CEDAR SHOPPING CENTERS INC
Form 10-K/A
August 12, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K/A

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

For the fiscal year ended December 31, 2009

OR

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

COMMISSION FILE NUMBER: 001-31817
CEDAR SHOPPING CENTERS, INC.
(Exact name of registrant as specified in its charter)

Maryland	**42-1241468**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
44 South Bayles Avenue, Port Washington, NY	**11050-3765**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code: (516) 767-6492
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	*Name of each exchange on which registered*
Common Stock, $0.06 par value	New York Stock Exchange
8-7/8% Series A Cumulative Redeemable Preferred Stock, $25.00 Liquidation Value	New York Stock Exchange

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes o No o

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting

company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

Based on the closing sales price on June 30, 2009 of $4.52 per share, the aggregate market value of the voting stock held by non-affiliates of the registrant was approximately $196,177,000.

The number of shares outstanding of the registrant s Common Stock $.06 par value was 62,007,366 on February 28, 2010.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant s definitive proxy statement relating to its 2010 annual meeting of shareholders are incorporated herein by reference.

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CEDAR SHOPPING CENTERS, INC.
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934 (AS AMENDED)
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

Cedar Shopping Centers, Inc. (the Company) is issuing revised historical financial statements and certain related data that had been included in its Annual Report on Form 10-K for the year ended December 31, 2009 for the matters described below. The effect of such matters was reflected, retroactively as appropriate, in the Company s consolidated financial statements included in each of the Company s Quarterly Reports on Form 10-Q for the periods ended March 31, 2010 (the First Quarterly Report) and June 30, 2010 (the Second Quarterly Report). Such Annual Report was filed with the Securities and Exchange Commission (the SEC) on March 15, 2010 (the Original Filing); the Company filed its First Quarterly Report on May 10, 2010 and its Second Quarterly Report on August 5, 2010.

Subsequent to December 31, 2009, the Company determined that at the time it acquired certain properties during 2003 through 2009, it had underprovided for certain identifiable intangible lease liabilities relating to fixed-price renewal options that were at below-market rates. At the time such properties were acquired, the Company determined the fair value of such renewal options to be immaterial, based upon the Company s assessment of a very low probability that any of such renewal options would be exercised. Accordingly, the Company assigned a zero value to such renewal options. The Company has reconsidered these determinations and has concluded that option renewal periods should have been valued with respect to certain of the leases, as further described in Note 2 in the notes to the consolidated financial statements. Using the updated assumptions, the Company determined that the December 31, 2009 carrying amounts of unamortized intangible lease liabilities and real estate, net, were understated by $8,429,000 and $7,688,000, respectively (the latter amount net of $741,000, representing the cumulative understated depreciation expense for the period 2003 through 2009). In addition, total equity and limited partners interest in the Operating Partnership were overstated by $723,000 and $18,000, respectively, as of December 31, 2009, reflecting the aforementioned cumulative depreciation adjustment. The Company determined that the aforementioned adjustments were immaterial to any full year s consolidated financial statements; however, the Company did determine that recording the adjustments entirely in the quarterly period ended March 31, 2010 would have been material to the consolidated statement of operations for that period. Accordingly, as provided by the SEC s Staff Accounting Bulletin No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements , such adjustments were reflected retroactively in the consolidated financial statements included in the First Quarterly Report (including revisions of prior-period amounts to conform to the 2010 presentation). Under SEC requirements, these revisions are required for previously-issued annual financial statements for each of the three years shown in the Original Filing if those financial statements are incorporated by reference in subsequent filings made under the Securities Act of 1933, as amended.

In addition, subsequent to December 31, 2009, the Company sold or has treated as held for sale two properties, one each reflected in the consolidated financial statements included in the First and Second Quarterly Reports. In compliance with the provisions of Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets , the results of operations of these two properties were reported as components of discontinued operations for each of the periods presented (including reclassifications of prior-period amounts to conform to the 2010 presentation), as further described in Note 3 in the notes to consolidated financial statements. Under SEC requirements, the same retroactive reclassifications are required for previously-issued annual financial statements for each of the three years shown in the Original Filing, if those financial statements are incorporated by reference in subsequent filings made under the Securities Act of 1933, as amended.

This Report on Form 10-K/A is being filed to revise the information contained in Items 1 and 2 in Part I, Items 6, 7, 7A and 8 in Part II, and the financial statement schedule in Part IV of the Original Filing in their entirety to conform to the 2010 presentations included in the First and Second Quarterly Reports. This Report on Form 10-K/A does not attempt to modify or update any other disclosures set forth in the Original Filing, except as required to reflect the aforementioned amended information. In addition, except for the amended information included herein, this Form 10-K/A speaks as of the filing date of the Original Filing and does not update or discuss any other developments affecting the Company subsequent to the date of the Original Filing.

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Part I.

Items 1 and 2. Business and Properties

General

Cedar Shopping Centers, Inc. (the Company), organized in 1984, is a fully-integrated real estate investment trust which focuses primarily on ownership, operation, development and redevelopment of supermarket-anchored shopping centers in mid-Atlantic and Northeast coastal states. At December 31, 2009, the Company owned and managed (both wholly-owned and in joint venture) a portfolio of 117 operating properties totaling approximately 12.8 million square feet of gross leasable area (GLA), including 93 wholly-owned properties comprising approximately 9.3 million square feet, 13 properties owned in joint venture (consolidated) comprising approximately 1.7 million square feet, seven properties transferred or to be transferred to a managed joint venture (unconsolidated) comprising approximately 1.2 million square feet, and four ground-up developments comprising approximately 0.6 million square feet. Excluding the four ground-up development properties, the 113 property portfolio was approximately 91% leased at December 31, 2009; the 99 property stabilized portfolio was approximately 95% leased at that date. The Company also owned approximately 196 acres of land parcels, a significant portion of which is under development. In addition, the Company has a 76.3% interest in another unconsolidated joint venture, which it does not manage, which owns a single-tenant office property in Philadelphia, Pennsylvania.

The Company has elected to be taxed as a real estate investment trust (REIT) under applicable provisions of the Internal Revenue Code of 1986, as amended (the Code). To qualify as a REIT under those provisions, the Company must have a preponderant percentage of its assets invested in, and income derived from, real estate and related sources. The Company s objectives are to provide to its shareholders a professionally-managed, diversified portfolio of commercial real estate investments (primarily supermarket-anchored shopping centers), which will provide substantial cash flow, currently and in the future, taking into account an acceptable modest risk profile, and which will present opportunities for additional growth in income and capital appreciation.

The Company, organized as a Maryland corporation, has established an umbrella partnership structure through the contribution of substantially all of its assets to Cedar Shopping Centers Partnership L.P. (the Operating Partnership), organized as a limited partnership under the laws of Delaware. The Company conducts substantially all of its business through the Operating Partnership. At December 31, 2009, the Company owned 96.3% of the Operating Partnership and is its sole general partner. The approximately 2,006,000 limited Operating Partnership Units (OP Units) are economically equivalent to the Company s common stock and are convertible into the Company s common stock at the option of the holders on a one-to-one basis.

The Company derives substantially all of its revenues from rents and operating expense reimbursements received pursuant to long-term leases. The Company s operating results therefore depend on the ability of its tenants to make the payments required by the terms of their leases. The Company focuses its investment activities on supermarket-anchored community shopping centers. The Company believes that, because of the need of consumers to purchase food and other staple goods and services generally available at such centers, its type of necessities -based properties should provide

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relatively stable revenue flows even during difficult economic times.

In connection with the transactions with RioCan (more fully described below), the Company will seek to acquire primarily stabilized supermarket-anchored properties in its primary market areas during the next two years in a joint venture owned 20% by the Company. The Company has historically sought opportunities to acquire properties suited for development and/or redevelopment, and, to a lesser extent than in the past, stabilized properties, where it can utilize its experience in shopping center construction, renovation, expansion, re-leasing and re-merchandising to achieve long-term cash flow growth and favorable investment returns.

The Company, the Operating Partnership, their subsidiaries and affiliated partnerships are separate legal entities. For ease of reference, the terms we , our , us , Company and Operating Partnership (including their respective subsidiaries and affiliates) refer to the business and properties of all these entities, unless the context otherwise requires. The Company s executive offices are located at 44 South Bayles Avenue, Port Washington, New York 11050-3765 (telephone 516-767-6492). The Company also currently maintains property management, construction management and/or leasing offices at several of its shopping-center properties. The Company s website can be accessed at www.cedarshoppingcenters.com, where a copy of the Company s Forms 10-K, 10-Q, 8-K and other filings with the Securities and Exchange Commission (SEC) can be obtained free of charge. These SEC filings are added to the website as soon as reasonably practicable. The Company s Code of Ethics, corporate governance guidelines and committee charters are also available on the website.

Recent Developments and Significant Transactions

Public Offering of Common Stock

On February 5, 2010, the Company concluded a public offering of 7,500,000 shares of its common stock at $6.60 per share, and realized net proceeds after offering expenses of approximately $47.0 million. On March 3, 2010, the underwriters exercised their over-allotment option to the extent of 697,800 shares, and the Company realized additional net proceeds of $4.4 million. In connection with the offering, RioCan (see below) acquired 1,350,000 shares of the Company s common stock, including 100,000 shares acquired in connection with the exercise of the over-allotment option, and the Company realized net proceeds of $8.9 million.

Reinstatement of Dividend

In December 2009, following a review of the state of the economy and the Company s financial position, the Company s Board of Directors determined to resume payment of a quarterly cash dividend in the amount of $0.09 per share ($0.36 per share on an annualized basis) on the Company s common stock, which was paid on January 20, 2010 to shareholders of record as of the close of business on December 31, 2009.

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RioCan

On October 26, 2009, the Company entered into definitive agreements with RioCan Real Estate Investment Trust of Toronto, Canada, a publicly-traded Canadian real estate investment trust listed on the Toronto Stock Exchange (RioCan), pursuant to which the Company (1) sold to RioCan 6,666,666 shares of the Company s common stock at $6.00 per share in a private placement for an aggregate of $40 million (RioCan agreeing that it would not sell any of such shares for a period of one year), (2) issued to RioCan warrants to purchase 1,428,570 shares of the Company s common stock at an exercise price of $7.00 per share, exercisable over a two-year period, (3) entered into an 80% (RioCan) and 20% (Cedar) joint venture (i) initially for the purchase of seven supermarket-anchored properties presently owned by the Company, and (ii) then to acquire additional primarily supermarket-anchored properties in the Company s primary market areas during the next two years, in the same joint venture format, and (4) entered into a standstill agreement with respect to increases in RioCan s ownership of the Company s common stock for a three-year period. In addition, subject to certain exceptions, the Company has agreed that it will not issue any new shares of common stock unless RioCan is offered the right to purchase an additional number of shares that will maintain its pro rata percentage ownership, on a fully diluted basis. In connection with the formation of the joint venture, the Company recorded an impairment charge of $23.6 million relating to the seven properties transferred or to be transferred to the joint venture.

The private placement investment by RioCan and the issuance of the warrants by the Company were concluded on October 30, 2009. Two of the properties (Blue Mountain Commons located in Harrisburg, Pennsylvania and Sunset Crossing located in Dickson City, Pennsylvania) were transferred to the joint venture on December 10, 2009, resulting in proceeds to the Company of approximately $33 million (in connection with the closing, a repayment of $25.9 million was required under the Company s secured revolving development property credit facility). The remaining five properties are subject to mortgage loans payable aggregating approximately $94 million. Two of the properties (Columbus Crossing Shopping Center located in Philadelphia, Pennsylvania and Franklin Village Plaza located in Franklin, Massachusetts) were transferred to the joint venture in January and February 2010, resulting in net proceeds to the Company of approximately $16 million. The remaining three properties (Loyal Plaza Shopping Center located in Williamsport, Pennsylvania, Shaw s Plaza located in Raynham, Massachusetts, and Stop & Shop Plaza located in Bridgeport, Connecticut) are to be transferred during the first half of 2010, resulting in net proceeds to the Company of an additional approximately $16 million.

In connection with the transfers of the seven properties to the joint venture and the private placement transactions, the Company will have received aggregate net proceeds of approximately $105 million, after estimated closing and transaction costs, which have been or will be used to repay/reduce the outstanding balances under the Company s secured revolving credit facilities.

Amended and Restated Credit Facility

On November 10, 2009, the Company closed an amended and restated secured revolving stabilized property credit facility in the amount of $265 million (subsequently increased to $285 million), with Bank of America, N.A. continuing as administrative agent, together with three other lead lenders and other participating banks. The facility, as amended, is expandable to $400 million

subject to certain conditions, including acceptable collateral. This amended and restated facility replaced the existing facility that was due to expire on January 30, 2010, and will continue to be available to fund acquisitions, certain development and redevelopment activities, capital expenditures, mortgage repayments, dividend distributions, working capital and other general corporate purposes. The new facility has a maturity date of January 31, 2012, subject to a one-year extension option. As a result of the application of the net proceeds from, among other things, the transfers of two of the remaining properties to the RioCan joint venture and the sales of shares of the Company s common stock in February and March 2010, the Company s availability under this facility has increased to approximately $104 million as of March 3, 2010.

Joint Venture With PCP

On January 30, 2009, a newly-formed 40% Company-owned joint venture acquired the New London Mall in New London, Connecticut, an approximate 259,000 square foot supermarket-anchored shopping center, for a purchase price of approximately $40.7 million. The purchase price included the assumption of an existing $27.4 million first mortgage bearing interest at 4.9% per annum and maturing in 2015. The total joint venture partnership contribution was approximately $14.0 million, of which the Company s 40% share ($5.6 million) was funded from its secured revolving stabilized property credit facility. The Company is the managing partner of the venture and receives certain acquisition, property management, construction management and leasing fees. In addition, the Company will be entitled to a promote fee structure, pursuant to which its profits participation would be increased to 44% if the venture reaches certain income targets. The Company s joint venture partners are affiliates of Prime Commercial Properties PLC (PCP), a London-based real estate/development company.

On February 10, 2009, a second newly-formed (also with affiliates of PCP) 40% Company-owned joint venture acquired San Souci Plaza in California, Maryland, an approximate 264,000 square foot supermarket-anchored shopping center, for a purchase price of approximately $31.8 million. The purchase price included the assumption of an existing $27.2 million first mortgage bearing interest at 6.2% per annum and maturing in 2016. The total joint venture partnership contribution was approximately $5.8 million, of which the Company s 40% share ($2.3 million) was funded from its secured revolving stabilized property credit facility. The Company is the managing partner of the venture and receives certain acquisition, property management, construction management and leasing fees. In addition, the Company will be entitled to a promote fee structure, pursuant to which its profits participation would be increased to 44% if the venture reaches certain income targets.

Discontinued Operations

During 2009 and subsequent to December 31, 2009, the Company sold, or has treated as held for sale , 11 of its properties (primarily drug store/convenience centers), located in Ohio, Maryland and New York, aggregating 416,000 square feet of GLA, including the 6,000 square foot McDonalds/Waffle House, located in Medina, Ohio, the 10,000 square foot CVS property located in Westfield, New York, the 24,000 square foot Staples property located in Oswego, New York, the 32,000 square foot Discount Drug Mart Plaza located in Hudson, Ohio, the 38,000 square foot Discount Drug Mart Plaza located in Dover, Ohio, the 84,000 square foot Gabriel Brothers property located in Kent, Ohio, the 40,000 square foot Discount Drug Mart Plaza located in Carrollton, Ohio, the 20,000 square foot Pondside Plaza located in Geneseo, New York, the 50,000 square foot Discount Drug Mart Plaza located in Powell,

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Ohio, the 7,000 square foot Family Dollar convenience center located in Zanesville, Ohio, and the 105,000 square foot Long Reach Village property located in Columbia, Maryland. The aggregate of the sales prices for the 11 properties is approximately $33.3 million, and the properties are subject to property-specific mortgage loans payable of approximately $22.4 million. In connection with these transactions, the Company recorded impairment charges aggregating $6.5 million (including $3.0 million subsequent to December 31, 2009), and has realized gain on sales of $727,000 (including $170,000 subsequent to December 31, 2009). The carrying values of the assets and liabilities of these properties, principally the net book values of the real estate and the related mortgage loans payable, have been reclassified as held for sale on the Company s consolidated balance sheets at December 31, 2009 and 2008. In addition, the properties results of operations have been classified as discontinued operations for all periods presented.

The Company s Properties

The following tables summarize information relating to the Company s properties as of December 31, 2009:

te	Number of properties	GLA (Sq. ft.)	Land	Building and improvements	Total cost	Accumulated depreciation	Net book value	Unconsolidated joint venture managed properties	Real t b trans to a ven
vania	52	6,645,891	168,934,000	683,956,000	$ 852,890,000	88,133,000	$ 764,757,000	8,638,000	53,4
usetts	8	1,486,033	27,231,000	115,543,000	142,774,000	11,128,000	131,646,000		76,8
icut	9	1,217,789	33,426,000	128,636,000	162,062,000	16,208,000	145,854,000		9,5
	13	815,969	28,878,000	102,531,000	131,409,000	15,316,000	116,093,000		
	20	710,444	18,165,000	78,230,000	96,395,000	10,838,000	85,557,000		
d	7	835,972	28,843,000	78,867,000	107,710,000	8,150,000	99,560,000		
sey	4	825,276	13,764,000	74,865,000	88,629,000	9,615,000	79,014,000		
rk	3	226,043	13,809,000	38,418,000	52,227,000	3,196,000	49,031,000		
n	1	77,688	2,443,000	9,813,000	12,256,000	1,295,000	10,961,000		
ng o	117	12,841,105	335,493,000	1,310,859,000	1,646,352,000	163,879,000	1,482,473,000	8,638,000	139,7
under ment held e on and ment	n/a	n/a	20,873,000	5,456,000	26,329,000		26,329,000		
rtfolio	117	12,841,105	$ 356,366,000	$ 1,316,315,000	$ 1,672,681,000	$ 163,879,000	$ 1,508,802,000	8,638,000	$ 139,7
lidated ture aged [a]								5,475,000	
								$ 14,113,000	

lidated
tures

(a) The Company has a 76.3% interest in an unconsolidated joint venture, which it does not manage, which owns a single-tenant office property located in Philadelphia, PA.

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Tenant (a)	Number of stores	GLA	Percentage of GLA	Annualized base rent	Annualized Base rent per sq. ft.	Percentage of annualized base rents
Top ten tenants (b):						
Giant Foods (c)	22	1,328,000	10.3%	21,503,000	$ 16.19	16.1%
Farm Fresh (c)	6	364,000	2.8%	3,880,000	10.66	2.9%
Stop & Shop (c)	5	325,000	2.5%	3,494,000	10.75	2.6%
Discount Drug Mart	14	346,000	2.7%	3,280,000	9.48	2.5%
Shaw s (c)	4	241,000	1.9%	2,716,000	11.27	2.0%
L.A. Fitness	4	168,000	1.3%	2,496,000	14.86	1.9%
CVS	10	113,000	0.9%	2,335,000	20.66	1.7%
Food Lion (c)	7	243,000	1.9%	1,921,000	7.91	1.4%
Staples	7	145,000	1.1%	1,821,000	12.56	1.4%
Shop Rite	2	118,000	0.9%	1,599,000	13.55	1.2%
Sub-total top ten tenants (d)	81	3,391,000	26.4%	45,045,000	13.28	33.7%
Remaining tenants	1,171	8,184,000	63.7%	88,464,000	10.81	66.3%
Sub-total all tenants	1,252	11,575,000	90.1%	133,509,000	11.53	100.0%
Vacant space (e)	n/a	1,266,000	9.9%	n/a	n/a	n/a
Total (including vacant space)	1,252	12,841,000	100.0%	133,509,000	10.40	n/a

(a) Incudes unconsolidated managed joint venture properties.

(b) Based on annualized base rent.

(c) Several of the tenants listed above share common ownership with other tenants including, without limitation, (1) Giant Foods

and Stop & Shop, (2) Farm Fresh, Shaw s, Shop n Save (GLA of 53,000; annualized base rent of $495,000), Shoppers Food Warehouse (GLA of 120,000; annualized base rent of $1,206,000) and Acme (GLA of 172,000; annualized base rent of $756,000), and (3) Food Lion and Hannaford (GLA of 43,000; annualized base rent of $405,000).

(d) Includes tenants at ground-up development properties.

(e) Includes vacant space at properties undergoing development and/or redevelopment activities.

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Year of lease expiration (a)	Tenants with leases expiring	GLA expiring	Percentage of GLA expiring	Annualized expiring base rents	Annualized expiring base rents per sq. ft.	Percentage of annualized expiring base rents
Month-to-Month	81	211,000	1.8%	$ 2,759,000	$ 13.08	2.1%
2010	160	800,000	6.9%	9,731,000	12.16	7.3%
2011	179	1,013,000	8.8%	11,498,000	11.35	8.6%
2012	174	838,000	7.2%	9,700,000	11.58	7.3%
2013	141	752,000	6.5%	9,207,000	12.24	6.9%
2014	148	1,347,000	11.6%	12,785,000	9.49	9.6%
2015	100	1,046,000	9.0%	9,661,000	9.24	7.2%
2016	48	605,000	5.2%	5,838,000	9.65	4.4%
2017	37	487,000	4.2%	6,191,000	12.71	4.6%
2018	40	723,000	6.2%	8,590,000	11.88	6.4%
2019	37	562,000	4.9%	6,127,000	10.90	4.6%
2020	29	932,000	8.1%	7,621,000	8.18	5.7%
Thereafter	78	2,259,000	19.5%	33,801,000	14.96	25.3%
All tenants (b)	1,252	11,575,000	100.0%	133,509,000	11.53	100.0%
Vacant space (c)	n/a	1,266,000	n/a	n/a	n/a	n/a
Total portfolio	1,252	12,841,000	n/a	$ 133,509,000	$ 10.40	n/a

(a) Incudes unconsolidated managed joint venture properties.

(b) Includes tenants at ground-up development properties.

(c) Includes vacant space at properties undergoing development and/or redevelopment activities.

The terms of the Company s retail leases generally vary from tenancies at will to 25 years, excluding renewal options. Anchor tenant leases are typically for 10 to 25 years, with one or more renewal options available to the lessee

upon expiration of the initial lease term. By contrast, smaller store leases are typically negotiated for 5-year terms. The longer terms of major tenant leases serve to protect the Company against significant vacancies and to assure the presence of strong tenants which draw consumers to its centers. The shorter terms of smaller store leases allow the Company under appropriate circumstances to adjust rental rates periodically for non-major store space and, where possible, to upgrade or adjust the overall tenant mix.

Most leases contain provisions requiring tenants to pay their pro rata share of real estate taxes, insurance and certain operating costs. Some leases also provide that tenants pay percentage rent based upon sales volume generally in excess of certain negotiated minimums.

Giant Food Stores, LLC (Giant Foods), which is owned by Ahold N.V., a Netherlands corporation, leased approximately 10%, 9% and 9% of the Company s GLA at December 31, 2009, 2008 and 2007, respectively, and accounted for approximately 12%, 12% and 13% of the Company s total revenues during 2009, 2008 and 2007, respectively. Giant Foods, in combination with Stop & Shop, Inc., which is also owned by Ahold N.V., accounted for approximately 15%, 15% and 15% of the Company s total revenues during 2009, 2008 and 2007, respectively. Of these amounts, 3%,

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respectively, were attributable to Giant Foods revenues at the seven properties transferred or to be transferred to the RioCan joint venture, for each of the periods presented. No other tenant leased more than 10% of GLA at December 31, 2009, 2008 or 2007, or contributed more than 10% of total revenues during 2009, 2008 or 2007. No individual property had a net book value equal to more than 10% of total assets at December 31, 2009, 2008 or 2007.

Depreciation on all of the Company s properties is calculated using the straight-line method over the estimated useful lives of the respective real properties and improvements, which range from three to forty years.

The Company s executive offices are located at 44 South Bayles Avenue, Port Washington, New York, in which it presently occupies approximately 8,600 square feet leased from a partnership owned 43.6% by the Company s Chairman. Under the terms of the lease, as amended, which will expire in February 2020, the Company will add an additional 6,400 square feet by the end of 2010. The Company believes that the terms of its lease are at market.

Competition

The Company believes that competition for the acquisition and operation of retail shopping and convenience centers is highly fragmented. It faces competition from institutional investors, public and private REITs, owner-operators engaged in the acquisition, ownership and leasing of shopping centers, as well as from numerous local, regional and national real estate developers and owners in each of its markets. It also faces competition in leasing available space at its properties to prospective tenants. Competition for tenants varies depending upon the characteristics of each local market in which the Company owns and manages properties. The Company believes that the principal competitive factors in attracting tenants in its market areas are location, price and other lease terms, the presence of anchor tenants, the mix, quality and sales results of other tenants, and maintenance, appearance, access and traffic patterns of its properties.

Environmental Matters

Under various federal, state, and local laws, ordinances and regulations, an owner or operator of real estate may be required to investigate and clean up hazardous or toxic substances or other contaminants at property owned, leased, managed or otherwise operated by such person, and may be held liable to a governmental entity or to third parties for property damage, and for investigation and clean up costs in connection with such contamination. The cost of investigation, remediation or removal of such substances may be substantial, and the presence of such substances, or the failure to properly remediate such conditions, may adversely affect the owner s, lessor s or operator s ability to sell or rent such property or to arrange financing using such property as collateral. In connection with the ownership, operation and management of real estate, the Company may potentially become liable for removal or remediation costs, as well as certain other related costs and liabilities, including governmental fines and injuries to persons and/or property.

The Company believes that environmental studies conducted at the time of acquisition with respect to all of its properties have not revealed environmental liabilities that would have a material adverse affect on its business, results of operations or liquidity. However, no assurances can be given

that existing environmental studies with respect to any of the properties reveal all environmental liabilities, that any prior owner of or tenant at a property did not create a material environmental condition not known to the Company, or that a material environmental condition does not otherwise exist at any one or more of its properties. If a material environmental condition does in fact exist, it could have an adverse impact upon the Company s financial condition, results of operations and liquidity.

Employees

As of December 31, 2009, the Company had 102 employees (95 full-time and 7 part-time). The Company believes that its relations with its employees are good.

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Part II.
Item 6. Selected Financial Data (a)

	Years ended December 31,				
	2009	**2008**	**2007**	**2006**	**2005**
Operations data:					
Total revenues	$ 180,115,000	$ 168,943,000	$ 148,952,000	$ 122,356,000	$ 76,931,000
Expenses:					
Property operating expenses	54,815,000	47,868,000	39,269,000	34,053,000	21,866,000
General and administrative	10,166,000	8,586,000	9,041,000	6,086,000	5,132,000
Impairments	23,636,000				
Terminated projects and acquisition transaction costs	4,367,000	855,000			
Depreciation and amortization	54,044,000	48,488,000	40,637,000	33,550,000	19,870,000
Total expenses	147,028,000	105,797,000	88,947,000	73,689,000	46,868,000
Operating income	33,087,000	63,146,000	60,005,000	48,667,000	30,063,000
Non-operating income and expense:					
Interest expense and amortization of deferred financing costs	(49,504,000)	(44,646,000)	(38,203,000)	(33,524,000)	(15,858,000)
Equity in income of unconsolidated joint ventures	1,098,000	956,000	634,000	70,000	
Gain on sales of real estate	521,000			141,000	
Interest income	63,000	284,000	788,000	641,000	91,000
Total non-operating income and expense	(47,822,000)	(43,406,000)	(36,781,000)	(32,672,000)	(15,767,000)
(Loss) income before discontinued operations	(14,735,000)	19,740,000	23,224,000	15,995,000	14,296,000
(Loss) income from discontinued operations	(2,833,000)	1,058,000	643,000	851,000	430,000
Gain on sales of discontinued operations	557,000				
Net (loss) income	(17,011,000)	20,798,000	23,867,000	16,846,000	14,726,000
Minority interests in consolidated joint ventures	(772,000)	(2,157,000)	(1,415,000)	(1,202,000)	(1,270,000)

Limited partners interest in Operating Partnership	912,000	(468,000)	(627,000)	(389,000)	(296,000)
Net (loss) income attributible to Cedar Shopping Centers, Inc.	(16,871,000)	18,173,000	21,825,000	15,255,000	13,160,000
Preferred distribution requirements	(7,876,000)	(7,877,000)	(7,877,000)	(7,877,000)	(7,186,000)
Net (loss) income attributable to common shareholders	$ (24,747,000)	$ 10,296,000	$ 13,948,000	$ 7,378,000	$ 5,974,000
Per common share (basic and diluted) attributable to common shareholders:					
Continuing operations	$ (0.49)	$ 0.21	$ 0.30	$ 0.20	$ 0.23
Discontinued operations	(0.05)	0.02	0.02	0.02	0.02
	$ (0.54)	$ 0.23	$ 0.32	$ 0.22	$ 0.25
Amounts attributable to Cedar Shopping Centers, Inc. common shareholders, net of limited partners interest					
(Loss) income from continuing operations	$ (22,552,000)	$ 9,284,000	$ 13,333,000	$ 6,570,000	$ 5,564,000
(Loss) income from discontinued operations	(2,195,000)	1,012,000	615,000	808,000	410,000
Net (loss) income	$ (24,747,000)	$ 10,296,000	$ 13,948,000	$ 7,378,000	$ 5,974,000
Dividends to common shareholders	$ 9,742,000	$ 40,027,000	$ 39,775,000	$ 29,333,000	$ 20,844,000
Per common share	$ 0.2025	$ 0.9000	$ 0.9000	$ 0.9000	$ 0.9000
Weighted average number of common shares outstanding:					
Basic	46,234,000	44,475,000	44,193,000	32,926,000	23,988,000
Diluted	46,234,000	44,475,000	44,197,000	33,055,000	24,031,000

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Item 6. Selected Financial Data (a) (continued)

	Years ended December 31,				
	2009	**2008**	**2007**	**2006**	**2005**
Balance sheet data:					
Real estate, net	$ 1,508,802,000	$ 1,412,783,000	$ 1,297,860,000	$ 974,032,000	$ 795,537,000
Real estate to be transferred to a joint venture	139,743,000	194,952,000	165,277,000	166,639,000	124,005,000
Real estate held for sale discontinued operations	21,380,000	42,267,000	43,911,000	44,050,000	33,079,000
Investment in unconsolidated joint ventures	14,113,000	4,976,000	3,757,000	3,644,000	
Other assets	101,080,000	80,050,000	92,290,000	66,797,000	46,623,000
Total assets	$ 1,785,118,000	$ 1,735,028,000	$ 1,603,095,000	$ 1,255,162,000	$ 999,244,000
Mortgages and loans payable	$ 945,974,000	$ 913,430,000	$ 757,979,000	$ 474,072,000	$ 460,506,000
Mortgage loans payable real estate to be transferred to a joint venture	94,018,000	77,307,000	70,458,000	70,599,000	56,874,000
Mortgage loans payable discontinued operations	12,455,000	22,736,000	23,077,000	23,402,000	10,411,000
Other liabilities	106,269,000	116,361,000	105,654,000	74,206,000	47,477,000
Total liabilities	1,158,716,000	1,129,834,000	957,168,000	642,279,000	575,268,000
Limited partners interest in Operating Partnership	12,638,000	14,257,000	15,570,000	19,608,000	16,657,000
Equity:					
Cedar Shopping Centers, Inc. shareholders equity	538,456,000	523,521,000	557,849,000	574,311,000	390,164,000
Noncontrolling interests	75,308,000	67,416,000	72,508,000	18,964,000	17,155,000
Total equity	613,764,000	590,937,000	630,357,000	593,275,000	407,319,000
Total liabilities and equity	$ 1,785,118,000	$ 1,735,028,000	$ 1,603,095,000	$ 1,255,162,000	$ 999,244,000
Weighted average number of common shares:					
Shares used in determination of basic earnings per share	46,234,000	44,475,000	44,193,000	32,926,000	23,988,000
Additional shares assuming conversion of OP Units (basic)	2,014,000	2,024,000	1,985,000	1,737,000	1,202,000
	48,248,000	46,499,000	46,178,000	34,663,000	25,190,000

Shares used in determination of basic FFO per share					
Shares used in determination of diluted earnings per share	46,234,000	44,475,000	44,197,000	33,055,000	24,031,000
Additional shares assuming conversion of OP Units (diluted)	2,014,000	2,024,000	1,990,000	1,747,000	1,206,000
Shares used in determination of diluted FFO per share	48,248,000	46,499,000	46,187,000	34,802,000	25,237,000
Other data:					
Funds From Operations (FFO) (b)	$ 24,581,000	$ 56,859,000	$ 56,190,000	$ 41,954,000	$ 25,923,000
Per common share (assuming conversion of OP Units) (basic and diluted):	$ 0.51	$ 1.22	$ 1.22	$ 1.21	$ 1.03
Cash flows provided by (used in):					
Operating activities	$ 51,942,000	$ 60,815,000	$ 53,503,000	$ 40,858,000	$ 26,738,000
Investing activities	$ (70,026,000)	$ (151,390,000)	$ (192,432,000)	$ (190,105,000)	$ (323,225,000)
Financing activities	$ 27,017,000	$ 75,517,000	$ 143,735,000	$ 158,011,000	$ 296,823,000
Square feet of GLA	12,840,000	12,035,000	11,897,000	9,949,000	8,435,000
Percent leased (including development/redevelopment and other non-stabilized properties)	91%	92%	93%	93%	91%
Average annualized base rent per leased square foot	$ 11.53	$ 11.03	$ 10.74	$ 10.53	$ 10.40

(a) The data presented reflect certain reclassifications of prior period amounts to comform to the 2009 presentation, principally (i) the retrospective reclassification, for all periods presented, of the balances related to minority interests in consolidated joint

ventures and limited partners interest in the Operating Partnership into the consolidated equity accounts, as appropriate, (ii) to refelect the reclassifications of the assets and liabilities of the properties transferred and to be transferred to the RioCan joint venture as real estate to be transferred to a joint venture , (iii) to reflect the reclassifications of the assets, liabilities and operating results for the sale and/or treatment as held for sale of certain operating properties and the treatment thereof as discontinued operations , and (iv) to reflect the retroactive valuation adjustments related to lease renewal options. The reclassifications and retroactive adjustments had no material impact on the previously-reported net income atttributable to common shareholders or earnings per share.

(b) See Item 7 Management s

Discussion and Analysis of Financial Condition and Results of Operations for a reconciliation of Funds From Operations (FFO) to net (loss) income attributable to common shareholders.

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Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

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

Executive Summary

The Company is a fully-integrated real estate investment trust which focuses primarily on ownership, operation, development and redevelopment of supermarket-anchored shopping centers in mid-Atlantic and Northeast coastal states. At December 31, 2009, the Company owned and managed (both wholly-owned and in joint venture) a portfolio of 117 operating properties totaling approximately 12.8 million square feet of gross leasable area (GLA), including 93 wholly-owned properties comprising approximately 9.3 million square feet, 13 properties owned in joint venture (consolidated) comprising approximately 1.7 million square feet, seven properties transferred or to be transferred to a managed joint venture (unconsolidated) comprising approximately 1.2 million square feet, and four ground-up developments comprising approximately 0.6 million square feet. Excluding the four ground-up development properties, the 113 property portfolio was approximately 91% leased at December 31, 2009; the 99 property stabilized portfolio was approximately 95% leased at that date. The Company also owned approximately 196 acres of land parcels, a significant portion of which is under development. In addition, the Company has a 76.3% interest in another unconsolidated joint venture, which it does not manage, which owns a single-tenant office property in Philadelphia, Pennsylvania.

The Company, organized as a Maryland corporation, has established an umbrella partnership structure through the contribution of substantially all of its assets to the Operating Partnership, organized as a limited partnership under the laws of Delaware. The Company conducts substantially all of its business through the Operating Partnership. At December 31, 2009, the Company owned 96.3% of the Operating Partnership and is its sole general partner. OP Units are economically equivalent to the Company s common stock and are convertible into the Company s common stock at the option of the holders on a one-to-one basis.

The Company derives substantially all of its revenues from rents and operating expense reimbursements received pursuant to long-term leases. The Company s operating results therefore depend on the ability of its tenants to make the payments required by the terms of their leases. The Company focuses its investment activities on supermarket-anchored community shopping centers. The Company believes that, because of the need of consumers to purchase food and other staple goods and services generally available at such centers, its type of necessities -based properties should provide relatively stable revenue flows even during difficult economic times. In January 2009, the Company s Board of Directors reduced the quarterly dividend payable in February by one-half to an annual rate of $0.45 per share and in April 2009 suspended the dividend for the balance of the year for a projected annual saving of approximately $37 million. This decision was in response to the then current state of the economy, the difficult retail environment, the constrained capital markets and the need to renew the Company s secured revolving stabilized property credit facility. In December 2009, following a review of the state of the economy and the Company s financial position, the Company s Board of Directors determined to resume payment of a cash dividend in the amount $0.09 per share ($0.36 per share on an annualized basis) on the Company s common stock, which was paid on January 20, 2010 to shareholders of record as of the close of business on December 31, 2009.

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In connection with the RioCan transactions (more fully described below), the Company will seek to acquire primarily stabilized supermarket-anchored properties in its primary market areas during the next two years in a joint venture owned 20% by the Company. The Company has historically sought opportunities to acquire properties suited for development and/or redevelopment, and, to a lesser extent than in the past, stabilized properties, where it can utilize its experience in shopping center construction, renovation, expansion, re-leasing and re-merchandising to achieve long-term cash flow growth and favorable investment returns.

Significant Transactions

RioCan

On October 26, 2009, the Company entered into definitive agreements with RioCan Real Estate Investment Trust of Toronto, Canada, a publicly-traded Canadian real estate investment trust listed on the Toronto Stock Exchange (RioCan), pursuant to which the Company (1) sold to RioCan 6,666,666 shares of the Company s common stock at $6.00 per share in a private placement for an aggregate of $40 million (RioCan agreeing that it would not sell any of such shares for a period of one year), (2) issued to RioCan warrants to purchase 1,428,570 shares of the Company s common stock at an exercise price of $7.00 per share, exercisable over a two-year period (valued at $1,643,000), (3) entered into an 80% (RioCan) and 20% (Cedar) joint venture (i) initially for the purchase of seven supermarket-anchored properties presently owned by the Company, and (ii) then to acquire additional primarily supermarket-anchored properties in the Company s primary market areas during the next two years, in the same joint venture format, and (4) entered into a standstill agreement with respect to increases in RioCan s ownership of the Company s common stock for a three-year period. In addition, subject to certain exceptions, the Company has agreed that it will not issue any new shares of common stock unless RioCan is offered the right to purchase that additional number of shares that will maintain its pro rata percentage ownership, on a fully diluted basis. In connection with the formation of the joint venture, the Company recorded an impairment charge of $23.6 million relating to the seven properties transferred or to be transferred to the joint venture.

The private placement investment by RioCan and the issuance of the warrants by the Company were concluded on October 30, 2009. Two of the properties (Blue Mountain Commons located in Harrisburg, Pennsylvania and Sunset Crossing located in Dickson City, Pennsylvania) were transferred to the joint venture on December 10, 2009, resulting in proceeds to the Company of approximately $33 million (in connection with the closing, a repayment of $25.9 million was required under the Company s secured revolving development property credit facility). The remaining five properties are subject to mortgage loans payable aggregating approximately $94 million. Two of the properties (Columbus Crossing Shopping Center located in Philadelphia, Pennsylvania and Franklin Village Plaza located in Franklin, Massachusetts) were transferred to the joint venture in January and February 2010, resulting in net proceeds to the Company of approximately $16 million. The remaining three properties (Loyal Plaza Shopping Center located in Williamsport, Pennsylvania, Shaw s Plaza located in Raynham, Massachusetts, and Stop & Shop Plaza located in Bridgeport, Connecticut) are to be transferred during the first half of 2010, resulting in net proceeds to the Company of an additional approximately $16 million.

In connection with the transfers of the seven properties to the joint venture and the private placement transactions, the Company will have received aggregate net proceeds of approximately $105 million, after estimated closing and transaction costs, which have been or will be used to repay/reduce the outstanding balances under the Company s secured revolving credit facilities. In connection with these transactions, the Company incurred costs and fees of approximately $6.0 million, including fees to the Company s investment advisor ($3.5 million), the value assigned to the warrants ($1.6 million), and other costs and expenses aggregating $0.9 million. In addition, the Company agreed to pay to its investment advisor a fee of 1% of the gross cost of future acquisitions made by the joint venture for a two-year period, up to a maximum of $3.0 million.

Amended and Restated Credit Facility

On November 10, 2009, the Company closed an amended and restated secured revolving stabilized property credit facility in the amount of $265 million (subsequently increased to $285 million), with Bank of America, N.A. continuing as administrative agent, together with three other lead lenders and other participating banks. The facility, as amended, is expandable to $400 million, subject to certain conditions, including acceptable collateral. This amended and restated facility replaced the existing facility that was due to expire on January 30, 2010, and will continue to be available to fund acquisitions, certain development and redevelopment activities, capital expenditures, mortgage repayments, dividend distributions, working capital and other general corporate purposes. The new facility has a maturity date of January 31, 2012, subject to a one-year extension option. As a result of the application of the net proceeds from, among other things, the transfers of two of the remaining properties to the RioCan joint venture and the sales of shares of the Company s common stock in February and March 2010, the Company s availability under this facility has increased to approximately $104 million as of March 3, 2010.

Joint Venture With PCP

On January 30, 2009, a newly-formed 40% Company-owned joint venture acquired the New London Mall in New London, Connecticut, an approximate 259,000 square foot supermarket-anchored shopping center, for a purchase price of approximately $40.7 million. The purchase price included the assumption of an existing $27.4 million first mortgage bearing interest at 4.9% per annum and maturing in 2015. The total joint venture partnership contribution was approximately $14.0 million, of which the Company s 40% share ($5.6 million) was funded from its secured revolving stabilized property credit facility. The Company is the managing partner of the venture and receives certain acquisition, property management, construction management and leasing fees. In addition, the Company will be entitled to a promote fee structure, pursuant to which its profits participation would be increased to 44% if the venture reaches certain income targets. The Company s joint venture partners are affiliates of Prime Commercial Properties PLC (PCP), a London-based real estate/development company.

On February 10, 2009, a second newly-formed (also with affiliates of PCP) 40% Company-owned joint venture acquired San Souci Plaza in California, Maryland, an approximate 264,000 square foot supermarket-anchored shopping center, for a purchase price of approximately $31.8 million. The purchase price included the assumption of an existing $27.2 million first mortgage bearing interest at 6.2% per annum and maturing in 2016. The total joint venture partnership contribution was approximately $5.8 million, of which the Company s 40% share ($2.3 million) was funded from its

secured revolving stabilized property credit facility. The Company is the managing partner of the venture and receives certain acquisition, property management, construction management and leasing fees. In addition, the Company will be entitled to a promote fee structure, pursuant to which its profits participation would be increased to 44% if the venture reaches certain income targets.

Discontinued Operations

During 2009 and subsequent to December 31, 2009, the Company sold, or has treated as held for sale , 11 of its properties (primarily drug store/convenience centers), located in Ohio, Maryland and New York, aggregating 416,000 square feet of GLA, including the 6,000 square foot McDonalds/Waffle House, located in Medina, Ohio, the 10,000 square foot CVS property located in Westfield, New York, the 24,000 square foot Staples property located in Oswego, New York, the 32,000 square foot Discount Drug Mart Plaza located in Hudson, Ohio, the 38,000 square foot Discount Drug Mart Plaza located in Dover, Ohio, the 84,000 square foot Gabriel Brothers property located in Kent, Ohio, the 40,000 square foot Discount Drug Mart Plaza located in Carrollton, Ohio, the 20,000 square foot Pondside Plaza located in Geneseo, New York, the 50,000 square foot Discount Drug Mart Plaza located in Powell, Ohio, the 7,000 square foot Family Dollar convenience center located in Zanesville, Ohio, and the 105,000 square foot Long Reach Village property located in Columbia, Maryland. The aggregate sales prices for the 11 properties are approximately $33.3 million and the properties are subject to property-specific mortgage loans payable of approximately $22.4 million. In connection with these transactions, the Company recorded impairment charges aggregating $6.5 million (including $3.0 million subsequent to December 31, 2009), and has realized gain on sales of $727,000 (including $170,000 subsequent to December 31, 2009). The carrying values of the assets and liabilities of these properties, principally the net book values of the real estate and the related mortgage loans payable, have been reclassified as held for sale on the Company s consolidated balance sheets at December 31, 2009 and 2008. In addition, the properties results of operations have been classified as discontinued operations for all periods presented.

Summary of Critical Accounting Policies

The preparation of the consolidated financial statements in conformity with GAAP requires the Company to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On an ongoing basis, management evaluates its estimates, including those related to revenue recognition and the allowance for doubtful accounts receivable, real estate investments and purchase accounting allocations related thereto, asset impairment, and derivatives used to hedge interest-rate risks. Management s estimates are based both on information that is currently available and on various other assumptions management believes to be reasonable under the circumstances. Actual results could differ from those estimates and those estimates could be different under varying assumptions or conditions.

The Company has identified the following critical accounting policies, the application of which requires significant judgments and estimates:

Revenue Recognition

Rental income with scheduled rent increases is recognized using the straight-line method over the respective terms of the leases. The aggregate excess of rental revenue recognized on a straight-line basis over base rents under applicable lease provisions is included in straight-line rents receivable on the consolidated balance sheet. Leases also generally contain provisions under which the tenants reimburse the Company for a portion of property operating expenses and real estate taxes incurred; such income is recognized in the periods earned. In addition, certain operating leases contain contingent rent provisions under which tenants are required to pay a percentage of their sales in excess of a specified amount as additional rent. The Company defers recognition of contingent rental income until those specified targets are met.

The Company must make estimates as to the collectibility of its accounts receivable related to base rent, straight-line rent, expense reimbursements and other revenues. Management analyzes accounts receivable by considering tenant creditworthiness, current economic conditions, and changes in tenants payment patterns when evaluating the adequacy of the allowance for doubtful accounts receivable. These estimates have a direct impact on net income, because a higher bad debt allowance would result in lower net income, whereas a lower bad debt allowance would result in higher net income.

Real Estate Investments

Real estate investments are carried at cost less accumulated depreciation. The provision for depreciation is calculated using the straight-line method based on estimated useful lives. Expenditures for maintenance, repairs and betterments that do not materially prolong the normal useful life of an asset are charged to operations as incurred. Expenditures for betterments that substantially extend the useful lives of real estate assets are capitalized. Real estate investments include costs of development and redevelopment activities, and construction in progress. Capitalized costs, including interest and other carrying costs during the construction and/or renovation periods, are included in the cost of the related asset and charged to operations through depreciation over the asset s estimated useful life. The Company is required to make subjective estimates as to the useful lives of its real estate assets for purposes of determining the amount of depreciation to reflect on an annual basis. These assessments have a direct impact on net income. A shorter estimate of the useful life of an asset would have the effect of increasing depreciation expense and lowering net income, whereas a longer estimate of the useful life of an asset would have the effect of reducing depreciation expense and increasing net income.

A variety of costs are incurred in the acquisition, development and leasing of a property, such as pre-construction costs essential to the development of the property, development costs, construction costs, interest costs, real estate taxes, salaries and related costs, and other costs incurred during the period of development. After a determination is made to capitalize a cost, it is allocated to the specific component of a project that is benefited. The Company ceases capitalization on the portions substantially completed and occupied, or held available for occupancy, and capitalizes only those costs associated with the portions under construction. The Company considers a construction project as substantially completed and held available for occupancy upon the completion of tenant improvements, but not later than one year from cessation of major development activity. Determination of when a development project is substantially complete and capitalization must cease involves a degree of judgment. The effect of a longer capitalization period would be to increase capitalized costs and would result in higher net income, whereas the effect of a shorter capitalization period would be to reduce capitalized costs and would result in lower net income.

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The Company allocates the fair value of real estate acquired to land, buildings and improvements. In addition, the fair value of in-place leases is allocated to intangible lease assets and liabilities. The principal impact on the Company s financial statements of the adoption of recent updated accounting guidance related to business combinations, which became effective January 1, 2009, is that the Company has expensed most transaction costs relating to its acquisition activities.

The fair value of the tangible assets of an acquired property is determined by valuing the property as if it were vacant, which value is then allocated to land, buildings and improvements based on management s determination of the relative fair values of such assets. In valuing an acquired property s intangibles, factors considered by management include an estimate of carrying costs during the expected lease-up periods, such as real estate taxes, insurance, other operating expenses, and estimates of lost rental revenue during the expected lease-up periods based on its evaluation of current market demand. Management also estimates costs to execute similar leases, including leasing commissions, tenant improvements, legal and other related costs.

The values of acquired above-market and below-market leases are recorded based on the present values (using discount rates which reflect the risks associated with the leases acquired) of the differences between the contractual amounts to be received and management s estimate of market lease rates, measured over the terms of the respective leases that management deemed appropriate at the time of the acquisitions. Such valuations include a consideration of the non-cancellable terms of the respective leases as well as any applicable renewal period(s). The fair values associated with below-market rental renewal options are determined based on the Company s experience and the relevant facts and circumstances that existed at the time of the acquisitions. The values of above-market leases are amortized to rental income over the terms of the respective non-cancelable lease periods. The portion of the values of below-market leases associated with the original non-cancelable lease terms are amortized to rental income over the terms of the respective non-cancelable lease periods. The portion of the values of the leases associated with below-market renewal options that are likely of exercise are amortized to rental income over the respective renewal periods. The value of other intangible assets (including leasing commissions, tenant improvements, etc.) is amortized to expense over the applicable terms of the respective leases. If a lease were to be terminated prior to its stated expiration or not renewed, all unamortized amounts relating to that lease would be recognized in operations at that time.

Management is required to make subjective assessments in connection with its valuation of real estate acquisitions. These assessments have a direct impact on net income, because (i) above-market and below-market lease intangibles are amortized to rental income, and (ii) the value of other intangibles is amortized to expense. Accordingly, higher allocations to below-market lease liability and other intangibles would result in higher rental income and amortization expense, whereas lower allocations to below-market lease liability and other intangibles would result in lower rental income and amortization expense.

Management reviews each real estate investment for impairment whenever events or circumstances indicate that the carrying value of a real estate investment may not be recoverable. The review of recoverability is based on an estimate of the future cash flows that are expected to result from the real estate investment s use and eventual disposition. These estimates of cash flows consider factors such as expected future operating income, trends and prospects, as well as the effects of leasing demand,

competition and other factors. If an impairment event exists due to the projected inability to recover the carrying value of a real estate investment, an impairment loss is recorded to the extent that the carrying value exceeds estimated fair value. A real estate investment held for sale is carried at the lower of its carrying amount or estimated fair value, less the cost of a potential sale. Depreciation and amortization are suspended during the period the property is held for sale. Management is required to make subjective assessments as to whether there are impairments in the value of its real estate properties. These assessments have a direct impact on net income, because an impairment loss is recognized in the period that the assessment is made.

Stock-Based Compensation

The Company s 2004 Stock Incentive Plan (the Incentive Plan) establishes the procedures for the granting of incentive stock options, stock appreciation rights, restricted shares, performance units and performance shares. The maximum number of shares of the Company s common stock that may be issued pursuant to the Incentive Plan, as amended, is 2,750,000, and the maximum number of shares that may be granted to a participant in any calendar year is 250,000. Substantially all grants issued pursuant to the Incentive Plan are restricted stock grants which specify vesting (i) upon the third anniversary of the date of grant for time-based grants, or (ii) upon the completion of a designated period of performance for performance-based grants. Time based grants are valued according to the market price for the Company s common stock at the date of grant. For performance-based grants, the Company engages an independent appraisal company to determine the value of the shares at the date of grant, taking into account the underlying contingency risks associated with the performance criteria. These value estimates have a direct impact on net income, because higher valuations would result in lower net income, whereas lower valuations would result in higher net income. The value of such grants is being amortized on a straight-line basis over the respective vesting periods, as adjusted for fluctuations in the market value of the Company s common stock.

Results of Operations

Differences in results of operations between 2009 and 2008, and between 2008 and 2007, respectively, were primarily the result of the Company s property acquisition/disposition program and continuing development/redevelopment activities. During the period January 1, 2008 through December 31, 2009, the Company acquired six shopping and convenience centers aggregating approximately 790,000 square feet of GLA, purchased the joint venture minority interests in four properties, and acquired approximately 181.7 acres of land for development, expansion and/or future development, for a total cost of approximately $189.0 million. In addition, the Company placed into service six ground-up developments having an aggregate cost of approximately $194.3 million. The Company sold or treated as held for sale 11 properties (primarily drug store/convenience centers) aggregating approximately 416,000 square feet of GLA for an aggregate sales price of approximately $33.3 million. In addition, in connection with the RioCan transactions, the Company has transferred or will be transferring seven properties to a joint venture with RioCan, aggregating approximately 1,167,000 square feet of GLA, and in connection with which it will have realized approximately $65 million in proceeds. Net (loss) income was ($17.0) million, $20.8 million and $23.9 million for 2009, 2008 and 2007, respectively.

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Comparison of 2009 to 2008

	2009	2008	Increase (decrease)	Percent change	Acquisitions and other (ii)	Properties held in both years
Total revenues	$180,115,000	$168,943,000	$11,172,000	7%	$11,888,000	(716,000)
Property operating expenses	54,815,000	47,868,000	6,947,000	15%	4,284,000	2,663,000
Depreciation and amortization	54,044,000	48,488,000	5,556,000	11%	7,548,000	(1,992,000)
General and administrative	10,166,000	8,586,000	1,580,000	18%	n/a	n/a
Impairment charges	23,636,000		23,636,000	n/a	n/a	n/a
Terminated projects and acquisition transaction costs	4,367,000	855,000	3,512,000	n/a	n/a	n/a
Non-operating income and expense, net (i)	47,822,000	43,406,000	4,416,000	10%	n/a	n/a
Discontinued operations:						
Income from discontinued operations	726,000	1,058,000	(332,000)	n/a	n/a	n/a
Impairment charges	3,559,000		3,559,000	n/a	n/a	n/a
Gain on sales of discontinued operations	557,000		557,000	n/a	n/a	n/a

(i) Non-operating income and expense consists principally of interest expense (including amortization of deferred financing costs), equity in income of unconsolidated joint ventures, and gain on sales of land parcels.

(ii) Includes principally (a) the results of

properties acquired after January 1, 2008, (b) unallocated property and construction management compensation and benefits (including stock-based compensation), (c) results of a property in Wyoming, Michigan where the then existing building improvements were demolished in the second quarter of 2008 as part of the redevelopment plans for the property and (d) results of ground-up development and re-development properties recently placed into service.

Properties held in both periods. The Company held 100 properties throughout 2009 and 2008.

Total revenues decreased primarily as a result of (i) a decrease in non-cash straight-line rents primarily as a result of early lease terminations ($1.1 million), (ii) a decrease in non-cash amortization of intangible lease liabilities primarily as a result of the completion of scheduled amortization at certain properties ($0.9 million) (which also resulted in a decrease in depreciation and amortization expense), (iii) a decrease in percentage rent ($153,000), and (iv) a decrease in base rents ($56,000), partially offset by (v) an increase in tenant recoveries ($1.2 million), predominately the result of an increase in billable property operating expenses, and (vi) an increase in other income ($258,000), predominately the result of lease termination income of $800,000 received in December 2009. In connection with the worsening economic climate beginning in the latter part of 2008 and continuing into 2009, the Company received a number of requests from tenants for rent relief. While the Company did in fact grant such relief in selected limited circumstances, the aggregate amount of such relief granted had a limited impact on results of operations. However, there can be no assurance that the amount of such relief will not become more significant in future periods.

Property operating expenses increased primarily as a result of (i) a net increase ($1.5 million) in expenses billable to tenants, primarily as a result of (a) an increase in real estate taxes from reassessments at recently-acquired or redeveloped properties ($1.4 million), (b) an increase in snow

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removal costs ($1.3 million), partially offset by (c) a decrease in insurance expense ($0.4 million), (d) a decrease in repairs and maintenance expenses ($0.2 million), (e) a decrease in landscaping expense ($0.1 million), and (f) a decrease in a number of smaller operating expense categories ($0.5 million), and (ii) an increase in the provision for doubtful accounts primarily as a result of the more challenging economic conditions in 2009 for a number of non-core tenants ($1.5 million), which is partially offset by (iii) a decrease in expenses not billable to tenants ($0.3 million).

Depreciation and amortization expenses included under acquisitions and other reflects the acceleration of depreciation expense ($6.1 million) at two properties at which the Company demolished portions of buildings as part of the redevelopment plans for those properties.

General and administrative expenses increased primarily as a result of increases in stock-based compensation expense through increased amortization of an increased number of restricted stock grants and mark-to-market adjustments relating to stock-based compensation.

Impairments for 2009 relates to the net impairment charges recorded in connection with the seven properties transferred or to be transferred to the RioCan joint venture, as more fully discussed elsewhere in this report.

Terminated projects and acquisition transaction costs for 2009 includes (i) the acquisition transaction costs associated with the two acquisitions completed during 2009 ($1.3 million, of which the noncontrolling interests share was $0.8 million), (ii) the decision to terminate potential development opportunities in Milford, Delaware and Ephrata, Pennsylvania (an aggregate of $2.8 million), and (iii) the costs primarily associated with a cancelled acquisition. Terminated projects and acquisition transaction costs for 2008 include (i) the decision to terminate potential development opportunities primarily in Ephrata, Pennsylvania and Roanoke, Virginia (an aggregate of $652,000) and (ii) costs incurred related to a canceled potential joint venture ($203,000).

Non-operating income and expense, net, increased primarily a result of (i) higher amortization of deferred financing costs ($1.9 million) resulting from (a) extending the secured revolving stabilized property credit facility, originally in January 2009 and again in November 2009, and (b) the secured revolving development property credit facility and the property-specific construction facility, having closed in June 2008 and September 2008, respectively, being outstanding throughout all of 2009, (ii) higher loan balances outstanding principally to fund the equity portions of acquisitions and development activities ($3.0 million), and (iii) reduction in interest income ($0.2 million), partially offset by (iv) gain on sales of land parcels ($0.5 million) and (v) an increase in equity in income of unconsolidated joint venture ($0.1 million).

Discontinued operations for 2009 and 2008 include the results of operations and, where applicable, gain on sales ($557,000) and impairment charges ($3.6 million), for properties (primarily drug store/convenience centers) which the Company sold or treated as held for sale during 2009 and subsequent to December 31, 2009, located in Ohio, Maryland and New York, aggregating 416,000 square feet of GLA, as more fully discussed elsewhere in this report.

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Comparison of 2008 to 2007

	2008	2007	Increase (decrease)	Percent change	Acquisitions and other (ii)	Properties held in both years
Total revenues	$168,943,000	$148,952,000	$19,991,000	13%	$21,174,000	(1,183,000)
Property operating expenses	47,868,000	39,269,000	8,599,000	22%	7,080,000	1,519,000
Depreciation and amortization	48,488,000	40,637,000	7,851,000	19%	7,887,000	(36,000)
General and administrative	8,586,000	9,041,000	(455,000)	-5%	n/a	n/a
Terminated projects and acquisition transaction costs	855,000		855,000	n/a	n/a	n/a
Non-operating income and expense, net (i)	43,406,000	36,781,000	6,625,000	18%	n/a	n/a
Discontinued operations:						
Income from discontinued operations	1,058,000	643,000	415,000	n/a	n/a	n/a

(i) Non-operating income and expense consists principally of interest expense (including amortization of deferred financing costs), equity in income of an unconsolidated joint venture.

(ii) Includes principally (a) the results of properties acquired after January 1, 2007, (b) unallocated property and construction management compensation

and benefits (including stock-based compensation), (c) results of a property in Wyoming, Michigan where the then existing building improvements were demolished in the second quarter of 2008 as part of the redevelopment plans for the property and (d) results of ground-up development and re-development properties recently placed into service.

Properties held in both periods. The Company held 79 properties throughout 2008 and 2007.

Total revenues decreased primarily as a result of (i) a decrease in tenant recoveries primarily due to a higher collection rate in 2007 due to billing system improvements made in 2006 and 2007 ($681,000), (ii) a decrease in percentage rent ($589,000), (iii) a net decrease ($16,000) in non-cash amortization of intangible lease liabilities (iv) a decrease in straight-line rental income ($1,046,000), which is partially offset by an increase in base rent ($932,000), and (v) an increase in other income ($217,000). In connection with the worsening economic climate beginning in the latter part of 2008 and continuing into 2009, the Company received a number of requests from tenants for rent relief. While the Company did in fact grant such relief in selected limited circumstances, the aggregate amount of such relief granted had a limited impact on results of operations.

Property operating expenses increased as a result of (i) an increase in real estate and other property-related taxes, related principally to reassessments of properties previously acquired and completed development and re-developed projects ($545,000), (ii) an increase in the provision for doubtful accounts primarily due to a higher collection rate in 2007 due to billing system improvements made in 2006 and 2007 ($827,000), (iii) an increase in non-billable expenses ($401,000), (iii) an increase in a number of other operating expenses ($190,000), which is partially offset by (iv) a decrease in snow removal costs ($444,000).

General and administrative expenses decreased primarily as a result of the retirement of a senior executive in 2007 and the initial compensation/relocation costs of his replacement ($1,535,000 in

the aggregate), off-set by increased compensation costs, increased professional fees and the Company s continued growth in 2008.

Terminated projects and acquisition transaction costs for 2008 includes (i) the decision to terminate potential development opportunities primarily in Ephrata, Pennsylvania and Roanoke, Virginia (an aggregate of $652,000) and (ii) costs incurred related to a canceled potential joint venture ($203,000).

Non-operating income and expense, net, increased primarily as a result of (i) increased interest costs from borrowings related to property acquisitions and acquisitions of a joint venture partner s interest ($5,885,000), (ii) higher amortization of deferred financing costs ($556,000), (iii) lower interest income ($505,000) as a result of lower prevailing interest rates and a change in the cash management plan, partially off-set by (iv) earnings from an unconsolidated joint venture acquired in November 2006 and an additional investment in the unconsolidated joint venture made in April 2008 ($321,000).

Discontinued operations for 2008 and 2007 include the results of operations for properties (primarily drug store/convenience centers) which the Company sold or treated as held for sale during 2009 and subsequent to December 31, 2009, located in Ohio, Maryland and New York, aggregating 416,000 square feet of GLA, as more fully discussed elsewhere in this report.

Liquidity and Capital Resources

The Company funds operating expenses and other short-term liquidity requirements, including debt service, tenant improvements, leasing commissions, collateralization of certain interest rate swap obligations, preferred and common dividend distributions, if made, and distributions to minority interest partners, primarily from operations. The Company has also used its secured revolving stabilized property credit facility for these purposes. The Company expects to fund long-term liquidity requirements for property acquisitions, development and/or redevelopment costs, capital improvements, and maturing debt initially with its credit facilities and construction financing, and ultimately through a combination of issuing and/or assuming additional mortgage debt, the sale of equity securities, the issuance of additional OP Units, and the sale of properties or interests therein (including joint venture arrangements).

Throughout most of 2009 there has been a fundamental contraction of the U.S. credit and capital markets, whereby banks and other credit providers have tightened their lending standards and severely restricted the availability of credit. Accordingly, for this and other reasons, there can be no assurance that the Company will have the availability of mortgage financing on completed development projects, additional construction financing, net proceeds from the contribution of properties to joint ventures, or proceeds from the refinancing of existing debt.

In April 2009, the Company s Board of Directors determined to suspend payment of cash dividends with respect to its common stock and OP Units for the balance of 2009 (the quarterly dividends paid in February had already been reduced by one-half). Based on the number of shares of common stock and OP Units outstanding at the time, the cash savings throughout 2009 was estimated to aggregate approximately $37 million. This decision was in response to the state of the economy, the difficult retail environment, the constrained capital markets and the need to renew the Company s

secured revolving stabilized property credit facility. In December 2009, following a review of the state of the economy and the Company s financial position, the Company s Board of Directors determined to resume payment of a cash dividend in the amount $0.09 per share ($0.36 per share on an annualized basis) on the Company s common stock, which was paid on January 20, 2010 to shareholders of record as of the close of business on December 31, 2009.

In November 2009, the Company closed an amended and restated secured revolving stabilized property credit facility with Bank of America, N.A., continuing as agent, together with three other lead lenders and other participating banks, with commitments from participants of $265.0 million (increased to $285.0 million in January 2010). The facility, as amended, is expandable to $400 million, subject to certain conditions, including acceptable collateral. The principal terms of the new facility include (i) an availability based primarily on appraisals, with a 67.5% advance rate, (ii) an interest rate based on LIBOR plus 350 bps, with a 200 bps LIBOR floor (under the prior arrangement, the interest rate was based on LIBOR plus a bps spread depending upon the Company s leverage ratio, as defined, which had been 135 bps prior to the new facility), (iii) a leverage ratio limited to 67.5%, (iv) an unused portion fee of 50 bps (previously 25 bps), and (v) a maturity date of January 31, 2012, subject to a one-year extension option. In connection was the new facility, the Company paid participating lender fees and closing and transaction costs of approximately $9.0 million.

Borrowings outstanding under the facility aggregated $188.0 million at December 31, 2009, such borrowings bore interest at an average rate of 5.5% per annum, and the Company had pledged 34 of its shopping center properties as collateral for such borrowings.

The secured revolving stabilized property credit facility has been and will be used to fund acquisitions, certain development and redevelopment activities, capital expenditures, mortgage repayments, dividend distributions, working capital and other general corporate purposes. The facility is subject to customary financial covenants, including limits on leverage as discussed above and distributions (limited to 95% of funds from operations, as defined), and other financial statement ratios. Based on covenant measurements and collateral in place as of December 31, 2009, the Company was permitted to draw up to approximately $204.3 million, of which approximately $16.3 million remained available as of that date. As a result of the application of the net proceeds from, among other things, the transfers of two of the remaining properties to the RioCan joint venture (more fully described above) and the sales of shares of the Company s common stock in February and March 2010 (more fully described below), such availability has increased to approximately $104 million as of March 3, 2010.. As of December 31, 2009, the Company was in compliance with the financial covenants and financial statement ratios required by the terms of the secured revolving stabilized property credit facility.

The Company has a $150 million secured revolving development property credit facility with KeyBank, National Association (as agent) and several other banks, pursuant to which the Company has pledged certain of its development projects and redevelopment properties as collateral for borrowings thereunder. The facility, as amended, is expandable to $250 million, subject to certain conditions, including acceptable collateral, and will expire in June 2011, subject to a one-year extension option. Borrowings under the facility bear interest at the Company s option at either LIBOR or the agent bank s prime rate, plus a spread of 225 bps or 75 bps, respectively. Advances under the facility are calculated at the least of 70% of aggregate project costs, 70% of as stabilized appraised values, or costs incurred in excess of a 30% equity requirement on the part of the Company. The facility also requires an unused

portion fee of 15 bps. This facility has been and will be used to fund in part the Company s and certain joint ventures development activities. In order to draw funds under this construction facility, the Company must meet certain pre-leasing and other conditions. Borrowings outstanding under the facility aggregated $69.7 million at December 31, 2009, and such borrowings bore interest at a rate of 2.5% per annum. As of December 31, 2009, the Company was in compliance with the financial covenants and financial statement ratios required by the terms of the secured revolving development property credit facility.

The Company has a $77.7 million construction facility with Manufacturers and Traders Trust Company (as agent) and several other banks, pursuant to which the Company has guaranteed and pledged its joint venture development project in Pottsgrove, Pennsylvania as collateral for borrowings to be made thereunder. This facility will expire in September 2011, subject to a one-year extension option. Borrowings outstanding under the facility aggregated $61.2 million at December 31, 2009, and such borrowings bore interest at an average rate of 2.5% per annum. Borrowings under the facility bear interest at the Company s option at either LIBOR plus a spread of 225 bps, or the agent bank s prime rate. As of December 31, 2009, the Company was in compliance with the financial covenants and financial statement ratios required by the terms of the construction facility.

Mortgage loans payable at December 31, 2009 consisted of fixed-rate notes totaling $606.1 million, with a weighted average interest rate of 5.8%, and variable-rate debt totaling $82.2 million, with a weighted average interest rate of 3.4%. Total mortgage loans payable and secured revolving credit facilities have an overall weighted average interest rate of 5.3% and mature at various dates through 2029. For 2010, the Company has approximately $8.0 million of scheduled debt principal amortization payments and $12.3 million of balloon payments.

The terms of several of the Company s mortgage loans payable require the Company to deposit certain replacement and other reserves with its lenders. Such restricted cash is generally available only for property-level requirements for which the reserves have been established, and is not available to fund other property-level or Company-level obligations.

On October 26, 2009, the Company entered into definitive agreements with RioCan Real Estate Investment Trust of Toronto, Canada, a publicly-traded Canadian real estate investment trust listed on the Toronto Stock Exchange (RioCan), pursuant to which the Company (1) sold to RioCan approximately 6,667,000 shares of the Company s common stock at $6.00 per share in a private placement (RioCan agreeing that it would not sell any of such shares for a period of one year), (2) issued to RioCan warrants to purchase approximately 1,429,000 shares of the Company s common stock at an exercise price of $7.00 per share, exercisable over a two-year period (valued at $1,643,000), (3) entered into an 80% (RioCan) and 20% (Cedar) joint venture (i) initially for the purchase of seven supermarket-anchored properties presently owned by the Company, and (ii) then to acquire additional primarily supermarket-anchored properties in the Company s primary market areas during the next two years, in the same joint venture format, and (4) entered into a standstill agreement with respect to increases in RioCan s ownership of the Company s common stock for a three-year period. In addition, subject to certain exceptions, the Company has agreed that it will not issue any new shares of common stock unless RioCan is offered the right to purchase that additional number of shares that will maintain its pro rata percentage ownership, on a fully diluted basis. In connection with the formation of the joint venture,

the Company recorded an impairment charge of $23.6 million relating to the seven properties transferred or to be transferred to the joint venture.

The private placement investment by RioCan and the issuance of the warrants by the Company were concluded on October 30, 2009. Two of the properties (Blue Mountain Commons located in Harrisburg, Pennsylvania and Sunset Crossing located in Dickson City, Pennsylvania) were transferred to the joint venture on December 10, 2009, resulting in proceeds to the Company of approximately $33 million (in connection with the closing, a repayment of $25.9 million was required under the Company s secured revolving development property credit facility). The remaining five properties are subject to mortgage loans payable aggregating approximately $94 million. Two of the properties (Columbus Crossing Shopping Center located in Philadelphia, Pennsylvania and Franklin Village Plaza located in Franklin, Massachusetts) were transferred to the joint venture in January and February 2010, resulting in net proceeds to the Company of approximately $16 million. The remaining three properties (Loyal Plaza Shopping Center located in Williamsport, Pennsylvania, Shaw s Plaza located in Raynham, Massachusetts, and Stop & Shop Plaza located in Bridgeport, Connecticut) are to be transferred during the first half of 2010, resulting in net proceeds to the Company of an additional approximately $16 million. In connection with the transfers of the seven properties to the joint venture and the private placement transactions, the Company will have received aggregate net proceeds of approximately $105 million, after estimated closing and transaction costs, which have been or will be used to repay/reduce the outstanding balances under the Company s secured revolving credit facilities. In connection with these transactions, the Company incurred costs and fees of approximately $6.0 million, including fees to the Company s investment advisor ($3.5 million), the value assigned to the warrants (approximately $1.6 million), and other costs and expenses aggregating $0.9 million. In addition, the Company agreed to pay to its investment advisor a fee of 1% of the gross cost of future acquisitions made by the joint venture for a two-year period, up to a maximum of $3.0 million.

On February 5, 2010, the Company concluded a public offering of 7,500,000 shares of its common stock at $6.60 per share, and realized net proceeds after offering expenses of approximately $47.0 million. On March 3, 2010, the underwriters exercised their over-allotment option to the extent of 697,800 shares, and the Company realized additional net proceeds of $4.4 million. In connection with the offering, RioCan acquired 1,350,000 shares of the Company s common stock, including 100,000 shares acquired in connection with the exercise of the over-allotment option, and the Company realized net proceeds of $8.9 million.

In September 2009, the Company entered into a Standby Equity Purchase Agreement (the SEPA Agreement) with an investment company for sales of its shares of common stock aggregating up to $30 million over a two-year commitment period; the commitment is expandable at the Company s option to $45 million. Through December 31, 2009, 422,000 shares had been sold pursuant to the SEPA Agreement, at an average price of $5.93 per share, and the Company realized net proceeds, after allocation of other issuance expenses, of approximately $2.3 million. In January and February 2010, an additional 718,000 shares of the Company s common stock had been sold pursuant to the SEPA Agreement at an average selling price of $6.97 per share, and the Company had realized net proceeds of approximately $5.0 million.

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The Company expects to have sufficient liquidity to effectively manage its business. Such liquidity sources include, amongst others (i) cash on hand, (ii) operating cash flows, (iii) availability under its secured revolving credit facilities, (iv) property-specific financings, (v) sales of properties and (vi) proceeds from contributions of properties to joint ventures, and/or issuances of shares of common or preferred stock.

Contractual obligations and commercial commitments

The following table sets forth the Company s significant debt repayment, interest and operating lease obligations at December 31, 2009 (in thousands):

	Maturity Date						
	2010	**2011**	**2012**	**2013**	**2014**	**Thereafter**	**Total**
Debt:							
Mortgage loans payable (i) (ii)	$ 20,335,000	$ 90,962,000	$ 39,533,000	$ 64,091,000	$ 119,458,000	$ 353,910,000	$ 688,289,000
Stabilized property credit facility (iii)			187,985,000				187,985,000
Development property credit facility (iii)		69,700,000					69,700,000
Interest payments (iv)	48,498,000	47,193,000	44,142,000	28,709,000	22,908,000	23,016,000	214,466,000
Operating lease obligations	1,150,000	1,213,000	1,219,000	1,234,000	1,250,000	21,519,000	27,585,000
Total	$ 69,983,000	$ 209,068,000	$ 272,879,000	$ 94,034,000	$ 143,616,000	$ 398,445,000	$ 1,188,025,000

(i) Does not include: (a) the $15.3 million mortgage loan payable by the Company s 76.3% owned unconsolidated joint venture, which is due in May 2011, (b) mortgage loans payable applicable to the seven properties transferred or to

be transferred to the RioCan joint venture, or (c) mortgage loans payable applicable to discontinued operations.

(ii) Mortgage loans payable for 2011 includes $61.2 million applicable to property-specific structured financing which is subject to a one-year extension option.

(iii) Subject to a one-year extension option.

(iv) Represents interest payments expected to be incurred on the Company s consolidated debt obligation as of December 31, 2009 inclusive of capitalized interest. For variable rate debt, the rate in effect at December 31, 2009 is assumed to remain in effect until the maturities of the respective obligations. Does not include interest payments to be incurred on debt obligations applicable to

unconsolidated
joint ventures or
discontinued
operations.

In addition, the Company plans to spend between $30 million and $35 million during 2010 in connection with development and redevelopment activities in process as of December 31, 2009.

Net Cash Flows

Operating Activities

Net cash flows provided by operating activities amounted to $51.9 million during 2009, compared to $60.8 million during 2008 and $53.5 million during 2007. The changes in operating cash flows during 2009, 2008 and 2007 were primarily the result of the Company s development and redevelopment activities, and property acquisitions or dispositions.

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Investing Activities

Net cash flows used in investing activities were $70.0 million in 2009, $151.4 million in 2008 and $192.4 million in 2007, and were primarily the result of the Company s acquisition/disposition activities. During 2009, the Company acquired two shopping and convenience centers and incurred expenditures for property improvements, an aggregate of $108.3 million. The Company realized proceeds from the transfers of two properties to the RioCan joint venture ($32.1 million) and from the sales of properties treated as discontinued operations ($6.8 million). During 2008, the Company acquired four shopping and convenience centers, acquired land for development, expansion and/or future development and incurred expenditures for property improvements, an aggregate of $131.9 million. The Company also purchased the joint venture minority interests in four properties for $17.5 million. During 2007, the Company acquired 20 shopping and convenience centers and land for development, expansion and/or future development, and incurred expenditures for property improvements, an aggregate of $187.5 million.

Financing Activities

Net cash flows provided by financing activities were $27.0 million in 2009, $75.5 million in 2008 and $143.7 million in 2007. During 2009, the Company received proceeds of mortgage financings of $60.9 million, proceeds from sales of common stock of $40.9 million, $12.2 million in contributions from noncontrolling interests (minority interest partners) $5.0 million in proceeds from a standby equity advance (not settled as of December 31, 2009), offset by net repayments to its revolving credit facilities of $46.8 million, repayment of mortgage obligations of $18.2 million (including $8.9 million of mortgage balloon payments), preferred and common stock distributions of $12.9 million, the payment of financing costs of $10.0 million, and distributions paid to noncontrolling interests (minority and limited partner interests) of $4.1 million. During 2008, the Company received net advance proceeds of $114.1 million from its revolving credit facilities, $106.7 million in net proceeds from mortgage financings, and $6.3 million in contributions from noncontrolling interests (minority interest partners), offset by the repayment of mortgage obligations of $93.3 million (including $84.8 million of mortgage balloon payments), preferred and common stock distributions of $47.9 million, distributions paid to noncontrolling interests (minority and limited partner interests) of $5.2 million, the payment of financing costs of $5.1 million, and the redemption of noncontrolling interests (a limited partner s OP Units) of $0.1 million. During 2007, the Company received net advance proceeds of $122.0 million from its stabilized property credit facility, $53.2 million in contributions from noncontrolling interests (minority interest partners), $34.5 million in net proceeds from mortgage financings, and $3.9 million in net proceeds from public offerings, offset by preferred and common stock distributions of $47.6 million, the repayment of mortgage obligations of $16.2 million (including $7.6 million of mortgage balloon payments), the payment of financing costs of $3.2 million, and distributions paid to noncontrolling interests (minority and limited partner interests) of $2.9 million.

Funds From Operations

Funds From Operations (FFO) is a widely-recognized non-GAAP financial measure for REITs that the Company believes, when considered with financial statements determined in accordance with GAAP, is useful to investors in understanding financial performance and providing a relevant basis for comparison among REITs. In addition, FFO is useful to investors as it captures features particular to real

estate performance by recognizing that real estate generally appreciates over time or maintains residual value to a much greater extent than do other depreciable assets. Investors should review FFO, along with GAAP net income, when trying to understand an equity REIT s operating performance. The Company presents FFO because the Company considers it an important supplemental measure of its operating performance and believes that it is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs. Among other things, the Company uses FFO or an adjusted FFO-based measure (i) as a criterion to determine performance-based bonuses for members of senior management, (ii) in performance comparisons with other shopping center REITs, and (iii) to measure compliance with certain financial covenants under the terms of the Loan Agreements relating to the Company s credit facilities.

The Company computes FFO in accordance with the White Paper on FFO published by the National Association of Real Estate Investment Trusts (NAREIT), which defines FFO as net income applicable to common shareholders (determined in accordance with GAAP), excluding gains or losses from debt restructurings and sales of properties, plus real estate-related depreciation and amortization, and after adjustments for partnerships and joint ventures (which are computed to reflect FFO on the same basis).

FFO does not represent cash generated from operating activities and should not be considered as an alternative to net income applicable to common shareholders or to cash flow from operating activities. FFO is not indicative of cash available to fund ongoing cash needs, including the ability to make cash distributions. Although FFO is a measure used for comparability in assessing the performance of REITs, as the NAREIT White Paper only provides guidelines for computing FFO, the computation of FFO may vary from one company to another. The following table sets forth the Company s calculations of FFO for 2009, 2008 and 2007:

	2009	2008	2007
Net (loss) income attributable to common shareholders	$ (24,747,000)	$ 10,296,000	$ 13,948,000
Add (deduct):			
Real estate depreciation and amortization	55,391,000	49,732,000	42,068,000
Noncontrolling interests:			
Limited partners interest	(912,000)	468,000	627,000
Minority interests in consolidated joint ventures	772,000	2,157,000	1,415,000
Minority interests share of FFO applicable to consolidated joint ventures	(5,787,000)	(6,134,000)	(2,139,000)
Equity in income of unconsolidated joint ventures	(1,098,000)	(956,000)	(634,000)
FFO from unconsolidated joint ventures	1,519,000	1,296,000	905,000
Gain on sales of discontinued operations	(557,000)		
Funds From Operations	$ 24,581,000	$ 56,859,000	$ 56,190,000
FFO per common share (assuming conversion of OP Units)			
Basic and diluted	$ 0.51	$ 1.22	$ 1.22
Weighted average number of common shares:			
Shares used in determination of basic earnings per share	46,234,000	44,475,000	44,193,000
Additional shares assuming conversion of OP Units (basic)	2,014,000	2,024,000	1,985,000
Shares used in determination of basic FFO per share	48,248,000	46,499,000	46,178,000
Shares used in determination of diluted earnings per share	46,234,000	44,475,000	44,197,000
Additional shares assuming conversion of OP Units (diluted)	2,014,000	2,024,000	1,990,000
Shares used in determination of diluted FFO per share	48,248,000	46,499,000	46,187,000

Inflation

Low to moderate levels of inflation during the past several years have favorably impacted the Company s operations by stabilizing operating expenses. However, the Company s properties have tenants whose leases include expense reimbursements and other provisions to minimize the effect of inflation. At the same time, low inflation has had the indirect effect of reducing the Company s ability to increase tenant rents upon the signing of new leases and/or lease renewals.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

One of the principal market risks facing the Company is interest rate risk on its credit facilities. The Company may, when advantageous, hedge its interest rate risk using derivative financial instruments. The Company is not subject to foreign currency risk.

The Company is exposed to interest rate changes primarily through (i) the variable-rate credit facilities used to maintain liquidity, fund capital expenditures, development/redevelopment activities, and expand its real estate investment portfolio, (ii) property-specific variable-rate construction financing, and (iii) other property-specific variable-rate mortgages. The Company s objectives with respect to interest rate risk are to limit the impact of interest rate changes on operations and cash flows,

and to lower its overall borrowing costs. To achieve these objectives, the Company may borrow at fixed rates and may enter into derivative financial instruments such as interest rate swaps, caps, etc., in order to mitigate its interest rate risk on a related variable-rate financial instrument. The Company does not enter into derivative or interest rate transactions for speculative purposes. At December 31, 2009, the Company had approximately $28.9 million of mortgage loans payable and $23.9 million of secured revolving stabilized property credit facility subject to interest rate swaps which converted LIBOR-based variable rates to fixed annual rates ranging from 5.2% to 6.8% per annum. In addition, the Company had an interest rate swap applicable to anticipated permanent financing of $28.0 million for its development joint venture project in Stroudsburg, Pennsylvania. On January 20, 2010, the Company paid approximately $5.5 million to terminate interest rate swaps applicable to approximately $23.9 million of secured revolving stabilized property credit facility as well as the interest rate swap applicable to anticipated permanent financing for its development joint venture project in Stroudsburg, Pennsylvania.

At December 31, 2009, long-term debt consisted of fixed-rate mortgage loans payable and variable-rate debt (principally the Company s variable-rate credit facilities). The average interest rate on the $606.1 million of fixed-rate indebtedness outstanding was 5.8%, with maturities at various dates through 2029. The average interest rate on the $339.9 million of variable-rate debt (including $257.7 million in advances under the Company s revolving credit facilities) was 4.4%. The secured revolving stabilized property credit facility matures in January 2012, subject to a one-year extension option. The secured revolving development property credit facility matures in June 2011, subject to a one-year extension option. With respect to $151.9 million of variable-rate debt outstanding at December 31, 2009, if interest rates either increase or decrease by 1%, the Company s interest cost would increase or decrease respectively by approximately $1.5 million per annum. With respect to the remaining $188.0 million of variable-rate debt outstanding at December 31, 2009, represented by the Company s secured revolving stabilized property credit facility, interest is based on LIBOR with a 200 bps LIBOR floor. Accordingly, if interest rates either increase or decrease by 1%, the Company s interest cost applicable on this line would increase by approximately $1.9 million per annum only if LIBOR was in excess of 2.0% per annum.

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All other schedules have been omitted because the required information is not present, is not present in amounts sufficient to require submission of the schedule, or is included in the consolidated financial statements or notes thereto.

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Report of Independent Registered Public Accounting Firm
The Board of Directors and Shareholders
Cedar Shopping Centers, Inc.

We have audited the accompanying consolidated balance sheets of Cedar Shopping Centers, Inc. (the Company) as of December 31, 2009 and 2008, and the related consolidated statements of operations, equity, and cash flows for each of the three years in the period ended December 31, 2009. Our audits also included the financial statement schedule listed in the Index at Item 8. These financial statements and schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cedar Shopping Centers, Inc. at December 31, 2009 and 2008, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, the 2009, 2008 and 2007 financial statements and related financial statement schedule have been restated to correct for the accounting of certain lease intangibles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Cedar Shopping Centers, Inc. s internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 15, 2010 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP
New York, New York
March 15, 2010
except for Notes 2 and 3,
as to which the date is August 12, 2010

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CEDAR SHOPPING CENTERS, INC.
Consolidated Balance Sheets

	December 31,	
	2009	**2008**
Assets		
Real estate:		
Land	$ 356,366,000	$ 326,623,000
Buildings and improvements	1,316,315,000	1,209,967,000
	1,672,681,000	1,536,590,000
Less accumulated depreciation	(163,879,000)	(123,807,000)
Real estate, net	1,508,802,000	1,412,783,000
Real estate to be transferred to a joint venture	139,743,000	194,952,000
Real estate held for sale discontinued operations	21,380,000	42,267,000
Investment in unconsolidated joint ventures	14,113,000	4,976,000
Cash and cash equivalents	17,164,000	8,231,000
Restricted cash	14,075,000	14,004,000
Rents and other receivables, net	9,745,000	5,818,000
Straight-line rents	14,545,000	12,255,000
Other assets	8,809,000	9,403,000
Deferred charges, net	36,742,000	30,339,000
Total assets	$ 1,785,118,000	$ 1,735,028,000
Liabilities and equity		
Mortgage loans payable	$ 688,289,000	$ 608,940,000
Mortgage loans payable real estate to be transferred to a joint venture	94,018,000	77,307,000
Mortgage loans payable real estate held for sale discontinued operations	12,455,000	22,736,000
Secured revolving credit facilities	257,685,000	304,490,000
Accounts payable and accrued liabilities	46,902,000	46,548,000
Unamortized intangible lease liabilities	53,733,000	63,048,000
Liabilities real estate held for sale and real estate to be transferred to a joint venture	5,634,000	6,765,000
Total liabilities	1,158,716,000	1,129,834,000
Limited partners interest in Operating Partnership	12,638,000	14,257,000
Commitments and contingencies		
Equity:		
Cedar Shopping Centers, Inc. shareholders equity:		
	88,750,000	88,750,000

Preferred stock ($.01 par value, $25.00 per share liquidation value, 12,500,000 shares authorized, 3,550,000 shares issued and outstanding)		
Common stock ($.06 par value, 150,000,000 shares authorized 52,139,000 and 44,468,000 shares, respectively, issued and outstanding)	3,128,000	2,668,000
Treasury stock (981,000 and 713,000 shares, respectively, at cost)	(9,688,000)	(9,175,000)
Additional paid-in capital	621,299,000	576,086,000
Cumulative distributions in excess of net income	(162,041,000)	(127,552,000)
Accumulated other comprehensive loss	(2,992,000)	(7,256,000)
Total Cedar Shopping Centers, Inc. shareholders equity	538,456,000	523,521,000
Noncontrolling interests:		
Minority interests in consolidated joint ventures	67,229,000	58,150,000
Limited partners interest in Operating Partnership	8,079,000	9,266,000
Total noncontrolling interests	75,308,000	67,416,000
Total equity	613,764,000	590,937,000
Total liabilities and equity	$ 1,785,118,000	$ 1,735,028,000

See accompanying notes to consolidated financial statements.

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CEDAR SHOPPING CENTERS, INC.
Consolidated Statements of Operations

	Years ended December 31,		
	2009	2008	2007
Revenues:			
Rents	$ 144,231,000	$ 136,217,000	$ 119,321,000
Expense recoveries	34,469,000	31,543,000	27,864,000
Other	1,415,000	1,183,000	1,767,000
Total revenues	180,115,000	168,943,000	148,952,000
Expenses:			
Operating, maintenance and management	33,955,000	28,989,000	24,000,000
Real estate and other property-related taxes	20,860,000	18,879,000	15,269,000
General and administrative	10,166,000	8,586,000	9,041,000
Impairments	23,636,000		
Terminated projects and acquisition transaction costs	4,367,000	855,000	
Depreciation and amortization	54,044,000	48,488,000	40,637,000
Total expenses	147,028,000	105,797,000	88,947,000
Operating income	33,087,000	63,146,000	60,005,000
Non-operating income and expense:			
Interest expense, including amortization of deferred financing costs	(49,504,000)	(44,646,000)	(38,203,000)
Interest income	63,000	284,000	788,000
Equity in income of unconsolidated joint ventures	1,098,000	956,000	634,000
Gain on sales of land parcels	521,000		
Total non-operating income and expense	(47,822,000)	(43,406,000)	(36,781,000)
(Loss) income before discontinued operations	(14,735,000)	19,740,000	23,224,000
(Loss) income from discontinued operations	(2,833,000)	1,058,000	643,000
Gain on sales of discontinued operations	557,000		
Total discontinued operations	(2,276,000)	1,058,000	643,000
Net (loss) income	(17,011,000)	20,798,000	23,867,000
Less, net (income) loss attributable to noncontrolling interests:			
Minority interests in consolidated joint ventures	(772,000)	(2,157,000)	(1,415,000)
Limited partners interest in Operating Partnership	912,000	(468,000)	(627,000)

Total net (income) loss attributable to noncontrolling interests	140,000	(2,625,000)	(2,042,000)
Net (loss) income attributable to Cedar Shopping Centers, Inc.	(16,871,000)	18,173,000	21,825,000
Preferred distribution requirements	(7,876,000)	(7,877,000)	(7,877,000)
Net (loss) income attributable to common shareholders	$ (24,747,000)	$ 10,296,000	$ 13,948,000
Per common share attributable to common shareholders (basic and diluted):			
Continuing operations	$ (0.49)	$ 0.21	$ 0.30
Discontinued operations	(0.05)	0.02	0.02
	$ (0.54)	$ 0.23	$ 0.32
Amounts attributable to Cedar Shopping Centers, Inc. common shareholders, net of limited partners interest:			
(Loss) income from continuing operations	$ (22,552,000)	$ 9,284,000	$ 13,333,000
(Loss) income from discontinued operations	(2,732,000)	1,012,000	615,000
Gain on sales of discontinued operations	537,000		
Net (loss) income	$ (24,747,000)	$ 10,296,000	$ 13,948,000
Weighted average number of common shares outstanding	46,234,000	44,475,000	44,193,000

See accompanying notes to consolidated financial statements.

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CEDAR SHOPPING CENTERS, INC.
Consolidated Statements of Equity
Years ended December 31, 2009, 2008 and 2007

		Cedar Shopping Centers, Inc. Shareholders					
Preferred stock		Common stock				Cumulative	Accumulated
	$25.00			Treasury	Additional	distributions in excess	other
	Liquidation		$0.06 Par	stock,	paid-in	of	comprehensive
Shares	value	Shares	v				