

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

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the quarter ended March 31, 1997 Commission file number 0-14510

CEDAR INCOME FUND, LTD.
(Exact name of registrant as specified in its charter)

Iowa 42-1241468
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

4333 Edgewood Road N.E., Cedar Rapids, IA 52499
<Address of principal executive offices> (Zip Code)

Registrant's telephone number, including area code: (319) 398-8975

N/A
(Former name, address and fiscal year, if changed since last report)

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

The number of shares of common stock outstanding at May 13, 1997 was 2,245,411.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

CEDAR INCOME FUND, Ltd.

Balance Sheets
(unaudited)

<TABLE>

| <S> | <C> March 31, 1997 | <C> 1996 | <C> December 31, 1997 |
|-------------------------------|--------------------------|-------------|-----------------------------|
| ASSETS | | | |
| Real estate | | | |
| Land | 4,126,044 | 4,126,044 | 4,126,044 |
| Buildings and improvements | 14,494,516 | 14,200,539 | 14,336,858 |
| | 18,620,560 | 18,326,583 | 18,462,902 |
| Less accumulated depreciation | (3,867,371) | (3,427,922) | (3,755,012) |
| | 14,753,189 | 14,898,661 | 14,707,890 |
| Mortgage loan receivable | 571,678 | 580,643 | 573,991 |
| | 15,324,867 | 15,479,304 | 15,281,881 |
| Cash and cash equivalents | 529,293 | 845,020 | 670,306 |
| Rent and other receivables | 102,308 | 110,962 | 95,413 |

| | | | |
|--|------------|------------|------------|
| Interest receivable | 3,930 | 3,992 | 3,946 |
| Prepaid expenses | 71,915 | 34,183 | 84,758 |
| Deferred lease commissions | 176,573 | 119,005 | 116,148 |
| Taxes held in escrow | 30,252 | 22,556 | 17,697 |
| | 16,239,138 | 16,615,022 | 16,270,149 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Liabilities | | | |
| Mortgage loan payable | 1,417,885 | 1,439,547 | 1,423,492 |
| Accounts payable and accrued expenses | 184,006 | 157,305 | 103,337 |
| Due to affiliates | 2,976 | 32,136 | 36,538 |
| Security deposits | 86,415 | 69,030 | 66,655 |
| Advance rents | 23,110 | 13,896 | 15,047 |
| | 1,714,392 | 1,711,914 | 1,645,069 |
| Shareholders' equity | | | |
| Common stock, \$1 par value, 5,020,000 shares authorized | 2,245,411 | 2,245,411 | 2,245,411 |
| Additional paid-in capital | 12,279,335 | 12,657,697 | 12,379,669 |
| | 14,524,746 | 14,903,108 | 14,625,080 |
| | 16,239,138 | 16,615,022 | 16,270,149 |

</TABLE>

CEDAR INCOME FUND, LTD.
Statements of Operations
(unaudited)

<TABLE>

| <S> | <C> | |
|---|---------------------------------|-----------|
| | Three Months Ended March 31, | |
| | 1997 | 1996 |
| REVENUE | | |
| Rents | 539,619 | 559,047 |
| Interest | 21,296 | 23,245 |
| | 560,915 | 582,292 |
| EXPENSES | | |
| Property expenses: | | |
| Real estate taxes | 64,423 | 62,723 |
| Wages and salaries | 5,148 | 5,356 |
| Repairs and maintenance | 75,535 | 56,457 |
| Utilities | 31,811 | 34,222 |
| Management fee | 26,981 | 27,953 |
| Insurance | 4,913 | 4,311 |
| Other | 25,103 | 23,804 |
| Property expenses, excluding depreciation | 233,914 | 214,826 |
| Depreciation | 112,359 | 109,649 |
| Total property expenses | 346,273 | 324,475 |
| Interest | 34,237 | 34,736 |
| Administrative fees | 25,353 | 24,975 |
| Directors' fees and expenses | 11,865 | 11,144 |
| Other administrative | 18,980 | 20,941 |
| | 436,708 | 416,271 |
| Net earnings | 124,207 | 166,021 |
| Net earnings per share | .06 | .07 |
| Dividends to shareholders | 224,541 | 224,541 |
| Dividends to shareholders per share | .10 | .10 |
| Average number of shares outstanding | 2,245,411 | 2,245,411 |

</TABLE>

CEDAR INCOME FUND, Ltd.
Statements of Cash Flows
(unaudited)

<TABLE>

| <S> | <C> | |
|---------------------------------------|---------------------------------|---------|
| | Three Months Ended March 31, | |
| | 1997 | 1996 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Rents collected | 540,787 | 533,684 |

| | | |
|--|-----------|-----------|
| Interest received | 21,312 | 23,260 |
| Payments for operating expenses | (304,059) | (224,887) |
| Interest paid | (33,320) | (33,819) |
| Net cash provided by operating activities | 224,720 | 298,238 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Capital expenditures | (157,658) | - |
| Principal portion of scheduled mortgage loan collections | 2,313 | 2,126 |
| Security deposits collected, net | 19,760 | 2,160 |
| Net cash provided (used) by investing activities | (135,585) | 4,286 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Principal portion of scheduled mortgage loan payments | (5,607) | (5,107) |
| Dividends paid to shareholders | (224,541) | (224,541) |
| Net cash used by financing activities | (230,148) | (229,648) |
| Net increase (decrease) in cash and cash equivalents. | (141,013) | 72,876 |
| Cash and cash equivalents at beginning of period | 670,306 | 772,144 |
| Cash and cash equivalents at end of period | 529,293 | 845,020 |

RECONCILIATION OF NET EARNINGS TO NET

| | | |
|--|----------|----------|
| CASH PROVIDED BY OPERATING ACTIVITIES: | | |
| Net earnings | 124,207 | 166,021 |
| Add (deduct) reconciling adjustments: | | |
| Depreciation | 112,359 | 109,649 |
| Amortization | 916 | 917 |
| Increase in rent and other receivables | (19,450) | (49,725) |
| Decrease in interest receivable | 16 | 15 |
| Decrease in prepaid expenses | 11,927 | 9,175 |
| Increase in deferred lease commissions | (60,425) | (4,198) |
| Increase in operating accounts payable, accrued expenses and due to affiliates | 47,107 | 61,007 |
| Increase in advance rents | 8,063 | 5,377 |
| Net cash provided by operating activities | 224,720 | 298,238 |

</TABLE>

NOTES TO FINANCIAL STATEMENTS

Note 1: The unaudited interim financial statements are prepared in accordance with generally accepted accounting principles and include all adjustments of a normal recurring nature necessary for a fair presentation of the financial position and quarterly results. Interim reports should be read in conjunction with the audited financial statements and related notes included in the 1996 Annual Report.

| | |
|---|------------|
| Note 2: Shareholders' equity, December 31, 1996 | 14,625,080 |
| Net earnings | 124,207 |
| Dividends to shareholders | (224,541) |
| Shareholders' equity, March 31, 1997 | 14,524,746 |

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

We are pleased to present the first quarter report for Cedar Income Fund, Ltd. Net earnings for the three months ended March 31, 1997 were \$124,207 (\$.06 per share) compared to \$166,021 (\$.07 per share) for the same period in 1996. Funds from operations (earnings from operations plus depreciation) were \$236,566 for the first three months of 1997 compared to \$275,670 for the same period a year ago.

Net earnings and funds from operations were lower in the first quarter of 1997, compared to 1996, primarily due to a slight decrease in rental income and an increase in repairs and maintenance. The Company's real estate portfolio had an overall occupancy rate of 99% at March 31, 1997.

Rental income for the first quarter was \$539,619 compared to \$559,047 for the first quarter in 1996. Rental income at Southpoint Parkway Center in Jacksonville, Florida decreased by \$48,000 due to tenants who contributed rents in the first quarter of 1996 but vacated their space later in the year. During the first quarter of 1997, the Company was successful in leasing this space to an existing tenant who will be paying rent on the entire space beginning in May 1997. This decrease was offset by increased rental income at the remaining properties. Rents increased by \$21,000 at

Corporate Center East in Bloomington, Illinois as a result of the Company's success in leasing the 20,400 square feet of space vacated by Hewlett Packard at the end of 1995. Rental income at Broadbent Business Center in Salt Lake City, Utah and Germantown Square in Louisville, Kentucky increased slightly over the same period a year ago.

Total property expenses, excluding depreciation, increased from 38% of rental income in 1996 to 43% in 1997. Repairs and maintenance were higher in 1997 primarily as a result of tenant remodeling expenses incurred at Broadbent Business Center.

As mentioned above, the Company has been successful in locating replacement tenants for the vacant spaces that existed at Corporate Center East and Southpoint. As a result of releasing this space, the Company incurred capital expenditures of \$158,000 and lease commissions of \$39,000 through March 31, 1997. In order to complete the projects in progress, the Company expects to incur an additional \$143,000 in capital expenditures and \$21,000 in lease commissions during 1997.

Capital resources of the Company consist of equity in real estate investments and a mortgage loan receivable. The Company maintains its real estate in good condition and provides adequate insurance coverage. The Company's liquidity at March 31, 1997 is represented by cash and cash equivalents, a mortgage loan participation, and cash flow from operating activities. This liquidity is considered sufficient to meet current obligations.

The Board of Directors declared a dividend of \$.10 per share, payable May 19, 1997 to shareholders of record May 9, 1997. The Board of Directors will continue to consider leasing prospects, operating results and the financial condition of the Company in determining future dividends.

PART II OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders.

At the Company's annual meeting of shareholders on April 28, 1997, 45% of the Company's outstanding shares were represented (in person or by proxy). Four Directors were elected to the Board of Directors, with each receiving at least 98% of the vote for the shares represented. The vote tabulation for each Director was as follows:

| Director | Votes For | Votes Withheld |
|---------------------|-----------|----------------|
| Patrick E. Falconio | 1,014,203 | 13,466 |
| Edwin L. Ingraham | 1,014,450 | 13,219 |
| Alex A. Meyer | 1,014,816 | 12,853 |
| James L. Roberts | 1,012,339 | 15,330 |

SIGNATURE

Pursuant to the requirements of the Securities Exchange act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CEDAR INCOME FUND, LTD.

/s/ Alan F. Fletcher
Alan F. Fletcher
Vice President and Treasurer
(principal financial officer)

/s/ Roger L. Schulz
Roger L. Schulz
Controller
(principal accounting officer)

Dated: May 13, 1997

<TABLE> <S> <C>

<ARTICLE> 5

<CIK> 0000761648

<NAME> CEDAR INCOME FUND, LTD.

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|------------------------------|-------------|
| <PERIOD-TYPE> | 3-MOS |
| <FISCAL-YEAR-END> | DEC-31-1996 |
| <PERIOD-END> | MAR-31-1997 |
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| <TOTAL-ASSETS> | 16,239,138 |
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| <COMMON> | 2,245,411 |
| <OTHER-SE> | 12,279,335 |
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| <EPS-DILUTED> | .06 |

</TABLE>