date hereof with the same force and effect as if such representations and warranties were set forth in this Amendment in full and such representations and warranties are true and correct in all material respects (except in the case of a representation or warranty qualified by materiality, in which case such representation or warranty is true and correct in all respects) on and as of the date hereof immediately after giving effect to this Amendment except to the extent that such representations and warranties expressly relate solely to an earlier date (in which case such representations and warranties were true and correct in all material respects (except in the case of a representation or warranty qualified by materiality, in which case such representation or warranty was true and correct in all respects) on and as of such earlier date) and except for changes in factual circumstances not prohibited thereunder.

Section 6. Certain References. Each reference to the Credit Agreement in any of the Loan Documents shall be deemed to be a reference to the Credit Agreement as amended by this Amendment. This Amendment is a Loan Document.

Section 7. Costs and Expenses. The Borrower shall reimburse the Administrative Agent for all reasonable out-of-pocket costs and expenses (including attorneys' fees) incurred by the Administrative Agent in connection with the preparation, negotiation and execution of this Amendment and the other agreements and documents executed and delivered in connection herewith.

Section 8. Benefits. This Amendment shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

Section 9. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK. SECTION 12.14 OF THE CREDIT AGREEMENT IS HEREBY INCORPORATED BY REFERENCE AS IF FULLY SET FORTH HEREIN, *MUTATIS MUTANDIS*.

Section 10. Effect; Ratification. Except as expressly herein amended, the terms and conditions of the Credit Agreement and the other Loan Documents remain in full force and effect. The amendments contained herein shall be deemed to have prospective application only. The Credit Agreement is hereby ratified and confirmed in all respects. Nothing in this Amendment shall limit, impair or constitute a waiver of the rights, powers or remedies available to the Administrative Agent or the Banks under the Credit Agreement or any other Loan Document. This Amendment is not intended and shall not constitute a novation of the Credit Agreement or the Obligations created thereunder.

Section 11. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be deemed to be an original and shall be binding upon all parties, their successors and assigns.

Section 12. Definitions. All capitalized terms not otherwise defined herein are used herein with the respective definitions given them in the Credit Agreement.

[Signatures on Next Page]

IN WITNESS WHEREOF, the parties hereto have caused this Second Amendment to Revolving Credit Agreement to be executed as of the date first above written.

URBAN EDGE PROPERTIES LP,
a Delaware limited partnership

By: Urban Edge Properties
a Maryland real estate investment trust, general partner

By:
Name: _____
Title: _____

[Signatures Continued on Next Page]

[Signature Page to Second Amendment to Revolving Credit Agreement for Urban Edge Properties LP]

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent, a Fronting Bank, a Swingline Lender and as a Bank

By:

Name:

Title: _____

[Signatures Continued on Next Page]

[Signature Page to Second Amendment to Revolving Credit Agreement for Urban Edge Properties LP]

PNC BANK, NATIONAL ASSOCIATION, as Syndication Agent, a Fronting Bank, a Swingline Lender and as a Bank

By:
Name:
Title:

[Signatures Continued on Next Page]

[Signature Page to Second Amendment to Revolving Credit Agreement for Urban Edge Properties LP]

BARCLAYS BANK PLC, as a Bank

By:
Name:
Title:

[Signatures Continued on Next Page]

[Signature Page to Second Amendment to Revolving Credit Agreement for Urban Edge Properties LP]

CITIBANK N.A., as a Bank

By:
Name:
Title:

[Signatures Continued on Next Page]

[Signature Page to Second Amendment to Revolving Credit Agreement for Urban Edge Properties LP]

JPMORGAN CHASE BANK, N.A., as a Bank

By:
Name:
Title:

[Signatures Continued on Next Page]

[Signature Page to Second Amendment to Revolving Credit Agreement for Urban Edge Properties LP]

MUFG UNION BANK, N.A., as a Bank

By:
Name:
Title:

[Signatures Continued on Next Page]

[Signature Page to Second Amendment to Revolving Credit Agreement for Urban Edge Properties LP]

U.S. BANK NATIONAL ASSOCIATION, as a Bank

By:
Name:
Title:

[Signatures Continued on Next Page]

[Signature Page to Second Amendment to Revolving Credit Agreement for Urban Edge Properties LP]

DEUTSCHE BANK AG NEW YORK BRANCH, as an Exiting Bank

By:
Name:
Title:

[Signatures Continued on Next Page]

[Signature Page to Second Amendment to Revolving Credit Agreement for Urban Edge Properties LP]

GOLDMAN SACHS BANK USA, as a Bank

By:
Name:
Title:

[Signatures Continued on Next Page]

[Signature Page to Second Amendment to Revolving Credit Agreement for Urban Edge Properties LP]

MORGAN STANLEY SENIOR FUNDING, INC., as a Bank

By:
Name:
Title:

[Signatures Continued on Next Page]

[Signature Page to Second Amendment to Revolving Credit Agreement for Urban Edge Properties LP]

TD BANK, N.A., as a Bank

By:
Name:
Title:

[Signature Page to Second Amendment to Revolving Credit Agreement for Urban Edge Properties LP]

SUNTRUST BANK, as a New Bank

By:
Name:
Title:

[Signature Page to Second Amendment to Revolving Credit Agreement for Urban Edge Properties LP]

CAPITAL ONE, NATIONAL ASSOCIATION, as an Exiting Bank

By:
Name:
Title:

[Signature Page to Second Amendment to Revolving Credit Agreement for Urban Edge Properties LP]

UNITED BANK, NATIONAL ASSOCIATION, as an Exiting Bank

By:
Name:
Title:

SCHEDULE I

<u>Bank</u>	<u>Loan Commitment</u>
Wells Fargo Bank, National Association	\$82,500,000
PNC Bank, National Association	\$82,500,000
MUFG Union Bank, N.A.	\$65,000,000
U.S. Bank National Association	\$65,000,000
SunTrust Bank	\$50,000,000
Goldman Sachs Bank USA	\$45,000,000
Morgan Stanley Senior Funding, Inc.	\$45,000,000
Barclays Bank PLC	\$45,000,000
JPMorgan Chase Bank, N.A.	\$45,000,000
TD Bank, N.A.	\$40,000,000
Citibank N.A.	\$35,000,000
Total	\$600,000,000.00

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Section 3: EX-31.1 (EXHIBIT 31.1)

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Jeffrey S. Olson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Urban Edge Properties;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles;

- c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of trustees (or persons performing the equivalent functions):
- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

July 31, 2019

/s/ Jeffrey S. Olson

Jeffrey S. Olson

Chairman of the Board of Trustees and Chief Executive Officer

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Section 4: EX-31.2 (EXHIBIT 31.2)

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Mark Langer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Urban Edge Properties;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of trustees (or persons performing the equivalent

functions):

- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

July 31, 2019

/s/ Mark Langer

Mark Langer

Chief Financial Officer

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Section 5: EX-31.3 (EXHIBIT 31.3)

EXHIBIT 31.3

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Jeffrey S. Olson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Urban Edge Properties LP;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of trustees (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

July 31, 2019

/s/ Jeffrey S. Olson

Jeffrey S. Olson

Chairman of the Board of Trustees and Chief Executive Officer of Urban Edge Properties, general partner of registrant

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Section 6: EX-31.4 (EXHIBIT 31.4)

EXHIBIT 31.4

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Mark Langer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Urban Edge Properties LP;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of trustees (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

July 31, 2019

/s/ Mark Langer

Mark Langer

Chief Financial Officer of Urban Edge Properties, general partner of registrant

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Section 7: EX-32.1 (EXHIBIT 32.1)

EXHIBIT 32.1

CERTIFICATION

**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsection (a) and (b) of Section 1350 of Chapter 63 of Title 18 of the United States Code)**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350 of Chapter 63 of Title 18 of the United States Code), the undersigned officer of Urban Edge Properties, hereby certifies, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the period ended June 30, 2019 (the "Report") of Urban Edge Properties fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Urban Edge Properties.

July 31, 2019

/s/ Jeffrey S. Olson

Name: Jeffrey S. Olson

Title: Chairman of the Board of Trustees and Chief Executive Officer

July 31, 2019

/s/ Mark Langer

Name: Mark Langer

Title: Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished as an exhibit to the Report pursuant to Item 601(b)(32) of Regulation S-K and Section 906 of the Sarbanes-Oxley Act of 2002 and, accordingly, is not being filed with the Securities and Exchange Commission as part of the Report and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Report, irrespective of any general incorporation language contained in such filing).

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Section 8: EX-32.2 (EXHIBIT 32.2)

EXHIBIT 32.2

CERTIFICATION

**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsection (a) and (b) of Section 1350 of Chapter 63 of Title 18 of the United States Code)**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350 of Chapter 63 of Title 18 of the United States Code), the undersigned officer of Urban Edge Properties, hereby certifies, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the period ended June 30, 2019 (the "Report") of Urban Edge Properties LP fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Report fairly presents, in all material respects, the

July 31, 2019

/s/ Jeffrey S. Olson

Name: Jeffrey S. Olson

Title: Chairman of the Board of Trustees and Chief Executive Officer of Urban Edge Properties, general partner of registrant

July 31, 2019

/s/ Mark Langer

Name: Mark Langer

Title: Chief Financial Officer of Urban Edge Properties, general partner of registrant

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished as an exhibit to the Report pursuant to Item 601(b)(32) of Regulation S-K and Section 906 of the Sarbanes-Oxley Act of 2002 and, accordingly, is not being filed with the Securities and Exchange Commission as part of the Report and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Report, irrespective of any general incorporation language contained in such filing).

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