As filed with the Securities and Exchange Commission on October 14, 2003

File No. 333-108091

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1

to

Form S-11

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Cedar Shopping Centers, Inc.

(Exact Name of Registrant as Specified in its Governing Instruments)

44 South Bayles Avenue, Port Washington, New York 11050

(516) 767-6492
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Leo S. Ullman, Chairman and Chief Executive Officer

44 South Bayles Avenue, Port Washington, New York 11050
(516) 767-6492
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

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Approximate date of commencement of the proposed sale of the securities to the public: As soon as practicable after this Registration Statement becomes effective.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o _____

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o _____

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o _____

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

CALCULATION OF REGISTRATION FEE

Title of Securities Being Registered	Amount Being Registered(1)	Proposed Maximum Offering Price Per Unit(2)	Proposed Maximum Aggregate Offering Price(2)	Amount Of Registration Fee(3)
Common Stock, par value $0.06 per share	15,525,000	$12.50	$194,062,500	$15,699.66

(1) Includes shares of common stock which the underwriters have the option to purchase solely to cover overallotments, if any.
(2) Estimated solely for the purposes of calculating the registration fee pursuant to Rule 457 under the Securities Act of 1933, as amended.
(3) $15,164.71 has previously been paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting any offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion

Preliminary Prospectus dated October 14, 2003

PROSPECTUS

13,500,000 Shares

Cedar Shopping Centers, Inc.

Common Stock

Cedar Shopping Centers, Inc. is a real estate investment trust, or REIT, that focuses on the ownership, operation and redevelopment of neighborhood and community shopping centers.

We are offering 13,500,000 shares of our common stock. We expect the public offering price to be between $11.50 and $13.50 per share. We will receive all of the net proceeds from the sale of these shares.

Our common stock is traded on the Nasdaq SmallCap Market under the symbol "CEDR." We announced a 1-for-6 reverse stock split which will be effective October 19, 2003. On October 10, 2003, the last reported sale price of our common stock on the Nasdaq Market was $21.42 per share after giving effect to the reverse stock split. Our common stock has been approved for listing on the New York Stock Exchange, Inc., subject to official notice of issuance, under the symbol "CDR."

In connection with this offering, we will be changing our distribution policy and intend to commence the making of quarterly distributions.

To assist us in complying with certain federal income tax requirements applicable to REITs, our charter and bylaws contain certain restrictions relating to the ownership and transfer of our common stock, including an ownership limit of 9.9% of our total outstanding common stock. See "Material Provisions of Maryland Law and of Our Charter and Bylaws" for a discussion of these restrictions.

Investing in our common stock involves risks that are described in the "Risk Factors" section beginning on page 17 of this prospectus. Some risks include:

- All of our properties are located in the Northeast, primarily in eastern Pennsylvania, which exposes us to greater economic risks than if we owned properties in several geographic regions.
- We have substantial debt obligations that may impede our operating performance, putting us at a competitive disadvantage that may result in losses.
- Since 2000, we have incurred net operating losses and if we are not able to achieve and maintain profitability, the market price of our common stock could decrease.
- We may not be successful in identifying suitable acquisitions that meet our criteria, which may impede our growth; if we do identify suitable acquisition targets, we may not be able to consummate such transactions on favorable terms.
- Adverse market conditions and competition may impede our ability to renew leases or re-let space.
- Prior to the consummation of this offering, we were externally managed by entities controlled by our executive officers; we do not have any operating history as a REIT which is self-administered and self- managed.
- If we fail to remain qualified as a REIT, our distributions will not be deductible by us, and our income will be subject to taxation, reducing our earnings available for distribution.

	Per Share	Total
Public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to us	$	$

The underwriters also may purchase up to an additional 2,025,000 shares from us at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover overallotments.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares of common stock will be ready for delivery on or about October , 2003.

Merrill Lynch & Co.

Legg Mason Wood Walker
Incorporated

Raymond James

The date of this prospectus is October , 2003.


[Photos of six facades of certain tenants and two aerial views of shopping centers]

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You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where that offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained in "Prospectus Summary," "Risk Factors," "Distribution Policy," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business and Properties," "Investment Policies and Policies With Respect to Certain Activities" and elsewhere in this prospectus constitute forward-looking statements. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or the negative of these terms or other comparable terminology.

The forward-looking statements contained in this prospectus reflect our current views about future events and are subject to risks, uncertainties, assumptions and changes in circumstances that may cause our actual results to differ significantly from those expressed in any forward-looking statement. The factors that could cause actual results to differ materially from expected results include changes in economic, business, competitive market and regulatory conditions. For more information regarding risks that may cause our actual results to differ materially from any forward-looking statements, see "Risk Factors." We do not intend and disclaim any duty or obligation to update or revise any industry information or forward-looking statements set forth in this prospectus to reflect new information, future events or otherwise.

PROSPECTUS SUMMARY

The following summary highlights information contained elsewhere in this prospectus. This summary is not complete and does not contain all of the information that you should consider before investing in our common stock. References in this prospectus to "we," "our," "us" and "our company" refer to Cedar Shopping Centers, Inc., a Maryland corporation, together with our consolidated subsidiaries, including Cedar Shopping Centers Partnership, L.P., a Delaware limited partnership of which we are the sole general partner and which we refer to in this prospectus as the operating partnership. All share and per share information set forth in this prospectus has been adjusted to reflect our 2-for-1 stock split which occurred July 7, 2003 and our 1-for-6 reverse stock split which will be effective on October 19, 2003. You should read the entire prospectus, including "Risk Factors" and our historical and pro forma consolidated financial statements and related notes appearing elsewhere in this prospectus, before deciding to invest in our common stock. Unless otherwise indicated, this prospectus assumes that the underwriters' overallotment option is not exercised.

Cedar Shopping Centers, Inc.

We are a REIT that will be fully integrated, self-administered and self-managed upon consummation of this offering. We acquire, own, manage, lease and redevelop primarily neighborhood and community shopping centers. Upon consummation of this offering and completion of the pending acquisitions described below, we will have a portfolio of 23 properties totaling approximately 3.6 million square feet of gross leasable area, or GLA, including 17 wholly-owned centers comprising approximately 2.8 million square feet of GLA and six centers owned through joint ventures, comprising approximately 749,000 square feet of GLA. Upon consummation of this offering and completion of our pending acquisitions, our portfolio, excluding three properties currently under redevelopment, will be approximately 92% leased. We intend to close on these pending acquisitions shortly after consummation of this offering.

We currently own 15 properties totaling approximately 2.5 million square feet of GLA. Our portfolio, excluding two properties under development, was approximately 94% leased as of June 30, 2003. We have entered into agreements to acquire eight other shopping centers, totaling approximately 1.1 million square feet of GLA, for an aggregate purchase price of $134.5 million.

We conduct our business through Cedar Shopping Centers Partnership, L.P., or the operating partnership, a Delaware limited partnership. Upon consummation of this offering and completion of our pending acquisitions, we will own a 97.65% interest in the operating partnership. Prior to the offering, we owned an approximate 30% interest in the operating partnership.

Our principal executive offices are located at 44 South Bayles Avenue, Port Washington, New York 11050, our telephone number is (516) 767-6492 and our website address is www.cedarshoppingcenters.com.

Our Competitive Strengths

We believe that we distinguish ourselves from other owners and operators of community and neighborhood shopping centers on account of the following:

- *High-Quality Neighborhood and Community Shopping Center Portfolio.* Our primary focus is on supermarket-anchored neighborhood and community shopping centers. We believe supermarket anchors attract customers for several trips per week and provide more stable revenues, especially in uncertain economic environments. As of June 30, 2003, approximately 77% of our centers were supermarket-anchored. After this offering and completion of our pending acquisitions, approximately 79% of our centers will be supermarket-anchored.

- *Redevelopment and Value Enhancement Expertise.* We seek to leverage our operating and redevelopment capabilities by acquiring assets that offer redevelopment and value enhancement opportunities. In particular, certain members of our senior management have

successfully completed the redevelopment of The Point Shopping Center and Red Lion Shopping Center. At The Point Shopping Center, for example, we completed a total redevelopment in 2000 at a cost of approximately $9.1 million that increased revenues from $1.9 million in 2000 to $3.1 million for the twelve months ended June 30, 2003 and increased net operating income from $1.2 million in 2000 to $2.3 million for the twelve months ended June 30, 2003. In connection with the redevelopment, we replaced a local grocer renting 34,000 square feet at approximately $5.00 per square foot with a 55,000 square foot Giant Food at $17.00 per square foot. We are currently redeveloping Camp Hill Mall, Swede Square Shopping Center and Golden Triangle Shopping Center, at an aggregate budgeted project cost of approximately $30.0 million, and exploring redevelopment opportunities at South Philadelphia Shopping Plaza, Valley Plaza Shopping Center and Halifax Plaza. There can be no assurance that these redevelopments will be completed or that the actual costs will not exceed the budgeted costs.

- *Pennsylvania as Core Market.* Upon consummation of this offering and completion of our pending acquisitions, approximately 84% of our GLA will be located in eastern Pennsylvania, a mature and densely populated region. Based upon the 2000 United States Census, the average population within a three-mile radius of our properties is approximately 128,200 people and the average annual household income in such area is $51,400. We believe that we benefit from the limited opportunity for new competing developments near our locations and from the high barriers to entry for our asset class in our core markets.

- *Regional Asset Clusters.* Upon consummation of this offering and completion of our pending acquisitions, we expect to have 12 properties, containing 1,465,300 square feet of GLA, in the Philadelphia area, and eight properties, containing 1,681,000 square feet of GLA, in the Harrisburg area. We believe that our local presence in these areas provides us with effective "on-the-ground" awareness of property availability, tenanting opportunities, demographic trends and evolving traffic patterns. Furthermore, our local presence enables our management team to employ a "hands-on" approach to administering our properties and satisfying our tenants. Our local management offices in these regions enable us to efficiently and intensively manage our assets and to develop strategic relationships with regional grocers and retailers.

- *Experienced and Committed Management Team.* Our senior management team is comprised of executives with an average of more than 20 years experience in the acquisition, ownership, management, leasing and redevelopment of commercial real estate in the Northeast, including shopping center properties. Senior management is expected to own a 6.5% aggregate equity interest in our company on a fully diluted basis after giving effect to this offering. After giving effect to this offering and our pending acquisitions, over the last twelve months we will have acquired 16 properties, with a combined GLA of 2.2 million square feet, at a total cost of $134.5 million.

- *Strong Relationships with Our Tenants.* We have strong relationships with our tenants, including Giant Food, the dominant grocer in its trade area. These relationships have led to leasing opportunities with existing tenants that are expanding as well as to acquisition opportunities sourced by tenants.

- *Varied Tenant Base and Limited Near-Term Lease Rollover.* We believe that the diversity of our tenants and limited near-term lease rollover enhance our ability to generate stable cash flows over time. Upon consummation of this offering and completion of our pending acquisitions, no single tenant, with the exception of Giant Food, will represent more than 4.5% of our annualized revenues on a pro forma basis for the period ended June 30, 2003. For such period, we had approximately 364 leases with 297 distinct tenants, including national and regional supermarkets, department stores, pharmacies, restaurants and other retailers. Pro forma for this offering and the pending acquisitions, the average lease term for

our neighborhood and community shopping centers will be eight years, with no more than 9% of our total base rent expiring in any single year through 2013.

- *Strategic Joint Ventures.* We have had considerable experience in creating strategic joint ventures in order to mitigate acquisition and development risks, secure marquee anchor tenants, and facilitate financing. Our joint venture partners include affiliates of Kimco Realty Corporation, a leading REIT specializing in the acquisition, development and management of neighborhood and community shopping centers. We serve as managing partner of all of our joint ventures and manage the properties.

Our Business and Growth Strategies

Our business and growth strategies include the following elements:

Internal Growth

- Maximizing cash flow from our properties by continuing to enhance the operating performance of each property.

- Enhancing yield and productivity of existing properties through hands-on intensive management.

- Completing in process redevelopment and lease-up of Camp Hill Mall, Swede Square Shopping Center and Golden Triangle Shopping Center. In 2004, we intend to complete the redevelopment and lease-up of approximately 300,000 square feet at Camp Hill Mall, Swede Square Shopping Center and Golden Triangle Shopping Center. In this regard, at Camp Hill Mall we have executed a letter of intent for a new operating lease with Giant Food, an existing tenant, for 65,300 square feet at $15.00 per square foot, scheduled to commence June 2004. Giant Food's prior lease at this center was for a 42,000 square foot space that was ground leased from us for $2.37 per square foot. At Golden Triangle we have executed a lease with LA Fitness for 46,000 square feet at $14.00 per square foot, scheduled to commence December 2004.

- Capitalizing on redevelopment opportunities, such as those being explored at South Philadelphia Shopping Plaza, Valley Plaza Shopping Center and Halifax Plaza.

- Commencing development of a supermarket-anchored shopping center in 2005 with approximately 100,000 square feet of GLA plus two out parcels at an undeveloped 16.5 acre parcel of land located between Harrisburg and Hershey, Pennsylvania, which we have an option to acquire and is currently zoned for a shopping center.

There can be no assurance that any of the above redevelopment and development projects will be completed or commenced as planned, that the letter of intent with regard to the lease with Giant Food at Camp Hill Mall will be executed or that the rents payable under executed leases will be indicative of any leases executed in the future.

External Growth

- Acquiring additional neighborhood and community shopping centers. We expect to use our line of credit and operating partnership units to fund future acquisitions. We may also pursue suitable joint ventures opportunities.

- Acquiring properties that offer value enhancement opportunities.

- Identifying acquisition targets through our network of institutional and private real estate investors, lenders, brokers and agents.

- Utilizing management expertise to structure sophisticated acquisition transactions.

Our Properties

Upon consummation of this offering and completion of our pending acquisitions, we will have a portfolio of 23 properties totaling approximately 3.6 million square feet of GLA.

Property	Year Built/ Renovated	Year Acquired	Percentage Owned(%) (Pro Forma)	GLA	Percent Occupied as of June 30, 2003	Major Tenants	Annualized Base Rent($)(1)	Annualized Base Rent Per Square Foot($)	Percentage of Total Annualized Base Rent(%)
Current Properties									
The Point Shopping Center Harrisburg, PA	1972/ 2000-2001	2000	100	255,400	93%	Burlington Coat Factory Giant Food	2,492,294	9.76	7.84
Port Richmond Village Philadelphia, PA	1988	2001	100	155,000	100%	Thriftway Pep Boys	1,745,077	11.26	5.49
Academy Plaza Philadelphia, PA	1965/1998	2001	100	155,000	100%	Acme Markets	1,681,208	10.85	5.29
Washington Center Shoppes Washington Township, NJ	1979/1995	2001	100	158,000	96%	Acme Markets Powerhouse Gym	1,028,390	6.51	3.24
Loyal Plaza Shopping Center Williamsport, PA	1969/ 1999-2000	2002	25	293,300	92%	K-Mart Giant Food	1,977,741	6.74	6.22
Red Lion Shopping Center Philadelphia, PA	1971/1990 and 1998-2000	2002	20	224,300	94%	Sports Authority Best Buy Staples	2,401,179	10.71	7.56
Camp Hill Mall Camp Hill, PA	1958/1986, 1991 and 2003	2002	100	521,600	70%*	Boscov's Giant Food Barnes & Noble	2,753,419	5.28	8.67
LA Fitness Center Fort Washington, PA	N/A	2002	50	41,000	N/A	LA Fitness Center	N/A	N/A	N/A
Halifax Plaza Halifax, PA	1994	2003	30	54,200	100%	Giant Food Rite Aid	521,361	9.62	1.64
Newport Plaza Newport, PA	1996	2003	30	66,800	100%	Giant Food Rite Aid	538,692	8.06	1.70
Fairview Plaza New Cumberland, PA	1992	2003	30	69,600	97%	Giant Food	811,991	11.67	2.56
Pine Grove Shopping Center Pemberton Township, NJ	2001-2002	2003	100	79,300	97%	Peebles	814,909	10.28	2.56
Swede Square Shopping Center East Norriton, PA	1980/2003	2003	100	102,500	74%*	LA Fitness	906,374	8.84	2.85
Valley Plaza Shopping Center Hagerstown, MD	1973-1975/ 1994	2003	100	191,200	100%	K-Mart Ollie's Tractor Supply Company	861,033	4.50	2.71
Wal-Mart Shopping Center Southington, CT	1972/2000	2003	100	154,700	99%	Wal-Mart Namco	948,582	6.13	2.99
Pending Transactions									
South Philadelphia Shopping Plaza Philadelphia, PA	1950/ 1998-2003		(2)	283,300	91%	Shop Rite Bally's Total Fitness Ross	3,590,832	12.68	11.30
Golden Triangle Shopping Center Lancaster, PA	1960/1985, 1990, 1997 and 2003		100	229,000	47%*	Marshalls Staples	1,098,930	4.80	3.46
Columbus Crossing Shopping Center Philadelphia, PA	2001		(3)	142,200	100%	Super Fresh Old Navy A.C. Moore	2,253,224	15.85	7.09
River View Plaza I Philadelphia, PA	1991/1998		(3)	117,600	83%	United Artists	1,947,174	16.56	6.13
River View Plaza II Philadelphia, PA	1991/1993 and 1995		(3)	46,600	91%	Staples West Marine	886,056	19.01	2.79

Property	Year Built/ Renovated	Year Acquired	Percentage Owned(%) (Pro Forma)	GLA	Percent Occupied as of June 30, 2003	Major Tenants	Annualized Base Rent($)(1)	Annualized Base Rent Per Square Foot($)	Percentage of Total Annualized Base Rent(%)
River View Plaza III Philadelphia, PA	1991/1995		(3)	82,400	98%	Pep Boys Athlete's Foot	1,413,756	17.16	4.45
Lake Raystown Plaza Huntingdon, PA	1995		100	84,300	100%	Giant Food Rite Aid Fashion Bug	764,298	9.06	2.41
Huntingdon Plaza Huntingdon, PA	1970		100	102,100	70%(4)	Peebles Auto Zone	334,692	3.28	1.05
Total/Weighted Average for current properties and pending transactions			85%(5)	3,609,400			31,771,212	8.80	100%

* Properties under redevelopment

(1) Annualized base rent represents the contractual base rent for leases in place as of June 30, 2003, calculated on a straight-line basis in accordance with U.S. generally accepted accounting principles, or GAAP. This amount excludes operating expense recoveries that would be applicable to such leases.

(2) We have entered into a lease agreement to obtain operating control of this property, along with an option to acquire this property in ten years. A description of this transaction is set forth below under "Business and Properties — Pending Transactions."

(3) We have entered into an agreement to acquire this property through a partnership in which we will own 100% of the common equity interest; the seller will retain a preferred interest that will be entitled to a return that approximates the interest payment on a loan that we will make to the seller upon closing of the acquisition. A description of this transaction is set forth below under "Business and Properties — Pending Transactions"

(4) Includes approximately 22,000 square feet under construction that has been leased to Peebles.

(5) Represents weighted average percentage ownership based upon GLA and includes 100% of South Philadelphia Shopping Plaza, Columbus Crossing Shopping Center and River View Plaza I, II and III. Joint venture properties are subject to the distribution priorities described elsewhere in this prospectus.

Pending Transactions

We intend to acquire or obtain operating control of all of the properties discussed below shortly after consummation of this offering. Although agreements have been executed with respect to these properties, we cannot assure you that any of these transactions will be consummated.

- *South Philadelphia Shopping Plaza.* We have entered into a lease agreement to obtain operating control of South Philadelphia Shopping Plaza in Philadelphia, Pennsylvania, coupled with an option to purchase the property in 10 years, which option we currently intend to exercise. At the time we enter into the lease, we will make a $39.0 million loan to the current owners of the property, which would be repaid if and when we exercise the purchase option. Our payments under the lease will approximate interest payments due under the loan. This property contains approximately 283,000 square feet of GLA and is anchored by a Shop Rite supermarket, Bally's Total Fitness, Ross and Strauss Auto Zone.

- *Golden Triangle Shopping Center.* We have entered into an agreement to acquire Golden Triangle Shopping Center in Lancaster, Pennsylvania for a purchase price of approximately $1.5 million, plus closing costs, and the assumption of a $9.9 million first mortgage. This property contains approximately 229,000 square feet of GLA and is anchored by Marshalls and Staples.

- *Columbus Crossing Shopping Center.* We have entered into an agreement to acquire operating control of Columbus Crossing Shopping Center in Philadelphia, Pennsylvania for approximately $26.5 million, plus closing costs, including the assumption of a $17.5 million mortgage. This property contains approximately 142,000 square feet of GLA and is anchored by a Super Fresh supermarket.

- *River View Plaza I, II and III.* We have entered into an agreement to acquire operating control of River View Plaza I, II and III shopping centers in Philadelphia, Pennsylvania for approximately $49.1 million, including repayment of a first mortgage. River View I contains approximately 118,000 square feet of GLA and is anchored by a United Artists Theatre. River View II contains approximately 47,000 square feet of GLA and is anchored by Staples and West Marine. River View III contains approximately 82,000 square feet of GLA and is anchored by Pep Boys and Athlete's Foot. These centers are being acquired in a single transaction together with the Columbus Crossing Shopping Center.

- *Lake Raystown Plaza.* We have entered into an agreement to purchase the Lake Raystown Plaza shopping center in Huntingdon, Pennsylvania for a purchase price of approximately $7.0 million, plus closing costs. This property contains approximately 84,000 square feet of GLA and is anchored by a Giant Food supermarket.

- *Huntingdon Plaza.* We have entered into an agreement to purchase the Huntingdon Plaza shopping center in Huntingdon, Pennsylvania for a purchase price of approximately $4.0 million, plus closing costs. This property contains approximately 102,000 square feet of GLA and is anchored by Peebles, a department store. This center is being acquired in a single transaction together with Lake Raystown Plaza.

In addition, we have entered into an agreement to acquire the 50% interest in The Point Shopping Center in Harrisburg, Pennsylvania which is not owned by us for a purchase price of approximately $2.4 million, subject to a $19.7 million first mortgage.

Summary Risk Factors

You should carefully consider the matters discussed in the section "Risk Factors" prior to deciding whether to invest in our common stock. Some of these risks include:

- All of our properties are located in the Northeast, primarily in eastern Pennsylvania, which exposes us to greater economic risks than if we owned properties in several geographic regions.
- After this offering and the pending acquisitions described in this prospectus, we expect to have approximately $166.9 million of consolidated debt, of which our share is $131.5 million after accounting for minority interests, a portion of which will be variable rate debt, which may impede our operating performance and put us at a competitive disadvantage.
- Any tenant bankruptcies or leasing delays we encounter, particularly with respect to our anchor tenants, could seriously harm our operating results and financial condition.
- Since 2000, we have incurred net operating losses and if we are not able to achieve and maintain profitability, the market price of our common stock could decrease.
- We may not be successful in identifying suitable acquisitions that meet our criteria, which may impede our growth; if we do identify suitable acquisition targets, we may not be able to consummate such transactions on favorable terms. Integral to our business strategy is our ability to expand through acquisitions, which requires us to identify suitable acquisition candidates or investment opportunities that meet our criteria and are compatible with our growth strategy.
- Future acquisitions of real properties or other assets that we may make may not yield the returns we expect, may result in disruptions to our business, may strain management resources or may result in stockholder dilution.
- After this offering and completion of our pending acquisitions, we will own six of our properties through joint ventures and in the future we may co-invest with third parties through joint ventures. Joint venture investments could be adversely affected by our lack of sole decision-making authority and any disputes which may arise between us and our joint venture partners.
- Adverse market conditions and competition may impede our ability to renew leases or re-let space as leases expire, which could harm our business and operating results.
- Our properties consist of neighborhood and community shopping centers. Our performance therefore is linked to economic conditions in the market for retail space generally.
- We have recently experienced and expect to continue to experience rapid growth and may not be able to integrate additional properties into our operations or otherwise manage our growth, which may adversely affect our operating results.
- Upon consummation of this offering and completion of our pending acquisitions, we will rely on Giant Food for approximately 10.3% of our total annual revenues.
- Prior to the consummation of this offering, we were externally managed by entities controlled by our executive officers; we do not have any operating history as a REIT which is self-administered and self-managed.

- Our charter documents contain anti-takeover provisions that would, with some exceptions, prohibit any person from beneficially owning more than 9.9% of our outstanding common stock upon consummation of this offering. These control provisions may discourage third parties from conducting a tender offer or seeking other change of control transactions that could involve a premium price for our shares or otherwise benefit our stockholders.

- We have not made distributions on our common stock since August 18, 2000. After completion of this offering, we intend to make quarterly distributions; however, there are no assurances of our ability to make distributions in the future.

- If we fail to remain qualified as a REIT, our distributions will not be deductible by us, and our income will be subject to taxation, reducing our earnings available for distribution.

Restrictions on Ownership of Our Capital Stock

Due to limitations on the concentration of ownership of REIT stock imposed by the Internal Revenue Code of 1986, or the Code, and to address other concerns relating to concentration of common stock ownership, our charter documents generally prohibit any stockholder from beneficially owning more than 9.9% of the outstanding shares of our common stock.

Our board of directors may, in its sole discretion, waive the ownership limit if our board is presented with evidence satisfactory to it that the ownership will not then or in the future jeopardize our status as a REIT.

Our Tax Status

We elected to be taxed as a REIT under Sections 856 through 860 of the Code, commencing with the taxable year ended December 31, 1986. We are organized in conformity with the requirements for qualification as a REIT under the Code, and our manner of operation enables us to meet the requirements for taxation as a REIT for federal income tax purposes. To maintain REIT status, we must meet a number of organizational and operational requirements, including a requirement that we currently distribute at least 90% of our REIT taxable income to our stockholders. As a REIT, we generally will not be subject to federal income tax on REIT taxable income we distribute currently to our stockholders.

If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax at regular corporate rates. Even if we qualify for taxation as a REIT, we may be subject to some federal, state and local taxes on our income and property.

Distribution Policy

We intend to make regular quarterly distributions to our common stockholders. The initial distribution, covering a partial quarter commencing on the closing of this offering and ending on December 31, 2003, is expected to be approximately $0.159 per share. This initial partial distribution is based on a full quarterly distribution of $0.225 per share and represents an annualized distribution of $0.90 per share. This initial expected annual distribution represents an initial annual distribution rate of 7.2%, based upon an assumed public offering price of $12.50 per share of our common stock. We estimate that this initial distribution will represent approximately 100% of our estimated cash available for distribution for the twelve months ending June 30, 2004. See “Distribution Policy” for information as to how we derived this estimate. We cannot assure you that our estimated distribution will be made or sustained. In addition, we are not estimating the amount of any distribution we might make for any period after the twelve months ending June 30, 2004. Our actual distributions will be affected by a number of factors, including the revenue we receive from our properties, our operating expenses, interest expense, the ability of our tenants to meet their obligations and unanticipated expenditures.

New Line of Credit

We have obtained a commitment for a three year $75 million secured revolving credit facility. Under the terms of this commitment, after the consummation of this offering, we expect to have available a $40 million bridge loan, with the remaining $35 million to be available upon syndication of the facility prior to December 31, 2003 and the satisfaction of certain covenants. Borrowings under the facility will incur interest at a rate of LIBOR plus 2.25% subject to increases up to 2.75% depending upon our leverage. The operating partnership will be the borrower under this facility and we will guarantee this facility. We intend to use the facility principally to fund acquisitions and refinance certain properties. We also may use this facility to fund payments under our existing mortgage indebtedness and for general corporate purposes. There can be no assurance that the syndication will be completed or that we will be able to comply with all covenants.

Our Corporate Structure

We were originally incorporated in Iowa on December 10, 1984 and elected to be taxed as a REIT commencing with the taxable year ended December 31, 1986. In June 1998, following a tender offer completed in April 1998 for the purchase of our common stock by Cedar Bay Company, or CBC, we reorganized as a Maryland corporation and established an "umbrella partnership REIT" structure through the contribution of substantially all of our assets to the operating partnership, a Delaware limited partnership. We conduct our business primarily through the operating partnership. We are the sole general partner and, upon consummation of this offering, we will own a 97.65% interest in the operating partnership. After this offering and completion of our pending acquisitions, CBC will own less than 1% of our outstanding common stock and units of limited partnership in the operating partnership, or units. CBC presently is the owner of 78% of our outstanding common stock and units on a fully diluted basis. CBC is a New York partnership owned 55% by Duncomb Corp., 40% by Lindsay Management Corp. and 5% by Hicks Corp. Leo S. Ullman, our Chairman of the Board, Chief Executive Officer and President, is an executive officer and director, but not an owner, of each of these entities.

We are a REIT that will be fully integrated, self-administered and self-managed upon consummation of this offering, since we are merging with our advisors in connection with this offering, as discussed below. We are currently an externally advised REIT. With the exception of a few non-management employees at certain of our centers, we have no employees and rely on our external advisors to manage our affairs. Cedar Bay Realty Advisors, Inc., or CBRA, provides us with management, acquisition, leasing, advisory services, accounting systems, professional and support personnel and office facilities. Brentway Management LLC, or Brentway, provides property management, leasing, construction management and loan placement services to our properties. SKR Management Corp., or SKR, provides certain legal services to us and our properties. CBRA, Brentway and SKR are owned by Leo S. Ullman and Brenda Walker, our executive officers. We refer collectively to CBRA, Brentway and SKR as our advisors.

Merger of Our Advisors

Immediately prior to this offering, CBRA and SKR will merge into us and Brentway will merge into the operating partnership. Each of the principals of our advisors will become our employees and executive officers upon consummation of this offering. The aggregate consideration to be received by CBRA, SKR and Brentway in connection with the merger is 1,040,000 shares of our common stock and units. Each share of common stock and unit issued pursuant to the merger will be valued at the per share public offering price of our common stock in this offering. If the final public offering prices causes the aggregate value of the shares of common stock and units received in connection with the merger to exceed $15.0 million, the number of shares of common stock and units to be received will be reduced so that the number of shares and units when multiplied by the price per share in the offering equals $15.0 million.

Based on the midpoint of the price range set forth on the cover of this prospectus, upon consummation of the merger we will issue 693,333 shares of our common stock having an aggregate value of $8,666,662 to the owners and employees of CBRA and SKR. The shares will not be registered, and

may only be transferred pursuant to an effective registration statement filed under the Securities Act of 1933 or pursuant to an exemption from such registration.

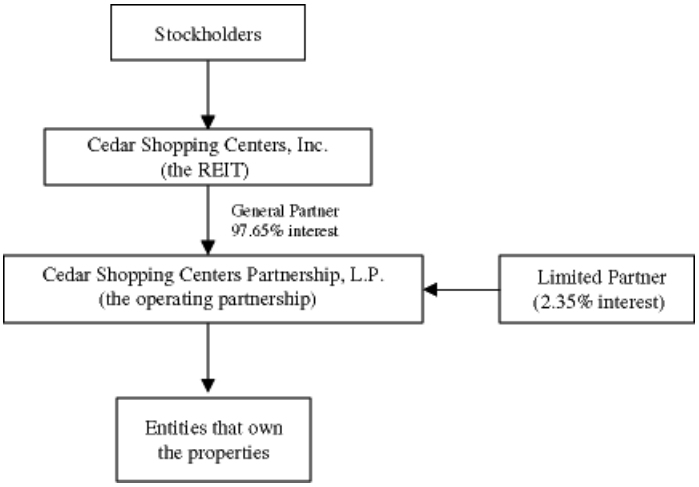
As consideration for the merger of Brentway into the operating partnership, the operating partnership will issue 346,667 units having an aggregate value of $4,333,338, based on the midpoint of the price range set forth on the cover of this prospectus, to the owners of Brentway. Each unit is exchangeable at any time into one share of our common stock. The units and the shares of common stock into which the units may be exchanged will not be registered, and may only be transferred pursuant to an effective registration statement filed under the Securities Act of 1933 or pursuant to an exemption from such registration.

An independent committee of our board consisting of disinterested directors retained a financial advisor who advised them as to the fairness of the consideration to be paid in connection with the merger of our advisors from a financial perspective. The independent committee and the board have approved the merger. The merger was submitted to and approved by our stockholders at the annual meeting of stockholders held on October 9, 2003, by more than 70% of our outstanding shares, with approximately 93% of the shares voted having been voted for the merger.

Consequences of the Merger of Our Advisors and this Offering

We will be a REIT that is fully integrated, self-administered and self-managed upon consummation of the merger of our advisors. We intend to conduct our business and hold all of our interests in our properties through the operating partnership, either directly or indirectly through partnerships or other entities holding title to our properties. As the sole general partner of the operating partnership, we have the exclusive power to manage and conduct the business of the partnership, subject to customary exceptions described in the partnership agreement.

The diagram below sets forth our corporate structure after giving effect to the merger of our advisors and this offering.



Benefits to Related Parties

In connection with the merger of our advisors into us and upon consummation of this offering, the following benefits will be received by related parties:

- $3.96 million of the proceeds from this offering will be used to redeem the 9% Series A preferred partnership units, or the preferred units, owned by Homburg Invest USA Inc., or Homburg USA, which currently owns 5.6% of our common stock and units on a fully-diluted basis prior to consummation of this offering and has two representatives on our board of directors.

- $6.4 million of the proceeds from this offering will be used to purchase the interests owned by Homburg Invest, Inc., or Homburg Invest, in Pine Grove Shopping Center, Swede Square Shopping Center and Wal-Mart Shopping Center.

- Homburg Invest will be released from guarantees with regard to $6.4 million of subordinated loans on Valley Plaza Shopping Center and Wal-Mart Shopping Center. Homburg Invest will receive approximately $225,000 in fees from the lender upon repayment of the loans.

- $1.1 million (exclusive of accrued interest) of the proceeds from this offering will be used to repay a loan we received from Homburg Invest, which was used to make a portion of the deposit in connection with the South Philadelphia Shopping Plaza transaction. Homburg Invest will receive approximately $220,000 in exit fees upon repayment of the loan.

- $750,000 (exclusive of accrued interest) of the proceeds from this offering will be used to repay a loan we received from an affiliate of CBC, which was used to make a portion of the deposit in connection with the South Philadelphia Shopping Plaza transaction.

- $9.0 million of the proceeds from this offering will be used to repurchase all of the units in the operating partnership owned by CBC, representing a price of $15.87 per unit. An independent committee of our board consisting of disinterested directors retained a financial advisor who advised them as to the fairness of the consideration to be paid to CBC.

- $2.4 million of the proceeds from this offering will be used to purchase a 50% interest in The Point Shopping Center from certain affiliates of CBC. Such affiliates will be entitled to an additional $150,000 payment from us if we successfully lease existing vacant space.

- $1.5 million, plus closing costs, of the proceeds from this offering will be used to acquire Golden Triangle Shopping Center from certain affiliates of CBC, plus assumption of a $9.9 million first mortgage.

- $887,000 (exclusive of accrued interest) of the proceeds from this offering will be used to repay a promissory note issued by the operating partnership in favor of CBC, which we used to purchase a 20% interest in Red Lion Shopping Center.

- Approximately $1.0 million of the proceeds from this offering will be used to pay accrued and unpaid fees owed to, or loans made to us by, Mr. Ullman and Brenda J. Walker, who are the owners of the advisors. This includes repayment of a loan by Mr. Ullman to CBRA of $150,000, which was used to pay certain of our obligations.

- Mr. Ullman, Ms. Walker, Thomas J. O'Keeffe, Stuart H. Widowski, and Thomas B. Richey, our directors and/or officers, who are the owners of and/or officers of CBRA, SKR, and Brentway, will receive an aggregate of 924,401 shares of our common stock and units of the operating partnership in connection with the merger of our advisors, having an aggregate value of $11,555,000, based on the midpoint of the price range set forth on the cover of this prospectus.

- Messrs. Ullman, O'Keeffe, Widowski and Richey and Ms. Walker will enter into employment agreements with us providing each of them with salary and other benefits.

The Offering

Common stock offered	13,500,000 shares
Shares of common stock outstanding after the offering	14,431,111 shares
Shares of common stock and units outstanding after the offering	14,777,778 shares/units
Use of proceeds	We estimate that our net proceeds from this offering will be approximately $153.6 million. We intend to use these net proceeds to consummate pending acquisitions, to repurchase or redeem outstanding units, to repurchase interests of joint ventures, to repay outstanding indebtedness, for working capital purposes and for general corporate purposes.
Risk factors	See "Risk Factors" and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock.
New York Stock Exchange symbol	"CDR"

The number of shares of common stock to be outstanding after this offering is based on the total number of shares of common stock outstanding as of June 30, 2003, as adjusted to give effect to this offering, the two-for-one stock split effected in July 2003, the merger of our advisors, and the concurrent issuance of shares and units, the redemption or repurchase of outstanding units and the 1-for-6 reverse stock split that will be effective October 19, 2003. The number of shares of common stock to be outstanding after this offering excludes 2,000,000 shares reserved for issuance under our stock option plan, warrants to purchase 83,333 units of the operating partnership, each of which is exchangeable for one share of common stock at an exercise price of $13.50 per unit, and 2,025,000 shares issuable upon exercise of the underwriters' overallotment option.

The number of units to be outstanding after this offering is 346,667, consisting of those issued in connection with the merger of Brentway and the redemption or repurchase of outstanding units. Subject to the limitations in the operating partnership's partnership agreement, the units are exchangeable for shares of our common stock on a one-to-one basis.

Summary Historical and Pro Forma Consolidated Financial and Operating Data

The operating data for the years ended December 31, 2000, 2001 and 2002 and the balance sheet data as of December 31, 2001 and 2002 are derived from our financial statements and notes thereto included elsewhere in this prospectus and which have been audited by Ernst & Young LLP, our independent auditors. The balance sheet data as of December 31, 2000 is derived from our financial statements that are not included in this prospectus. The operating data for the six months ended June 30, 2003 and 2002, and the balance sheet as of June 30, 2003 are derived from our unaudited financial statements and notes thereto included elsewhere in this prospectus. The following selected financial data should be read in conjunction with our financial statements and the notes thereto, appearing elsewhere in this prospectus and the information under "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The following tables also set forth our selected financial data on a pro forma basis, as if we completed the offering of our common stock to which this prospectus relates, the pending acquisitions, the merger of our advisors and the application of the proceeds from this offering as described below under "Use of Proceeds" and we qualified as a REIT, distributed 90% of our taxable income and, therefore, incurred no income tax expense during the period. The unaudited pro forma operating data for the six months ended June 30, 2003 is presented as if we completed the offering of our common stock to which this prospectus relates, the pending acquisitions, the merger of our advisors and the application of the proceeds from this offering as described below under "Use of Proceeds" on January 1, 2003. The unaudited pro forma operating data for the year ended December 31, 2002 is presented as if we completed the offering transaction and acquired the properties and the management companies and completed the refinancing transactions on January 1, 2002. The unaudited pro forma balance sheet as of June 30, 2003 is presented as if we completed the offering transaction and acquired the properties and the management companies and completed the refinancing transactions on June 30, 2003.

The pro forma information is based upon assumptions that are included in the notes to the pro forma financial statements included elsewhere in this prospectus. The pro forma information is unaudited and is not necessarily indicative of what our financial position and results of operations would have been as of and for the dates or periods indicated, nor does it purport to represent our future financial position and results of operations for future dates or periods.

	Pro forma Six Months Ended	Six Months Ended June 30,		Pro forma Year Ended December 31,	Years Ended December 31,		
	June 30, 2003	2003	2002	2002	2002	2001	2000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)			
Operating Data:							
Revenues							
Rents	$ 20,117,369	$11,203,000	$ 5,151,000	$ 38,600,034	$12,964,000	$ 4,817,000	$3,037,000
Interest and other income	632,601	219,000	16,000	584,030	25,000	282,000	179,000
Total Revenues	20,749,970	11,422,000	5,167,000	39,184,064	12,989,000	5,099,000	3,216,000
Operating expenses							
Operating, maintenance and management	5,226,729	3,206,000	1,207,000	7,946,256	2,313,000	1,091,000	745,000
Real estate taxes	2,063,033	1,232,000	593,000	3,869,599	1,527,000	494,000	308,000
General and administrative	1,500,000	1,172,000	554,000	3,000,000	2,005,000	731,000	635,000
Depreciation and amortization	3,519,266	1,767,000	1,112,000	6,985,029	2,546,000	991,000	622,000
Interest expense(1)	4,968,581	4,290,000	2,725,000	11,056,823	6,010,000	2,152,000	654,000
Total operating expenses	17,277,609	11,667,000	6,191,000	32,857,707	14,401,000	5,459,000	2,964,000
Operating (loss) income	3,472,361	(245,000)	(1,024,000)	6,326,357	(1,412,000)	(360,000)	252,000
Minority interests	(423,667)	(422,000)	121,000	(531,617)	(159,000)	(44,000)	8,000
Limited partners' interest	—	449,000	677,000	—	1,152,000	263,000	(160,000)
Loss on impairment	—	—	—	—	—	(1,342,000)	(204,000)
Gain on sale of properties	—	—	—	—	—	1,638,000	91,000
Loss on sale of properties	—	—	(49,000)	—	(49,000)	(296,000)	—

	Pro forma Six Months Ended June 30, 2003	Six Months Ended June 30,		Pro forma Year Ended December 31, 2002	Years Ended December 31,		
		2003	2002		2002	2001	2000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)			
Net (loss) income before cumulative effect adjustment	$ 3,048,694	$ (218,000)	$ (275,000)	$ 5,794,740	$(468,000)	$(141,000)	$ (13,000)
Cumulative effect of change in accounting principles (net of limited partner's share of $15,000)	—	—	—	—	—	(6,000)	—
Distribution to preferred shareholders (net of limited partner's interest of $48,000)	—	(21,000)	—	—	—	—	—
Net (loss) income	$ 3,048,694	$ (239,000)	$ (275,000)	$ 5,794,740	$(468,000)	$(147,000)	$ (13,000)
Net (loss) earnings per share before cumulative effect adjustment	.21	$ (0.89)	$ (1.19)	.39	$ (2.02)	$ (0.64)	$ (0.04)
Cumulative change in accounting principle per share	0.00	0.00	0.00	0.00	0.00	(0.004)	0.00
Net (loss) earnings per share	.21	$ (0.89)	$ (1.19)	.39	$ (2.02)	$ (0.64)	$ (0.04)
Dividends to shareholders	—	$ —	$ —	—	$ —	$ —	$268,000
Dividends to shareholders per share	—	$ —	$ —	—	$ —	$ —	$ 0.15
Average number of shares/units outstanding(2)	14,778,000	270,000	231,000	14,771,000	231,333	230,666	289,666

	Pro forma June 30, 2003	June 30, 2003	December 31, 2002	December 31, 2001	December 31, 2000
	(unaudited)	(unaudited)			
Balance Sheet Data:					
Real estate before accumulated depreciation	$328,076,890	$172,431,000	$123,634,000	$57,622,000	$28,272,000
Real estate after accumulated depreciation	324,160,890	168,515,000	121,238,000	56,948,000	24,095,000
Real estate held for sale	—	—	—	4,402,000	1,850,000
Total assets	341,240,747	182,496,000	133,138,000	68,350,000	35,567,000
Mortgage loans and loan payable(3)	166,927,750	140,333,000	101,001,000	52,110,000	19,416,000
Minority interest	12,656,511	18,915,000	10,238,000	2,235,000	2,291,000
Limited partner's interest in consolidated operating partnership	3,444,896	10,026,000	10,889,000	8,964,000	9,242,000
Shareholders' equity	$143,146,432	$ 2,917,000	$ 3,245,000	$ 3,667,000	$ 3,815,000
Other Data:					
Cash flow from operating activities		$ 451,000	$ 1,159,000	$ 1,000,000	$ 989,000
Cash flow from investing activities		(50,563,000)	(41,380,000)	(2,529,000)	(8,850,000)
Cash flow from financing activities		47,400,000	41,803,000	3,451,000	5,886,000

(1) In May 2002, the FASB issued SFAS No. 145 (SFAS 145), "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS 145 generally provided for various technical corrections to previously issued accounting pronouncements. The only impact to us related to SFAS 145 provided that early extinguishment of debt, including the write-off of unamortized deferred loan costs, are generally no longer considered extraordinary items. We have adopted the provisions of SFAS 145 and have presented all previous early write-offs of unamortized loan costs as a component of interest expense.

(2) For purposes of the shares/units outstanding, the reverse stock split was calculated based on a 1-for-6 basis.

(3) Represents consolidated indebtedness. See indebtedness table in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources" for our share of pro forma mortgage loans and loans payable.

	Pro forma Six Months Ended June 30, 2003	Pro forma Year Ended December 31, 2002	Pro forma Year Ended June 30, 2003
Other Data:			
Funds from operations(1)	$5,822,000	$11,158,000	$12,534,000

(1) Management believes that funds from operations, or FFO, is a widely recognized and appropriate measure of performance of an equity REIT. Although FFO is a non-GAAP financial measure, management believes it provides useful information to shareholders, potential investors, and management. Management computes FFO in accordance with the standards established by The National Association of Real Estate Investment Trusts, or NAREIT. FFO is defined by NAREIT as net income or loss excluding gains or losses from debt restructuring and sales of properties plus real estate depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. FFO does not represent cash generated from operating activities in accordance with accounting principles generally accepted in the United States and is not indicative of cash available to fund cash needs. FFO should not be considered as an alternative to net income, as an indicator of the Company's operating performance, or as an alternative to cash flow as a measure of liquidity. As not all companies and analysts calculate FFO in a similar fashion, the Company's calculation of FFO presented herein may not be comparable to similarly titled measures as reported by other companies. For a reconciliation of pro forma FFO to pro forma net (loss) income before limited partner's interest in operating partnership, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Funds From Operations."

RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the following information, together with the other information contained in this prospectus, before buying shares of our common stock. In connection with the forward-looking statements that appear in this prospectus, you should also carefully review the cautionary statement referred to under "Special Note Regarding Forward-Looking Statements."

Risks Related to Our Properties and Our Business

All of our properties are located in the Northeast, primarily in eastern Pennsylvania, which exposes us to greater economic risks than if we owned properties in several geographic regions.

Any adverse economic or real estate developments in the Northeast resulting from the region's regulatory environment, business climate, fiscal problems or weather, could adversely impact our financial condition, results of operations, cash flow, the per share trading price of our common stock, and our ability to satisfy our debt service obligations and to make distributions to our stockholders. We cannot assure you of the continued growth of the Northeast economy, the national economy or our further growth rate.

After this offering and completion of the pending property acquisitions described in this prospectus, we expect to have approximately $166.9 million of consolidated debt of which our share is $131.5 million, a portion of which will be variable rate debt, which may impede our operating performance and put us at a competitive disadvantage.

Required repayments of debt and related interest can adversely affect our operating performance. Upon completion of this offering and the proposed property acquisitions described in this prospectus, we expect to have approximately $166.9 million of outstanding consolidated indebtedness of which our share is $131.5 million. Approximately $53.4 million of this consolidated debt will bear interest at a variable rate of which our share is $52.6 million. Failure to hedge effectively against interest rate changes may adversely affect results of operations.

We also intend to incur additional debt in connection with future acquisitions of real estate. We may borrow new funds to acquire properties. In addition, we may incur or increase our mortgage debt by obtaining loans secured by some or all of the real estate properties we acquire. We also may borrow funds if necessary to satisfy the requirement that we distribute to stockholders as distributions at least 90% of our annual REIT taxable income or otherwise as is necessary or advisable to ensure that we maintain our qualification as a REIT for federal income tax purposes.

Our substantial debt may harm our business and operating results by:

- requiring us to use a substantial portion of our funds from operations to pay interest, which reduces the amount available for distributions;
- placing us at a competitive disadvantage compared to our competitors that have less debt;
- making us more vulnerable to economic and industry downturns and reducing our flexibility in responding to changing business and economic conditions; and
- limiting our ability to borrow more money for operations, capital or to finance acquisitions in the future.

In addition to the risks discussed above and those normally associated with debt financing, including the risk that our cash flow will be insufficient to meet required payments of principal and interest, we also are subject to the risk that we will not be able to refinance the existing indebtedness on our properties (which, in most cases, will not have been fully amortized at maturity), or that the terms of any refinancing we could obtain would not be as favorable as the terms of our existing indebtedness. If we are not successful in refinancing this debt when it becomes due, we may be forced to dispose of properties on disadvantageous terms, which might adversely affect our ability to service other debt and to meet our

other obligations. In addition to the above risks associated with our debt financing, the terms of certain of our joint venture partnership agreements provide for minimum priority cumulative returns to the joint venture partners. To the extent that these specified minimum returns are not achieved, our equity interest in these partnerships can be negatively affected.

Any tenant bankruptcies or leasing delays we encounter, particularly with respect to our anchor tenants, could seriously harm our operating results and financial condition.

Substantially all our revenues are derived from rental income from our properties. At any time, our tenants may experience a downturn in their business that may weaken their financial condition or become insolvent. As a result, our tenants may delay lease commencement, fail to make rental payments when due or declare bankruptcy. We are subject to the risk that these tenants may be unable to make their lease payments or may decline to extend a lease upon its expiration. Any tenant bankruptcies, leasing delays or failure to make rental payments when due could result in the termination of the tenant's lease and material losses to us and may harm our operating results.

Our business may be seriously harmed if any anchor tenant decides not to renew its lease or vacates a property and prevents us from re-leasing that property by continuing to pay base rent for the balance of the term. In addition to the loss of rental payments from the anchor tenant, a lease termination by an anchor tenant or a failure by that anchor tenant to occupy the premises could result in lease terminations or reductions in rent by other tenants in the same shopping center whose leases permit cancellation or rent reduction under these circumstances.

Any bankruptcy filings by or relating to one of our tenants or a lease guarantor would bar all efforts by us to collect pre-bankruptcy debts from that tenant, the lease guarantor or their property, unless we receive an order permitting us to do so from the bankruptcy court. A tenant or lease guarantor bankruptcy could delay our efforts to collect past due balances under the relevant leases, and could ultimately preclude full collection of these sums. If a lease is assumed by the tenant in bankruptcy, all pre-bankruptcy balances due under the lease must be paid to us in full. However, if a lease is rejected by a tenant in bankruptcy, we would have only a general unsecured claim for damages. Any unsecured claim we hold may be paid only to the extent that funds are available and only in the same percentage as is paid to all other holders of unsecured claims. It is possible that we may recover substantially less than the full value of any unsecured claims we hold, which may harm our financial condition. In September 2003, Drug Emporium, a tenant at the South Philadelphia Shopping Plaza which leases 26,000 square feet at a rental of approximately $35,000 per month, filed for bankruptcy protection under Chapter XI of the United States Bankruptcy Code indicating that it would be liquidating its assets. Drug Emporium has neither assumed nor rejected our lease. We do not have any knowledge as to the length of time it will remain a tenant or continue to pay rent.

On July 31, 2003, Pep Boys, a tenant in three of our properties which leases a total of 42,615 square feet at an annualized base rental of $509,269 as of June 30, 2003 on a pro forma basis, closed 33 stores (none of which were located at our properties) and terminated 900 employees. On September 23, 2003, Standard & Poor's Rating Services placed the ratings on Pep Boys, BB-, on credit watch with negative implications. We have not been advised by Pep Boys as to their intentions to close any of their three stores at our properties.

Since 2000, we have incurred net operating losses and if we are not able to achieve and maintain profitability, the market price of our common stock could decrease.

Since 2000 we have incurred net operating losses. We had net losses from operations of $147,000 and $468,000 for the years ended December 31, 2001 and 2002 and a net loss from operations of $239,000 for the six months ended June 30, 2003. If we are not able to achieve and maintain profitability, which will depend largely on our ability to substantially increase revenues, reduce fixed operating costs and interest charges on outstanding indebtedness, and limit the growth of overhead and direct expenses, the market price of our common stock could decrease and our business and operations could be negatively impacted.

We may not be successful in identifying suitable acquisitions that meet our criteria, which may impede our growth; if we do identify suitable acquisition targets, we may not be able to consummate such transactions on favorable terms.

Integral to our business strategy is our ability to expand through acquisitions, which requires us to identify suitable acquisition candidates or investment opportunities that meet our criteria and are compatible with our growth strategy. We analyze potential acquisitions on a property-by-property and market-by-market basis. We may not be successful in identifying suitable real estate properties or other assets that meet our acquisition criteria or in consummating acquisitions or investments on satisfactory terms. Failure to identify or consummate acquisitions could reduce the number of acquisitions we complete and slow our growth, which could in turn harm our stock price.

We face competition for the acquisition of real estate properties, which may impede our ability to make future acquisitions or may increase the cost of these acquisitions.

We compete with many other entities engaged in real estate investment activities for acquisitions of retail shopping centers, including institutional investors, other REITs and other owner-operators of shopping centers. These competitors may drive up the price we must pay for real estate properties, other assets or other companies we seek to acquire or may succeed in acquiring those companies or assets themselves. In addition, our potential acquisition targets may find our competitors to be more attractive suitors because they may have greater resources, may be willing to pay more, or may have a more compatible operating philosophy. In addition, the number of entities and the amount of funds competing for suitable investment properties may increase. This will result in increased demand for these assets and therefore increased prices paid for them. If we pay higher prices for properties, our profitability will be reduced, and purchasers in this offering may experience a lower return on their investment.

We have recently experienced and expect to continue to experience rapid growth and may not be able to integrate additional properties into our operations or otherwise manage our growth, which may adversely affect our operating results.

We are currently experiencing a period of rapid growth. Since 2000, we have acquired properties containing approximately 2.5 million square feet of GLA for an aggregate purchase price of approximately $125.0 million. We also have entered into agreements to acquire additional properties containing approximately 1.1 million square feet of GLA that we expect to acquire on or shortly after the consummation of this offering for an anticipated aggregate transaction value of approximately $134.8 million. See "Our Business and Properties — Pending Transactions." As a result of the rapid growth of our portfolio, we cannot assure you that we will be able to adapt our management, administrative, accounting and operational systems or hire and retain sufficient operational staff to integrate these properties into our portfolio and manage any future acquisitions of additional properties without operating disruptions or unanticipated costs. Acquisition of any additional properties would generate additional operating expenses that we would be required to pay. As we acquire additional properties, we will be subject to risks associated with managing new properties, including tenant retention and mortgage default. Our failure to successfully integrate any future acquisitions into our portfolio could have a material adverse effect on our results of operations and financial condition and our ability to make distributions to our stockholders.

Our current and future joint venture investments could be adversely affected by our lack of sole decision-making authority, our reliance on joint venture partners' financial condition and any disputes that may arise between us and our joint venture partners.

After this offering we will own six of our properties through joint ventures and in the future we may co-invest with third parties through joint ventures. We may not be in a position to exercise sole decision-making authority regarding the properties owned through joint ventures. Investments in joint ventures may, under certain circumstances, involve risks not present when a third party is not involved, including the possibility that joint venture partners might become bankrupt or fail to fund their share of

required capital contributions. Joint venture partners may have business interests or goals that are inconsistent with our business interests or goals and may be in a position to take actions contrary to our policies or objectives. Such investments also may have the potential risk of impasses on decisions, such as a sale, because neither we nor the joint venture partner would have full control over the joint venture. Any disputes that may arise between us and joint venture partners may result in litigation or arbitration that would increase our expenses and prevent our officers and/or directors from focusing their time and effort on our business. Consequently, actions by or disputes with joint venture partners might result in subjecting properties owned by the joint venture to additional risk. In addition, we may in certain circumstances be liable for the actions of our third-party joint venture partners.

Adverse market conditions and competition may impede our ability to renew leases or re-let space as leases expire, which could harm our business and operating results.

The economic performance and value of our real estate assets is subject to all of the risks associated with owning and operating real estate, including risks related to adverse changes in national, regional and local economic and market conditions. Our properties currently are located primarily in the Northeast. The economic condition of each of our markets may be dependent on one or more industries. An economic downturn in one of these industry sectors may result in an increase in tenant bankruptcies, which may harm our performance in the affected market. Economic and market conditions also may impact the ability of our tenants to make lease payments. If our properties do not generate sufficient income to meet our operating expenses, including future debt service, our income and results of operations would be significantly harmed.

Also, we face competition from similar retail centers within the neighborhood trade areas of each of our centers to renew leases or re-let space as leases expire. In addition, any new competitive properties that are developed within the neighborhood trade areas of our existing properties may result in increased competition for customer traffic and creditworthy tenants. Increased competition for tenants may require us to make capital improvements to properties that we would not have otherwise planned to make. Any unbudgeted capital improvements we undertake may divert away cash that would otherwise be available for distributions to stockholders. Ultimately, to the extent we are unable to renew leases or re-let space as leases expire, it would result in decreased cash flow from tenants and harm our operating results.

Our properties consist of neighborhood and community shopping centers. Our performance therefore is linked to economic conditions in the market for retail space generally.

The market for retail space has been and could be adversely affected by weakness in the national, regional and local economies, the adverse financial condition of some large retailing companies, the ongoing consolidation in the retail sector, the excess amount of retail space in a number of markets, and increasing consumer purchases through catalogues or the Internet. To the extent that any of these conditions occur, they are likely to impact market rents for retail space.

The amount that we borrow under the new line of credit in order to complete our pending acquisitions after consummation of this offering, fund redevelopment and construction, make principal payments under our mortgages and other indebtedness or for other general corporate purposes, will reduce the amount that we will have available to borrow under this new line of credit for acquisitions and other opportunities will be reduced, which could slow our growth.

We have obtained a commitment for a three year $75 million secured revolving credit facility. Under the terms of this commitment, after the consummation of this offering, we expect to have available a $40 million bridge loan, with the remaining $35 million to be available upon syndication of the facility prior to December 31, 2003 and the satisfaction of certain covenants. Borrowings under the facility will incur interest at a rate of LIBOR plus 2.25% subject to increases up to 2.75% depending upon our leverage. The operating partnership will be the borrower under this facility and we will guarantee this facility. We intend to use the facility principally to fund acquisitions and refinance certain properties.

There can be no assurance that the syndication will be completed or that we will be able to comply with all covenants.

Although we generally intend to fund redevelopment and construction costs through borrowings under construction loans and to refinance our mortgage indebtedness upon maturity, we also may be required to borrow funds under this facility for those purposes or for other general corporate purposes. If we do, this will reduce the amount available to us under this facility to borrow for other purposes, such as for acquisitions and other opportunities, which could slow our growth.

The financial covenants in our loan agreements may restrict our operating or acquisition activities, which may harm our financial condition and operating results.

The mortgages on our properties contain customary negative covenants such as those that limit our ability, without the prior consent of the lender, to further mortgage the applicable property, to enter into leases or to discontinue insurance coverage. In addition, our outstanding unsecured debt contains customary limitations on our ability to incur indebtedness. Our ability to borrow under our line of credit is subject to compliance with these financial and other covenants. If we breach covenants in our debt agreements, the lender can declare a default and require us to repay the debt immediately and, if the debt is secured, can immediately take possession of the property securing the loan.

Our performance and value are subject to risks associated with real estate assets and with the real estate industry.

Our ability to make expected distributions to our stockholders depends on our ability to generate revenues in excess of expenses, scheduled principal payments on debt and capital expenditure requirements. Events and conditions generally applicable to owners and operators of real property that are beyond our control may decrease cash available for distribution and the value of our properties. These events include:

- local oversupply, increased competition or reduction in demand for space;
- inability to collect rent from tenants;
- vacancies or our inability to rent space on favorable terms;
- inability to finance property development, tenant improvements and acquisitions on favorable terms;
- increased operating costs, including insurance premiums, utilities and real estate taxes;
- costs of complying with changes in governmental regulations;
- the relative illiquidity of real estate investments;
- changing submarket demographics; and
- changing traffic patterns.

In addition, periods of economic slowdown or recession, rising interest rates or declining demand for real estate, or the public perception that any of these events may occur, could result in a general decline in rents or an increased incidence of defaults under existing leases, which would adversely affect our financial condition, results of operations, cash flow, per share trading price of our common stock and ability to satisfy our debt service obligations and to make distributions to our stockholders.

Redevelopment activities may be delayed or otherwise may not perform as expected.

We are in the process of redeveloping certain of our properties and expect to redevelop other properties in the future. In connection with any redevelopment of our properties, we will bear certain risks, including the risks of construction delays or cost overruns that may increase project costs and make such project uneconomical, the risk that occupancy or rental rates at a completed project will not be sufficient

to enable us to pay operating expenses or earn the targeted rate of return on investment, and the risk of incurrence of predevelopment costs in connection with projects that are not pursued to completion. In addition, consents may be required from various tenants in order to redevelop a center. In case of an unsuccessful redevelopment project, our loss could exceed our investment in the project.

We may be restricted from re-leasing space based on existing exclusivity lease provisions with some of our tenants.

In many cases, our tenant leases contain provisions giving the tenant the exclusive right to sell particular types of merchandise or provide specific types of services within the particular retail center, or limit the ability of other tenants within that center to sell that merchandise or provide those services. When re-leasing space after a vacancy by one of these other tenants, these provisions may limit the number and types of prospective tenants for the vacant space. The failure to re-lease space or to re-lease space on satisfactory terms could harm our operating results.

Potential losses may not be covered by insurance.

We carry comprehensive liability, fire, flood, extended coverage and rental loss insurance covering all of the properties in our portfolio under a blanket policy. We believe the policy specifications and insured limits are appropriate and adequate given the relative risk of loss, the cost of the coverage and industry practice. We do not carry insurance for generally uninsured losses such as loss from riots, war or acts of God. Some of our policies, such as those covering losses due to terrorism and floods, are insured subject to limitations involving large deductibles or co-payments and policy limits that may not be sufficient to cover losses. If we experience a loss that is uninsured or that exceeds policy limits, we could lose the capital invested in the damaged properties as well as the anticipated future cash flows from those properties. In addition, if the damaged properties are subject to recourse indebtedness, we would continue to be liable for the indebtedness, even if these properties were irreparably damaged.

Future terrorist attacks in the United States could harm the demand for, and the value of, our properties.

Future terrorist attacks in the U.S., such as the attacks that occurred in New York, Pennsylvania and Washington, D.C. on September 11, 2001, and other acts of terrorism or war could harm the demand for and the value of our properties. Terrorist attacks could directly impact the value of our properties through damage, destruction, loss or increased security costs, and the availability of insurance for such acts may be limited or may cost more.

To the extent that our tenants are impacted by future attacks, their ability to continue to honor obligations under their existing leases with us could be adversely affected. Additionally, certain tenants have termination rights in respect of certain casualties. If we receive casualty proceeds, we may not be able to reinvest such proceeds profitably or at all, and we may be forced to recognize taxable gain on the affected property.

Rising operating expenses could reduce our cash flow and funds available for future distributions.

Our properties and any properties we buy in the future are and will be subject to operating risks common to real estate in general, any or all of which may negatively affect us. If any property is not fully occupied or if rents are being paid in an amount that is insufficient to cover operating expenses, then we could be required to expend funds for that property's operating expenses. The properties will be subject to increases in real estate and other tax rates, utility costs, operating expenses, insurance costs, repairs and maintenance and administrative expenses.

We rely on Giant Food for 10.3% of our total revenues.

Upon consummation of this offering and completion of our pending acquisitions, seven of our properties will have a Giant Food supermarket as an anchor tenant. Giant Food leases at the Newport

Plaza, Halifax Plaza, and Fairview Plaza properties that were purchased in early 2003 represent a substantial majority of the gross leaseable area and income from these properties. Upon consummation of this offering and completion of our pending acquisitions, we expect Giant Food will account for 10.3% of our total revenue. Ahold N.V., a Netherlands corporation and Giant Food's ultimate parent company, generally guarantees the Giant Food leases. Recent published reports indicate there have been accounting irregularities at certain of Ahold's U.S. and foreign operations, which do not necessarily include the supermarket stores or the Giant Food supermarket affiliates. Ahold's debt rating has been downgraded in 2003, which may adversely affect the resulting value of our properties having such tenancies.

We could incur significant costs related to government regulation and private litigation over 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 petroleum product releases at such property and may be held liable to a governmental entity or to third parties for property damage and for investigation and clean up costs incurred by such parties in connection with 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 substances, may adversely affect the owner's ability to sell or rent such property or to borrow using such property as collateral. In connection with the ownership, operation and management of real properties, we are potentially liable for removal or remediation costs, as well as certain other related costs, including governmental fines and injuries to persons and property.

There are two principal environmental matters that affect our Loyal Plaza Shopping Center. These are (a) certain petroleum-impacted soil at the newly-built, free-standing Eckerd drug store building on an outparcel of the property; and (b) a concentration of dry cleaning solvents, tetrachloroethene, PCE, and trichloroethene, or TCE, at levels in excess of amounts permitted by the Pennsylvania Department of Environmental Protection, or the PADEP.

Under loan agreements between the seller and its lender, the seller had maintained an escrow deposit of $450,000 for clean up and testing of environmental contamination at the site. Pursuant to the purchase agreement for the purchase of the property by us, the seller will remain liable for all costs up to and including a satisfactory "Release of Liability" letter issued by the PADEP with respect to all such contamination at the property. Pursuant to the environmental escrow agreement, the seller increased the environmental escrow deposit to $950,000. Further, in the event that the escrows are insufficient to cover all required testing and remediation, the seller has undertaken to expend any and all monies required to complete such testing and remediation, including monitoring, without limits as to time. While we believe an anticipated "Release of Liability" letter from the PADEP will operate to relieve us of any further liability for remediation of the site under Pennsylvania environmental statutes, or for any contamination identified in reports submitted to and approved by the PADEP, to protect us from successful citizens' suits or other contribution actions, we cannot assure you that we would not incur costs associated with the investigation, remediation or removal of such contamination. Moreover, the presence of such substances, or the failure to properly remediate such substances, may adversely affect our ability to sell or rent such property.

At the South Philadelphia Shopping Plaza, in which we intend to obtain an interest upon consummation of this offering, concentrations of PCE, TCE and cis-1,2-DCE (dry cleaning solvents), at levels in excess of amounts permitted by the PADEP, were found. Pursuant to the agreement we entered into, the existing owner is responsible for all remediation measures as may be required to meet statewide health standards in connection with these contaminants. If the existing owner fails to satisfy its obligations under the agreement we may be liable for significant remediation cost, which could materially adversely affect our financial condition, results of operations and cash flow.

At Swede Square Shopping Center, there are concentrations of dry cleaning solvents in groundwater in excess of amounts permitted by PADEP. Pursuant to a Consent Order and Agreement

entered into between PADEP, the former owner and us, the former owner is required to take all remedial measures, including monitoring of groundwater, to attain site specific standards. We have certain obligations under the Consent Order, including restricting the property to industrial or commercial use, and not disturbing monitoring wells or soils on the property. PADEP covenants not to sue or take administrative action against us for the identified contamination until the remediation is complete, provided we meet our obligations under the Consent Order. While we believe that this covenant relieves us of any liability for remediation under Pennsylvania environmental statutes, it does not protect us from actions or suits by third parties during the remediation. The presence of such substances may also adversely affect our ability to sell or rent such property.

We may incur significant costs complying with the Americans with Disabilities Act and similar laws.

Under the Americans with Disabilities Act of 1990, or the ADA, all public accommodations must meet federal requirements related to access and use by disabled persons. Although we believe that our properties substantially comply with present requirements of the ADA, we have not conducted an audit or investigation of all of our properties to determine our compliance. If one or more of our properties is not in compliance with the ADA, then we would be required to incur additional costs to bring the property into compliance. Additional federal, state and local laws also may require modifications to our properties or restrict our ability to renovate our properties. We cannot predict the ultimate amount of the cost of compliance with the ADA or other legislation. If we incur substantial costs to comply with the ADA and any other legislation, our financial condition, results of operations, cash flow, per share trading price of our common stock, and our ability to satisfy our debt service obligations and make distributions to our stockholders could be adversely affected.

We may incur significant costs complying with other regulations.

Our properties are subject to various federal, state and local regulatory requirements, such as state and local fire and life safety requirements. If we fail to comply with these various requirements, we might incur governmental fines or private damage awards. We believe that our properties are currently in material compliance with all applicable regulatory requirements. However, we do not know whether existing requirements will change or whether future requirements will require us to make significant unanticipated expenditures that will adversely impact our financial condition, results of operations, cash flow, the per share trading price of our common stock, and our ability to satisfy our debt service obligations and make distributions to our stockholders.

Risks Related to Our Organization and Structure

Prior to consummation of this offering, we were externally managed by entities controlled by our executive officers; we do not have any operating history as a REIT that is self-administered and self-managed.

We will be self-administered and self-managed upon the merger of our advisors into us and our operating partnership and consummation of this offering. We do not have any operating history with internal management and do not know if we will be able to successfully integrate our existing external management through the merger. If we are unable to do so this could increase our operating costs. In addition, the transition from external to internal management may result in additional expenses and increased operating costs in the short term. We cannot assure you that our past performance with external management will be indicative of internal management's ability to function effectively and successfully operate our company.

Our charter and Maryland law contain provisions that may delay, defer or prevent a change of control transaction and depress our stock price.

Our charter contains a 9.9% ownership limit. Our charter, subject to certain exceptions, authorizes our directors to take such actions as are necessary and desirable to preserve our qualification as

a REIT and to limit any person to beneficial ownership of no more than 9.9% of the outstanding shares of our common stock. Our board of directors, in its sole discretion, may exempt a proposed transferee from the ownership limit. However, our board of directors may not grant an exemption from the ownership limit to any proposed transferee whose direct or indirect ownership in excess of 9.9% of the value of our outstanding shares of our common stock could jeopardize our status as a REIT. See "Description of Capital Stock — Transfer Restrictions." These restrictions on transferability and ownership will not apply if our board of directors determines that it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT. The ownership limit may delay or impede a transaction or a change of control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders. See "Description of Capital Stock — Transfer Restrictions."

We could authorize and issue stock and units without stockholder approval. Our charter authorizes our board of directors to authorize additional shares of our common stock or preferred stock, issue authorized but unissued shares of our common stock or preferred stock, issue units and to classify or reclassify any unissued shares of our common stock or preferred stock and to set the preferences, rights and other terms of such classified or unclassified shares. See "Description of Capital Stock — Common Stock" and "— Preferred Stock." Although our board of directors has no such intention at the present time, it could establish a series of preferred stock that could, depending on the terms of such series, delay, defer or prevent a transaction or a change of control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

Certain provisions of Maryland law could inhibit changes in control. Certain provisions of the Maryland General Corporation Law, or MGCL, may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change of control under circumstances that otherwise could provide the holders of shares of our common stock with the opportunity to realize a premium over the then-prevailing market price of such shares, including:

- "business combination" provisions that, subject to limitations, prohibit certain business combinations between us and an "interested stockholder" (defined generally as any person who beneficially owns 10% or more of the voting power of our shares or an affiliate thereof) for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter imposes special appraisal rights and special stockholder voting requirements on these combinations; and

- "control share" provisions that provide that our "control shares" (defined as shares that, when aggregated with other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of ownership or control of control shares) have no voting rights except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

We have opted out of these provisions of the MGCL. However, our board of directors may, by resolution, elect to opt in to the business combination provisions of the MGCL and we may, by amendment to our bylaws, opt in to the control share provisions of the MGCL in the future.

If we fail to remain qualified as a REIT, our distributions will not be deductible by us, and our income will be subject to taxation, reducing our earnings available for distribution.

We operate in a manner so as to qualify as a REIT for federal income tax purposes. Although we do not intend to request a ruling from the Internal Revenue Service, or the IRS, as to our REIT status, we will receive the opinion of Stroock & Stroock & Lavan LLP with respect to our qualification as a REIT. This opinion will be issued in connection with this offering of our common stock. Investors should be aware, however, that opinions of counsel are not binding on the IRS or any court. The opinion of Stroock & Stroock & Lavan LLP represents only the view of our counsel based on our counsel's review and analysis of existing law and on certain representations as to factual matters and covenants made by us

and our manager, including representations relating to the values of our assets and the sources of our income. Counsel has no obligation to advise us or the holders of our common stock of any subsequent change in the matters stated, represented or assumed, or of any subsequent change in applicable law. Furthermore, both the validity of the opinion of Stroock & Stroock & Lavan LLP and our continued qualification as a REIT will depend on our satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis, the results of which will not be monitored by Stroock & Stroock & Lavan LLP. Our ability to satisfy the asset tests depends upon our analysis of the fair market values of our assets, some of which are not susceptible to a precise determination, and for which we will not obtain independent appraisals. Our compliance with the REIT income and quarterly asset requirements also depends upon our ability to successfully manage the composition of our income and assets on an ongoing basis. Accordingly, there can be no assurance that the IRS will not contend that our interests in subsidiaries will not cause a violation of the REIT requirements. If we were to fail to qualify as a REIT in any taxable year, we would be subject to federal income tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates, and distributions to stockholders would not be deductible by us in computing our taxable income.

Any such corporate tax liability could be substantial and would reduce the amount of cash available for distribution to our stockholders, which in turn could have an adverse impact on the value of, and trading prices for, our stock. Unless entitled to relief under certain provisions of the Code, we also would be disqualified from taxation as a REIT for the four taxable years following the year during which we ceased to qualify as a REIT. See “Material United States Federal Income Tax Considerations” for a discussion of material federal income tax consequences relating to us and our stock.

REIT distribution requirements could adversely affect our liquidity.

We generally must distribute annually at least 90% of our net taxable income, excluding any net capital gain, in order to remain qualified as a REIT. We intend to make distributions to our stockholders to comply with the requirements of the Code. However, differences in timing between the recognition of taxable income and the actual receipt of cash could require us to sell assets or borrow funds on a short-term or long-term basis to meet the 90% distribution requirement of the Code. Certain of our assets generate substantial mismatches between taxable income and available cash. Such assets include operating real estate that has been financed through financing structures that require some or all of available cash flows to be used to service borrowings. As a result, the requirement to distribute a substantial portion of our net taxable income could cause us to: (a) sell assets in adverse market conditions, (b) borrow on unfavorable terms or (c) distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt in order to comply with REIT requirements.

Further, amounts distributed will not be available to fund investment activities. If we fail to obtain debt or equity capital in the future, it could limit our ability to grow, which could have a material adverse effect on the value of our common stock.

Dividends payable by REITs do not qualify for the reduced tax rates under recently enacted tax legislation.

Recently enacted tax legislation reduces the maximum tax rate for dividends payable to individuals from 38.6% to 15% (through 2008). Dividends payable by REITs, however, are generally not eligible for the reduced rates. Although this legislation does not adversely affect the taxation of REITs or dividends paid by REITs, the more favorable rates applicable to regular corporate dividends could cause investors who are individuals to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the stock of REITs, including our common stock.

In addition, the relative attractiveness of investments in real estate companies or real estate in general may be adversely affected by the newly favorable tax treatment given to corporate dividends, which could affect the value of our real estate assets negatively.

Our success depends on key personnel whose continued service is not guaranteed.

We depend on the efforts of key personnel, particularly Mr. Ullman, our chairman, chief executive officer and president, Mr. O'Keeffe, our chief financial officer, Ms. Walker, our vice president, who is in charge of our property management activity, and Mr. Richey, our vice president and director of construction and maintenance services. The loss of their services could materially and adversely affect our operations because of diminished relationships with lenders, existing and prospective tenants and industry personnel.

Risks Related to this Offering

The offering price for our common stock is significantly below our stock price immediately prior to the offering.

The midpoint of the estimated price range set forth on the cover page of this prospectus of $12.50 per share represents a 42% discount to the last reported sale price of our common stock on the Nasdaq SmallCap Market of $21.42 per share on October 10, 2003. For factors to be considered in determining the price of the shares in this offering, see "Underwriting — Stock Exchange Listing."

The market price for our common stock after this offering may be lower than the offering price and our stock price may fluctuate significantly after this offering.

The price at which the shares of our common stock may sell in the public market after this offering may be lower than the price at which they are sold by the underwriters. The stock market in general has recently experienced extreme price and volume fluctuations. Fluctuations in our stock price may not be correlated in a predictable way to our performance or our operating results. Our stock price may fluctuate as a result of factors that are beyond our control or unrelated to our operating results.

Shares of our common stock have been thinly traded in the past.

As of June 30, 2003, there were 237,778 shares of common stock issued and outstanding. Although a trading market for our common stock exists, the trading volume has not been significant and there can be no assurance that an active trading market for our common stock will be sustained in the future. The average daily volume of shares traded during 2002 was less than 166 shares. As a result of the thin trading market or "float" for our stock, the market price for our common stock may fluctuate significantly more than the stock market as a whole. Without a large float, our common stock is less liquid than the stock of companies with broader public ownership and, as a result, the trading prices of our common stock may be more volatile. In addition, in the absence of an active public trading market, an investor may be unable to liquidate his investment in us. Trading of a relatively small volume of our common stock may have a greater impact on the trading price for our stock than would be the case if our public float were larger. We cannot predict the prices at which our common stock will trade in the future.

You should not rely on the underwriters' lock-up agreements to limit the number of shares sold into the market by our affiliates.

The holders of approximately 4.8% of the shares of our common stock to be outstanding after this offering have agreed with our underwriters to be bound by 180-day lock-up agreements that prohibit these holders from selling or transferring their stock except in specified limited circumstances. The lock-up agreements signed by our stockholders are only contractual agreements and Merrill Lynch, on behalf of the underwriters, can waive the restrictions of the lock-up agreements at an earlier time without prior notice or announcement and allow stockholders to sell their shares. If the restrictions of the lock-up agreement are waived, approximately 693,000 shares will be available for sale into the market, subject only to applicable securities rules and regulations, which would likely reduce the market price for our common stock.

If you purchase shares of common stock in this offering, you will experience immediate dilution.

We expect the public offering price of our common stock to be higher than the book value per share of our outstanding common stock. This means that investors who purchase shares will pay a price per share that exceeds the book value of our assets after subtracting our liabilities. Moreover, to the extent that outstanding options to purchase our common stock are exercised or options reserved for issuance are issued and exercised, each person purchasing common stock in this offering will experience further dilution.

Estimated initial cash available for distribution may not be sufficient to make distributions at expected levels.

Our estimated initial annual distributions represent 100% of our estimated initial cash available for distribution for the twelve months ending June 30, 2004, as calculated in "Distribution Policy." We expect that the percentage of our distributions representing a return of capital will decrease substantially thereafter. Accordingly, we may be unable to pay our estimated initial annual distribution to stockholders out of cash available for distribution as calculated in "Distribution Policy." If sufficient cash is not available for distribution from our operations, we may have to fund distributions from working capital or to borrow to provide funds for such distribution or to reduce the amount of such distribution. In the event the underwriters' overallotment option is exercised, pending investment of the proceeds therefrom, our ability to pay such distribution out of cash from our operations may be further adversely affected.

Market interest rates may have an effect on the value of our common stock.

One of the factors that will influence the price of our common stock will be the dividend yield on the common stock (as a percentage of the price of our common stock) relative to market interest rates. An increase in market interest rates, which are currently at low levels relative to historical rates, may lead prospective purchasers of our common stock to expect a higher dividend yield and higher interest rates would likely increase our borrowing costs and potentially decrease funds available for distribution. Thus, higher market interest rates could cause the market price of our common stock to go down.

Future sales of shares of our common stock could lower the price of our shares.

We may, in the future, sell additional shares of our common stock in subsequent public offerings. Additionally, shares of our common stock underlying options will be available for future sale upon exercise of those options. Any sales of a substantial number of our shares in the public market, or the perception that such sales might occur, may cause the market price of our shares to decline.

USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of the shares of common stock offered hereby will be approximately $153,562,000, or approximately $176,596,000 million if the underwriters exercise their overallotment option in full, based upon an assumed public offering price of $12.50 per share, and after deducting the underwriting discount and the estimated offering expenses payable by us. We will contribute the net proceeds of this offering to the operating partnership.

The table below assumes that this offering, the merger of our advisors and the pending transactions will be consummated and all payments by us set forth below will occur on October 27, 2003. Exact payment amounts may differ from estimates due to amortization of principal, accrual of additional prepayment fees and incurrence of additional transaction expenses. This table identifies sources of funds arising from this offering and our line of credit with specific uses for the convenience of the reader; however, sources of funds from this offering and our line of credit may be commingled and have not been designated for particular purposes. In addition, detailed information concerning proceeds to be used to acquire certain of the assets below from related parties is set forth under "Certain Relationships and Related Party Transactions."

	Amount
Sources:	
Proceeds from this offering	$168,750,000
Assumed mortgages:	
Golden Triangle Shopping Center	9,880,000
Columbus Crossing Shopping Center	17,500,000
Draw on the line of credit	22,440,000
Hudson Realty	2,350,000
Loan — Realty Enterprise Fund LLC	1,000,000
Total Sources	$221,920,000
Uses:	
Redeem Preferred Units	$ 3,960,000
Repurchase of CBC Limited Partnership Units	9,000,000
Funding of Pending Transactions:	
River View Plaza I, II and III	49,500,000
South Philadelphia Shopping Plaza	38,490,000
Columbus Crossing Shopping Center	26,500,000
Golden Triangle Shopping Center	11,980,000
Huntingdon Plaza	4,500,000
Lake Raystown Plaza	7,500,000
Purchase of Joint Venture Interests:	
Swede Square Shopping Center	3,188,000
Pine Grove Shopping Center	2,175,000
The Point Shopping Center	2,400,000
Wal-Mart Shopping Center	990,000
Repayment of Outstanding Indebtedness:	
Repayment of Hudson Realty Financing	8,000,000
Repayment of North Fork	1,000,000
Repayment of a portion of loans to BFV Interim Finance for Valley Plaza Shopping Center (including exit fees)	3,462,050

	Amount
Repayment of RAIT Partnership LP mortgage	5,560,000
Repayment of Golden Triangle Shopping Center mortgage	9,880,000
Repayment of a portion of loans to Bouwfords Property Finance for Wal-Mart Shopping Center (including exit fees)	2,931,250
Repayment of loans to Homburg Invest	1,320,000
Repayment of loans to CBC affiliates	750,000
Repayment of loan to CBC affiliate	887,000
Repayment of accrued fees and loans	1,000,000
Payment of advisory fees to CBRA	450,000
Payment of defeasance fees related to River View Plaza I, II and III	5,200,000
Repayment of Realty Enterprise Fund, LLC Loan	1,200,000
Purchase of interest rate cap	1,300,000
Payment of defeasance fees related to Golden Triangle Shopping Center	1,900,000
Early payment penalty on RAIT Partnership LP mortgage	117,200
Payment of fees to buy down SWAP spread on Washington Center Shoppes	592,000
Payment of fees related to initial use of the line of credit	1,000,000
Fees and expenses (including underwriting discount)	15,187,500
Total Uses	$221,920,000

PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS

Our common stock is listed and traded on the Nasdaq SmallCap Market under the symbol "CEDR." The following table sets forth, for the periods indicated, the high and low bid prices of our common stock with respect to the periods indicated. Prices for shares of our common stock reflect quotations between dealers without adjustment for retail mark-ups, mark-downs or commissions and do not necessarily represent actual transactions. The shares of our common stock are thinly traded and as such, the quoted price at any time may not have reflected the actual price at which our common stock was bought or sold. The quoted price has varied significantly from actual transactions depending on the size of the inside bid and asked quotations and the quantity of shares actually being traded. The historical stock prices set forth below have been adjusted to reflect our 2-for-1 stock split which occurred July 7, 2003 and our 1-for-6 stock split which will be effective on October 19, 2003.

	High	Low
Year ended December 31, 2001		
1st quarter	$11.25	$ 6.00
2nd quarter	10.50	4.50
3rd quarter	26.70	9.60
4th quarter	19.65	10.05
Year ended December 31, 2002		
1st quarter	$14.55	$12.75
2nd quarter	31.05	13.05
3rd quarter	20.40	7.38
4th quarter	12.90	7.83
Year ending December 31, 2003		
1st quarter	$17.94	$12.00
2nd quarter	17.25	12.45
3rd quarter	29.94	12.00
4th quarter (through October 10, 2003)	22.37	21.42

No distributions to stockholders were made during these periods.

On October 10, 2003, the closing sale price of our common stock, as reported on the Nasdaq SmallCap Market, was $21.42 per share, after giving effect to reverse stock split. As of September 30, 2003, there were 363 record holders of our common stock. This figure does not reflect the beneficial ownership of shares held in nominee name.

Our common stock has been approved for listing on the New York Stock Exchange, subject to official notice of issuance, under the symbol "CDR."

DISTRIBUTION POLICY

After this offering, we intend to make regular quarterly distributions to our common stockholders. The initial distribution, covering the partial three month period commencing on the closing of this offering and ending on December 31, 2003, is expected to be approximately $0.159 per share. This initial partial distribution is based on a full quarterly distribution of $0.225 per share and represents an annualized distribution of $0.90 per share. This initial expected annual distribution represents an initial annual distribution rate of 100%, based upon an assumed public offering price of $12.50 per share of our common stock. You should read the following discussion and the information set forth in the table and footnotes below together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and related notes beginning on page F-1 of this prospectus.

Our intended initial distribution has been established based on our estimate of the cash flow that will be available to us for distributions for the twelve months ending June 30, 2004. This estimate is based on estimated cash flows provided by our operations for the twelve months ended June 30, 2003, as adjusted for those adjustments described in the table and footnotes below. In estimating our cash available for distribution for the twelve months ending June 30, 2004, we have made certain assumptions as reflected in the table below.

We believe that our estimate of cash available for distributions constitutes a reasonable basis for setting our initial distribution. Any distributions we make will be at the discretion of our board of directors. We cannot assure you that our estimated distribution will be made or sustained. Our actual results of operations may differ materially from our current expectations. Our actual results of operations will be affected by a number of factors, including the revenue we receive from our properties, our operating expenses, interest expense, the ability of our tenants to meet their obligations and unanticipated expenditures. For more information regarding risk factors that could materially adversely affect our actual results of operations, please see "Risk Factors." In addition, variations in the net proceeds from this offering as a result of a change in the public offering price or the exercise of the underwriters' overallotment option may affect our cash available for distributions and available reserves, which may affect our ability to make the contemplated distribution.

The following table describes the calculation of our pro forma funds from operations for the twelve months ended June 30, 2003 and the adjustments to pro forma funds from operations for the twelve months ended June 30, 2003 used in estimating initial cash available for distribution for the twelve months ending June 30, 2004. The table reflects our consolidated information, including the limited partners' interest in our operating partnership. Each unit in our operating partnership is exchangeable for one share of our common stock. References to "Minority Interests" reflect our partners' interests in our joint ventures.

	Amount
Pro Forma Income Before Allocation to Minority Interests for the twelve months ended December 31, 2002	$ 6,326,357
Add: Pro Forma Income Before Allocation to Minority Interests for the six months ended June 30, 2003	3,472,361
Less: Pro Forma Income Before Allocation to Minority Interests for the six months ended June 30, 2002	(2,323,584)
Pro Forma Income Before Allocation to Minority Interests for the twelve months ended June 30, 2003	7,475,134
Add: Real estate depreciation and amortization	6,464,044
Less: Allocation to Minority Interest(1)	(1,405,174)

		Amount
Pro Forma Funds from Operations After Allocation to Minority Interests for the twelve months ended June 30, 2003(2)		12,534,004
Amortization and Straight Line Adjustments for the twelve months ended June 30, 2003:		
Add: Amortization of deferred debt financing costs(3)	1,326,384	
Add: Amortization of acquired lease obligations(3)	439,069	
Less: Straight line rents(4)	(1,187,822)	
Total Amortization and Straight Line Adjustments		577,631
Pro Forma Cash Flows from Operating Activities Before Allocation to Minority Interests of Amortization and Straight Line Adjustments for the twelve months ended June 30, 2003		13,111,635
Lease and Capitalized Expense Adjustments for the twelve months ending June 30, 2004:		
Add: New leases and net increases in renewals(5)	3,792,965	
Less: Provisions for lease expirations, assuming no renewals(6)	(2,014,133)	
Add: Seller lease payment guarantees(7)	637,000	
Add: Expenses to be capitalized as development costs(8)	935,088	
Total Lease and Capitalized Expense Adjustments		3,350,920
Estimated Cash Flows from Operating Activities Before Allocation to Minority Interests of Amortization and Straight Line Adjustments and Lease and Capitalized Expense Adjustments for the twelve months ended June 30, 2004		16,462,555
Estimated cash flows used in investing activities:		
Less: Non-revenue enhancing capital expenditures(9)		(1,102,485)
Less: Tenant improvements and leasing commissions(10)		(1,019,971)
Estimated cash flows from investing activities		14,340,099
Estimated cash flows used in financing activities:		
Less: Scheduled mortgage loan principal payments(11)		(1,194,517)
Add: Allocation from Minority Interests for Amortization and Straight Line Adjustments, Lease and Capitalized Expense Adjustments and Investing and Financing Activities(12)		153,769
Estimated Cash Available for Distribution for the twelve months ended June 30, 2004(13)		$13,299,351
Estimated annual distribution per share/unit(14)		$ 0.90
Payout Ratio(15)		100%

(1) Represents partners' share of FFO of our joint ventures for the twelve months ended June 30, 2003.

(2) FFO is defined by NAREIT as net income or loss excluding gains or losses from debt restructuring and sales of properties plus real estate depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. FFO does not represent cash generated from operating activities in accordance with accounting principles generally accepted in the United States and is not indicative of cash available to fund cash needs. FFO should not be considered as an alternative to net income, as an indicator of our operating performance or as an alternative to cash flow as a measure of liquidity. We believe that FFO is an appropriate measure of performance of an equity REIT. As all companies and analysts do not calculate FFO in a similar fashion, our calculation of FFO presented herein may not be comparable to similarly titled measures as reported by other companies.

(3) Represents non-cash item for the year ended June 30, 2003.

(4) Represents the effect of adjusting straight-line rental revenue included in pro forma net income on the accrual basis under generally accepted accounting principles to amounts currently being paid or due from tenants.

(5) Represents contractual rental income from new leases and net increases in contractual rental income from renewals that were not in effect for the entire year ended June 30, 2003, and new leases and net increases in contractual rental income from renewals that are in effect between July 1, 2003 and June 30, 2004.

(6) Represents contractual rental income under leases expiring between July 1, 2003 and June 30, 2004 unless a renewal lease has been entered into by October 8, 2003, with respect to that part of the twelve month period that such leases are no longer in effect. Reflects a deduction for rent payable under the Drug Emporium lease at South Philadelphia Shopping Plaza for the period from December 1, 2003 through June 30, 2004. As of the date hereof, Drug Emporium, which has filed for bankruptcy protection under Chapter XI of the United States Bankruptcy Code, has neither rejected nor assumed this lease. See "Risk Factors—Any tenant bankruptcies or leasing delays we encounter, particularly with respect to our anchor tenants, could seriously harm our operating results and financial condition."

(7) Represents lease payments that will be owed by sellers of two of our properties for certain space that has not been rented by new tenants for the twelve months ended June 30, 2004. Since these types of payments are not accounted for as revenues they are not included in the pro forma funds from operations before allocation to minority interest for the twelve months ended June 30, 2003. The amount is comprised of $124,000 attributable to the South Philadelphia Shopping Plaza and $513,000 attributable to Red Lion Shopping Center. The obligation of the sellers to make payments with regard to the South Philadelphia Shopping Plaza expires upon the earlier of the leasing of the vacant space and October 2006 and the obligation with regard to Red Lion Shopping Center expires upon the earlier of the leasing of the vacant space for a term through May 2012 and May 2012. For additional information concerning these arrangements, see "Business and Properties — Individual Property Descriptions."

(8) Represents $339,911 of operating expenses and $595,177 of interest payments included in the pro forma income before allocation to minority interest for the twelve months ended June 30, 2003 with respect to certain properties that will be undergoing redevelopment during the twelve months ending June 30, 2004. These expenses will be capitalized as project costs during the twelve months ending June 30, 2004, and we intend to finance these costs through borrowings.

(9) Represents an estimated capital expenditure per square foot for the twelve month pro forma period ending June 30, 2004 of $.33 multiplied by the GLA upon consummation of the offering of 3.6 million square feet. We have estimated the capital expenditure per square foot based upon our current budget for these items. The actual expenses incurred may differ materially from these estimates as a result of unanticipated capital expenditures, cost overruns, delays or other factors.

(10) Represents assumed recurring tenant improvements and leasing commissions for the year ending June 30, 2004 of approximately $12.00 per foot multiplied by approximately 92,000 square feet scheduled to expire during the twelve month period ending June 30, 2004. We have estimated the tenant improvements and leasing commissions based upon our current budget for these items. The actual expenses incurred may differ materially as a result of the level of tenant renewals, additional leasing activity, cost overruns, increases in tenant improvement allowances and leasing commissions over estimated amounts and other factors.

(11) Represents scheduled payments of mortgage loan principal due during the twelve months ending June 30, 2004.

(12) Represents the difference between the partners' share of FFO of our joint ventures for the twelve months ended June 30, 2003 of $1,405,174 and the estimated cash distributable to the partners of joint ventures for the twelve months ending June 30, 2004 in the amount of $1,251,405. The $153,769 amount represents the net amount of funding of the Amortization and Straight Line Adjustments, Lease and Capitalized Expense Adjustments and Investing and Financing Activities

relating to our joint venture properties that are funded from amounts that would otherwise be distributable to the partners.

(13) The following illustrates the calculation of our pro forma funds from operations after allocation to minority interest adjusted for certain items occurring during the twelve months ending June 30, 2004:

Pro Forma Funds from Operations After Allocation to Minority Interest for the twelve months ended June 30, 2003	$12,534,004
Add: New leases and net increases in renewals	3,792,965
Less: Provisions for lease expirations, assuming no renewals	(2,014,133)
Add: Expenses to be capitalized as development costs	935,088
Less: Allocation to Minority Interest	(199,681)
Pro Forma Funds from Operations After Allocation to Minority Interest Adjusted for New Leases and Increases in Renewals, Lease Expirations and Capitalized Development Costs for the twelve months ending June 30, 2004	$15,048,243

(14) Based on a total of 14,777,778 shares of common stock and units expected to be outstanding after this offering.

(15) Calculated as estimated initial annual distribution to stockholders per share/unit divided by our share of estimated cash available for distribution for the twelve months ending June 30, 2004.

CAPITALIZATION

The following table sets forth our capitalization as of June 30, 2003, on an actual and as adjusted basis to reflect the merger of our advisors, this offering and the use of the net proceeds from this offering as described in "Use of Proceeds". You should read this table in conjunction with "Use of Proceeds," "Selected Historical and Pro Forma Consolidated Financial and Operating Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations," our consolidated financial statements, and the notes to our financial statements appearing elsewhere in this prospectus.

	Actual	As Adjusted
	(Dollars in thousands)	
Debt:		
Mortgage loans payable	$130,566	$144,488
Line of credit	—	22,440
Loans payable	9,767	—
Accounts payable and accrued expenses	2,380	1,380
Security deposits	427	427
Deferred liabilities	6,581	12,341
Prepaid rents	917	917
Total debt and other liabilities	150,638	181,993
Minority Interests	18,915	12,657
Limited partner's interest in consolidated operating partnership	7,026	3,445
Series A preferred 9% convertible, redeemable units	3,000	—
Shareholders' equity:		
Common stock, $.06 par value, 50,000,000 shares authorized; 237,778 and 14,431,111 shares issued and outstanding, respectively	14	866
Accumulated other comprehensive loss	(276)	(276)
Additional paid-in-capital	3,179	142,556
Total shareholders' equity	2,917	143,146
Total capitalization	$182,496	$341,241

DILUTION

Purchasers of our common stock offered in this prospectus will experience an immediate and substantial dilution of the net tangible book value of their common stock from the public offering price. At June 30, 2003, we had a combined net tangible book value of approximately $228,347, or $0.02 per share of our common stock held by existing stockholders, assuming the exchange of units into shares of our common stock on a one-to-one basis. After giving effect to the sale of the shares of our common stock offered hereby, the deduction of underwriting discounts and commissions and estimated offering and related expenses, the receipt by us of the net proceeds from this offering, and the use of these funds by us as described in our pro forma financial statements included elsewhere in this prospectus, the pro forma net tangible book value at June 30, 2003 attributable to the common stockholders would have been $141,010,675, or $9.54 per share of our common stock. This amount represents an immediate increase in net tangible book value of $9.52 per share to existing stockholders and an immediate dilution in pro forma net tangible book value of $2.96 per share from the assumed public offering price of $12.50 per share of our common stock to new public investors. The following table illustrates this per share dilution(1):

Assumed public offering price per share		$12.50
Net tangible book value per share before the merger and this offering(2)		0.02
Decrease in pro forma net tangible book value per share attributable to the merger, property acquisitions and refinancing but before this offering(3)	(0.88)	
Increase in pro forma net tangible book value per share attributable to this offering(4)	10.40	
Net increase in pro forma net tangible book value per share attributable to the merger and this offering	9.52	
Pro forma net tangible book value per share after the merger and this offering		9.54
Dilution in pro forma net tangible book value per share to new investors		2.96

(1) The number of shares and units reflected in the calculations below assumes that the public offering price of our common stock is within the range of prices set forth on the cover page of this prospectus. We may choose to not consummate this offering at prices below the bottom of the range. We do not currently anticipate changing the number of shares or units if we price above the range of prices set forth on the cover page of the prospectus.

(2) Net tangible book value per share of our common stock before this offering and related transactions is determined by dividing net tangible book value based on June 30, 2003 net book value of the tangible assets (consisting of total assets less intangible assets, which are comprised of deferred loan and lease costs, net of liabilities to be assumed, excluding our acquired lease obligations) by the number of shares of our common stock held by continuing investors after this offering, assuming the exchange in full of the units to be issued to the continuing investors.

(3) Decrease in net tangible book value per share of our common stock attributable to the transactions provided for herein, but before this offering, is determined by dividing the difference between the June 30, 2003 pro forma net tangible book value, excluding net offering proceeds, and our June 30, 2003 net tangible book value by the number of shares of our common stock held by continuing investors after this offering, assuming the exchange in full of the units to be issued to the continuing investors.

(4) Represents increase in net tangible book value per share of our common stock attributable to this offering, adjusted to spread the negative net tangible book value existing before this offering among investors in this offering. This amount is calculated after deducting underwriters' discounts and commissions, financial advisory fees and estimated expenses of this offering.

SELECTED FINANCIAL DATA

The operating data for the years ended December 31, 2000, 2001 and 2002 and the balance sheet data as of December 31, 2001 and 2002 are derived from our financial statements and notes thereto included in this prospectus and which have been audited by Ernst & Young LLP, our independent auditors. Operating data for the years ended December 31, 1998 and 1999 and the balance sheet data as of December 31, 1998, 1999 and 2000 are derived from our financial statements that are not included in this prospectus. The operating data for the six months ended June 30, 2003 and 2002, and the balance sheet as of June 30, 2003 are derived from our unaudited financial statements and notes thereto included elsewhere in this prospectus. The following selected financial data should be read in conjunction with our financial statements and the notes thereto, appearing elsewhere in this prospectus and the information under "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Six Months Ended June 30,		Years Ended December 31,				
	2003	2002	2002	2001	2000	1999	1998
	(unaudited)	(unaudited)					
Statement of Operating Data:							
Revenues							
Rents	$11,203,000	$ 5,151,000	$12,964,000	$ 4,817,000	$3,037,000	$2,489,000	$2,505,000
Interest	219,000	16,000	25,000	282,000	179,000	26,000	60,000
Total Revenues	11,422,000	5,167,000	12,989,000	5,099,000	3,216,000	2,515,000	2,565,000
Operating Expenses							
Operating, maintenance and management	3,206,000	1,207,000	2,313,000	1,091,000	745,000	587,000	560,000
Real estate taxes	1,232,000	593,00	1,527,000	494,000	308,000	259,000	263,000
General and administrative	1,172,000	554,000	2,005,000	731,000	635,000	669,000	861,000
Depreciation and amortization	1,767,000	1,112,000	2,546,000	991,000	622,000	493,000	480,000
Interest expense(1)	4,290,000	2,725,000	6,010,000	2,152,000	654,000	128,000	130,000
Total Operating Expenses	11,667,000	6,191,000	14,401,000	5,459,000	2,964,000	2,136,000	2,294,000
Operating (loss) income	(245,000)	(1,024,000)	(1,412,000)	(360,000)	252,000	379,000	271,000
Minority interests	(422,000)	121,000	(159,000)	(44,000)	8,000	—	—
Limited partners' interest	449,000	677,000	1,152,000	263,000	(160,000)	(315,000)	(90,000)
Loss on impairment	—	—	—	(1,342,000)	(204,000)	—	—
Gain on sale of properties	—	—	—	1,638,000	91,000	—	—
Loss on sale of properties	—	(49,000)	(49,000)	(296,000)	—	—	—
Net (loss) income before cumulative effect adjustment	$ (218,000)	$ (275,000)	$ (468,000)	$ (141,000)	$ (13,000)	$ 64,000	$ 181,000
Cumulative effect of change in accounting principles (net of limited partner's share of $15,000)	—	—	—	(6,000)	—	—	—
Distribution to preferred shareholder (net of limited partner's interest of $48,000)	(21,000)	—	—	—	—	—	—
Net (loss) income	$ (239,000)	$ (275,000)	$ (468,000)	$ (147,000)	$ (13,000)	$ 64,000	$ 181,000

	Six Months Ended June 30,		Years Ended December 31,				
	2003	2002	2002	2001	2000	1999	1998
	(unaudited)	(unaudited)					
Net (loss) earnings per share before cumulative effect adjustment	$ (0.89)	$ (1.19)	$ (2.02)	$ (0.64)	$ (0.04)	$ 0.30	$ 0.36
Cumulative change in accounting principle per share	0.00	0.00	0.00	(0.004)	0.00	0.00	0.00
Net (loss) earnings per share	$ (0.89)	$ (1.19)	$ (2.02)	$ (0.64)	$ (0.04)	$ 0.30	$ 0.36
Dividends to shareholders	$ —	$ —	$ —	$ —	$268,000	$257,000	$558,000
Dividends to shareholders per share	$ —	$ —	$ —	$ —	$ 0.93	$ 1.30	$ 1.20
Average number of shares outstanding	270,000	231,000	231,333	230,666	289,666	198,000	464,666

(1) In May 2002, the FASB issued SFAS No. 145 (SFAS 145), "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS 145 generally provided for various technical corrections to previously issued accounting pronouncements. The only impact to us related to SFAS 145 provided that early extinguishment of debt, including the write-off of unamortized deferred loan costs, are generally no longer considered extraordinary items. We have adopted the provisions of SFAS 145 and have presented all previous early write-offs of unamortized loan costs as a component of interest expense.

	As of June 30, 2003	As of December 31,				
		2002	2001	2000	1999	1998
	(unaudited)					
Balance Sheet Data:						
Real estate before accumulated depreciation	$172,431,000	$123,634,000	$57,622,000	$28,272,000	$19,186,000	$18,904,000
Real estate after accumulated depreciation	168,515,000	121,238,000	56,948,000	24,095,000	13,995,000	14,206,000
Real estate held for sale	—	—	4,402,000	1,850,000	—	—
Total assets	182,496,000	133,138,000	68,350,000	35,567,000	16,693,000	15,323,000
Mortgage loans and loan payable	140,333,000	101,001,000	52,110,000	19,416,000	1,347,000	1,375,000
Minority interest	18,915,000	10,238,000	2,235,000	2,291,000	—	—
Limited partner's interest in consolidated operating partnership	10,026,000	10,889,000	8,964,000	9,242,000	9,561,000	10,309,000
Shareholders' equity	$ 2,917,000	$ 3,245,000	$ 3,667,000	$ 3,815,000	$ 5,243,000	$ 3,290,000

	Six Months Ended June 30, 2003	Years Ended December 31,				
		2002	2001	2000	1999	1998
	(unaudited)					
Other Data:						
Cash flows from operating activities	451,000	1,159,000	1,000,000	989,000	1,105,000	771,000
Cash flows from investing activities	(50,563,000)	(41,380,000)	(2,529,000)	(8,850,000)	(282,000)	424,000
Cash flows from financing activities	47,402,000	41,803,000	3,451,000	5,886,000	797,000	(924,000)

Unaudited Summary Selected Pro Forma Financial Data

The following tables also set forth our selected financial data on a pro forma basis, as if we completed the offering of our common stock to which this prospectus relates, the pending acquisitions, the merger of our advisors, the application of the proceeds from this offering as described under "Use of Proceeds", and we qualified as a REIT, distributed 90% of our taxable income and, therefore, incurred no income tax expense during the period. The unaudited pro forma operating data for the six months ended June 30, 2003 is presented as if we completed the offering transaction, acquired the properties and the management companies and completed the refinancing transactions on January 1, 2003. The unaudited pro forma operating data for the year ended December 31, 2002 is presented as if we completed the offering of our common stock to which this prospectus relates, the pending acquisitions, the merger of our advisors and the application of the proceeds from this offering as described under "Use of Proceeds" on January 1, 2002. The unaudited pro forma balance sheet as of June 30, 2003 is presented as if we completed the offering transaction and acquired the properties and the management companies and completed the refinancing transactions on June 30, 2003.

The pro forma information is based upon assumptions that are included in the notes to the pro forma financial statements included elsewhere in this prospectus. The pro forma information is unaudited and is not necessarily indicative of what our financial position and results of operations would have been as of and for the dates or periods indicated, nor does it purport to represent our future financial position and results of operations for future dates or periods.

	Pro forma Six Months Ended June 30, 2003	Pro forma Twelve Months Ended December 31, 2002
	(Unaudited)	(Unaudited)
Statement of Operating Data:		
Revenues		
Rents	$ 20,117,369	$ 38,600,034
Interest and other income	632,601	584,030
Total Revenues	20,749,970	39,184,064
Operating Expenses:		
Operating, maintenance and management	5,226,729	7,946,256
Real estate taxes	2,063,033	3,869,599
General and administrative	1,500,000	3,000,000
Depreciation and amortization	3,519,266	6,985,029
Interest expense	4,968,581	11,056,823
Total Operating Expenses	17,277,609	32,857,707
Operating income	3,472,361	6,326,357
Minority interests	(423,667)	(531,617)
Limited partners' interest	(71,644)	(136,176)
Loss on impairment	—	—
Gain on sale of properties	—	—
Loss on sale of properties	—	—
Net income	$ 2,977,050	$ 5,658,564
Basic and diluted net income per share	$.21	$.39

	Pro forma June 30, 2003
	(Unaudited)
Balance Sheet Data:	
Real estate before accumulated depreciation	$328,076,890
Real estate after accumulated depreciation	324,160,890
Total assets	341,240,747
Mortgage loans and loan payable	166,927,750
Minority interest	12,656,511
Limited partner's interest	3,444,896
Shareholders' equity	$143,146,432

	Pro forma Six Months Ended June 30, 2003	Pro forma Year Ended December 31, 2002	Pro forma Year Ended June 30, 2003
Other Data:			
Funds from operations(1)	$ 5,822,000	$11,158,000	$12,534,000
Total properties-square feet	3,609,400	3,609,400	3,609,400
Properties-percent leased(2)	92%	92%	92%

(1) Management believes that FFO is a widely recognized and appropriate measure of performance of an equity REIT. Although FFO is a non-GAAP financial measure, management believes it provides useful information to shareholders, potential investors, and management. Management computes FFO in accordance with the standards established by NAREIT. FFO is defined by NAREIT as net income or loss excluding gains or losses from debt restructuring and sales of properties plus real estate depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. FFO does not represent cash generated from operating activities in accordance with accounting principles generally accepted in the United States and is not indicative of cash available to fund cash needs. FFO should not be considered as an alternative to net income, as an indicator of our operating performance, or as an alternative to cash flow as a measure of liquidity. As not all companies and analysts calculate FFO in a similar fashion, our calculation of FFO presented herein may not be comparable to similarly titled measures as reported by other companies.

(2) Excludes Camp Hill Mall, Swede Square Shopping Center and Golden Triangle Shopping Center which are currently being redeveloped.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are a REIT that will be fully integrated, self-administered and self-managed upon consummation of this offering. We acquire, own, manage, lease and redevelop neighborhood and community shopping centers. Upon consummation of this offering and completion of the pending acquisitions described herein, we will have a portfolio of 23 properties totaling approximately 3.6 million square feet of GLA, including 17 wholly-owned centers comprising approximately 2.8 million square feet of GLA and six centers owned through joint ventures, comprising 749,000 square feet of GLA. Upon consummation of this offering and completion of our pending acquisitions, our portfolio, excluding three properties currently under redevelopment, will be approximately 92% leased. We intend to close on these pending acquisitions shortly after consummation of this offering.

We currently own 15 properties totaling approximately 2.5 million square feet of GLA. Our portfolio, excluding two properties under development, was approximately 94% leased as of June 30, 2003. We have entered into agreements to acquire eight other shopping centers, totaling approximately 1.1 million square feet of GLA for an aggregate purchase price of $134.5 million.

We were originally incorporated in Iowa on December 10, 1984 and elected to be taxed as a REIT commencing with the taxable year ended December 31, 1986. In June 1998, following a tender offer completed in April 1998 for the purchase of our common stock by CBC, we reorganized as a Maryland corporation and established an "umbrella partnership REIT" structure through the contribution of substantially all of our assets to a Delaware limited partnership, the operating partnership. We conduct our business through the operating partnership. Upon consummation of this offering we will own a 97.65% interest in the operating partnership. We are presently the sole general partner and own an approximate 30% interest in the operating partnership.

We derive substantially all of our revenues from rents and reimbursement payments received from tenants under existing leases on each of our properties. Our operating results therefore depend materially on the ability of our tenants to make required payments. We believe that the nature of the properties we primarily own and in which we invest, neighborhood and community shopping centers, provides a more stable revenue flow in uncertain economic times, as they are more resistant to economic down cycles. This is because consumers still need to purchase food and other goods found at supermarkets, even in difficult economic times.

In the future, we intend to focus on increasing our internal growth and pursuing targeted acquisitions of neighborhood and community shopping centers. We currently expect to incur additional debt in connection with any future acquisitions of real estate.

Summary of Critical Accounting Policies

Basis of Presentation and Consolidation Policy

The financial statements are prepared on an accrual basis in accordance with GAAP. The accompanying interim unaudited financial statements have been prepared by the Company's management pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with GAAP may have been condensed or omitted pursuant to such rules and regulations, although management believes that the disclosures are adequate to make the information presented not misleading. The unaudited financial statements as of June 30, 2003, and for the three and six month periods ended June 30, 2003 and 2002, include, in the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary to present fairly the financial information set forth herein. The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the year ending December 31, 2003. These financial statements should be read in conjunction with the Company's audited

financial statements and the notes thereto included in the Company's Form 10-K for the year ended December 31, 2002. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the disclosure of contingent assets and liabilities, the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

The operating partnership is the entity through which we conduct substantially all of our business and owns (either directly or through subsidiaries) substantially all of our assets. We own an approximate 30% economic interest in, and are the sole general partner of, the operating partnership. As of June 30, 2003, our consolidated financial statements include the accounts and operations of us and the operating partnership. The operating partnership has a 50% partnership interest in The Point Shopping Center; a 20% general partnership interest in Red Lion Shopping Center; a 25% general partnership interest in Loyal Plaza Shopping Center; a 30% general partnership interest in Fairview Plaza, Halifax Plaza, and Newport Plaza; a 15% general partnership interest in Pine Grove Plaza Shopping Center; and a 15% general partnership interest in Swede Square Shopping Center.

Upon the merger of our advisors and consummation of this offering, we will have a 97.65% general partnership interest in the operating partnership and the operating partnership will have a 100% interest in The Point Shopping Center, Pine Grove Shopping Center and Swede Square Shopping Center, a 20% general partnership interest in the Red Lion Shopping Center and a 25% general partnership interest in Loyal Plaza Shopping Center.

Revenue Recognition

Rental income with scheduled rent increases is recognized using the straight-line method over the term of the leases. The aggregate excess of rental revenue recognized on a straight-line basis over cash received under applicable lease provisions is included in deferred rent receivable. Leases generally contain provisions under which the tenants reimburse us for a portion of property operating expenses and real estate taxes incurred by us. In addition, certain of our 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. We defer recognition of contingent rental income until those specified targets are met.

We must make estimates as to the collectibility of our accounts receivable related to minimum rent, deferred rent, expense reimbursements and other revenue. We analyze accounts receivable and historical bad debts, tenant credit worthiness, current economic trends and changes in our tenants' payment patterns when evaluating the adequacy of the allowance for doubtful accounts receivable. These estimates have a direct impact on our net income, because a higher bad debt allowance would result in lower net income.

Real Estate Investments

Real estate investments are carried at cost less accumulated depreciation. The provision for depreciation and amortization is calculated using the straight-line method based upon the estimated useful lives of assets. Expenditures for maintenance, repairs and betterments that do not materially prolong the normal useful life of an asset are charged to operations as incurred. Additions and betterments that substantially extend the useful lives of the properties are capitalized.

We are required to make subjective estimates as to the useful lives of our properties 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 investment would have the effect of increasing depreciation expense and lowering net income, whereas a longer estimate of the useful life of the investment would have the effect of reducing depreciation expense and increasing net income.

We apply SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", to recognize and measure impairment of long-lived assets. We review 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 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 impairment exists due to the 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 market value. Real estate investments held for sale are carried at the lower of carrying amount or fair value, less costs to sell. Depreciation and amortization are suspended during the period held for sale. We are required to make subjective assessments as to whether there are impairments in the value of our 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.

On July 1, 2001 and January 1, 2002, we adopted SFAS No. 141 "Business Combinations" and SFAS No. 142, "Goodwill And Other Intangibles", respectively. As part of the acquisition of real estate assets, the fair value of the real estate acquired is allocated to the acquired tangible assets, consisting of land, building and building improvements, and identified intangible assets and liabilities, consisting of the value of above-market and below-market leases, other value of in-place leases and value of tenant relationships, based in each case on their fair value.

The fair value of the tangible assets of an acquired property is determined by valuing the property as if it were vacant, and the "as-if-vacant" value is then allocated to land, building and building improvements based on management's determination of the relative fair values of these assets. Management determines the as-if-vacant fair value of a property using methods similar to those used by independent appraisers. Factors considered by management in performing these analyses include an estimate of carrying costs during the expected lease-up periods considering current market conditions and costs to execute similar leases. In estimating carrying costs, management includes real estate taxes, insurance and other operating expenses and estimates of lost rental revenue during the expected lease-up periods based on current market demand. Management also estimates costs to execute similar leases, including leasing commissions, legal and other related costs.

In allocating the fair value of the identified intangible assets and liabilities of an acquired property, above-market and below-market in-place lease values are recorded based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management's estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining non-cancelable term of the lease. The capitalized above-market lease values (included in deferred leasing costs in the accompanying combined balance sheet) are amortized as a reduction of rental income over the remaining non-cancelable terms of the respective leases. The capitalized below-market lease values (presented as acquired lease obligations in the accompanying combined balance sheet) are amortized as an increase to rental income over the remaining initial terms in the respective leases.

The aggregate value of other acquired intangible assets, consisting of in-place leases and tenant relationships, is measured by the excess of (i) the purchase price paid for a property after adjusting existing in-place leases to market rental rates over (ii) the estimated fair value of the property as if vacant, determined as set forth above. This aggregate value is allocated between in-place lease values and tenant relationships based on management's evaluation of the specific characteristics of each tenant's lease; however, the value of tenant relationships has not been separated from in-place lease value since such value and its consequence to amortization expense is immaterial for these particular acquisitions. Should future acquisitions of properties result in allocating material amounts to the value of tenant relationships, an amount would be separately allocated and amortized over the estimated life of the relationship. The value of in-place leases exclusive of the value of above-market and below-market in-place leases is amortized to expense over the remaining non-cancelable periods of the respective leases. If a lease were to be terminated prior to its stated expiration, all unamortized amounts relating to that lease would be written off.

Hedging Activities

From time to time, we use derivative financial instruments to limit our exposure to changes in interest rates related to variable rate borrowings. Derivative instruments are carried on the consolidated financial statements at their estimated fair value and a change in the value of a derivative is reported as other comprehensive income or loss. If interest rate assumptions and other factors used to estimate a derivative's fair value or methodologies used to determine a derivative's effectiveness were different, amounts included in the determination of net income or other comprehensive income or loss could be affected.

Stock Option Plans and Warrants

In December 2002, the FASB issued SFAS No. 148 (SFAS 148), "Accounting for Stock-Based Compensation-Transition and Disclosure". SFAS 148 amends SFAS No. 123, or SFAS 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for an entity that voluntarily adopts the fair value recognition method of recording stock option expense. SFAS 148 also amends the disclosure provisions of SFAS 123 and Accounting Principles Board, or APB, Opinion No. 28. "Interim Financial Reporting," to require disclosure in the summary of significant accounting policies of the effects of an entity's accounting policy with respect to stock options on reported net income and earnings per share in annual and interim financial statements.

SFAS 123, as amended by SFAS 148, establishes financial accounting and reporting standards for stock-based employee compensation plans, including all arrangements by which employees receive shares of stock or other equity instruments of the employer or the employer incurs liabilities to employees in amounts based on the price of the employer's stock. SFAS 123 defines a fair value based method of accounting for an employee stock option or similar equity instrument and encourages all entities to adopt that method of accounting for all of their employee stock compensation plans. However, it also allows an entity to continue to measure compensation cost using the intrinsic value based method of accounting prescribed by APB Opinion No. 25 (Opinion No. 25), "Accounting for Stock Issued to Employees." We have elected to continue using Opinion No. 25 and to make pro forma disclosures of net income and earnings per share as if the fair value method of accounting defined in SFAS 123 had been applied.

Recent Accounting Pronouncements

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," or FIN 45. FIN 45 significantly changes the current practice in the accounting for, and disclosure of, guarantees. Guarantees and indemnification agreements meeting the characteristics described in FIN 45 are required to be initially recorded as a liability at fair value. FIN 45 also requires a guarantor to make significant new disclosures for virtually all guarantees even if the likelihood of the guarantor having to make payment under the guarantee is remote. The disclosure requirements within FIN 45 are effective for financial statements for annual or interim periods ending after December 15, 2002. The initial recognition and initial measurement provisions are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. We adopted FIN 45 on January 1, 2003. The result of this adoption did not have a material effect on our results of operations or financial position.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities." The interpretation clarifies the application of existing accounting pronouncements to certain entities in which the equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The provisions of the interpretation are immediately effective for all variable interest entities created after January 31, 2003. We have evaluated the effects of the issuance of the interpretation on the accounting for our ownership interest in our joint venture partnerships created after January 31, 2003 and have concluded that all five of our joint ventures should be included in the consolidated financial statements. We are currently in the process of evaluating the impact that this

interpretation will have on our financial statements for all joint ventures created before January 31, 2003, which are Loyal Plaza Shopping Center and Red Lion Shopping Center.

In May 2002, the FASB issued SFAS No. 145 (SFAS 145), "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS 145 generally provided for various technical corrections to previously issued accounting pronouncements. The only impact to us related to SFAS 145 provided that early extinguishment of debt, including the write-off of unamortized deferred loan costs, are generally no longer considered extraordinary items. We have adopted the provisions of SFAS 145 and have presented all previous early write-offs of unamortized loan costs as a component of interest expense.

In May 2003, the FASB issued SFAS No. 150 (SFAS 150) "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This statement, which establishes standards for the classification and measurements of certain financial instruments with characteristics of both liabilities and equity, is effective for financial instruments entered into or modified after May 31, 2003 and otherwise is effective at the beginning of the first interim period starting after June 15, 2003. It is to be implemented by reporting the cumulative effect of a change in an accounting principle for financial instruments created before the issuance date of the statement and still existing at the beginning of the interim period of adoption. Management is evaluating the impact SFAS 150 will have on our financial condition, results of operations and cash flows.

Results of Operations

Comparison of Three Months Ended June 30, 2003 to Three Months Ended June 30, 2002

Differences in results of operations between the second quarter of 2003 and the second quarter of 2002 were driven largely by our acquisition and disposition activities. Net income (loss) before the loss on sale of properties, and income allocated to minority interest and limited partner, increased approximately $1,144,000 from a net loss of $921,000 in the second quarter of 2002 to net income of $223,000 in the second quarter of 2003. Net loss attributable to common shareholders decreased approximately $187,000 from a net loss of $227,000 in the second quarter of 2002 to a net loss of $40,000 in the second quarter of 2003. Net loss per share decreased $0.84 from a net loss per share of $0.96 in the second quarter of 2002 to a net loss per share of $0.12 in the second quarter of 2003.

Results of operations for properties consolidated for financial reporting purposes and held throughout both the second quarter of 2002 and the second quarter of 2003 included four properties. As of June 30, 2002 and 2003, we owned ten and 14 properties, respectively.

Property-Specific Revenue and Expenses

	Quarter Ended				
	June 30, 2003	June 30, 2002	Difference	Acquisition/ Dispositions	Held in Both Years
Rents and expense recoveries	$6,005,000	$2,651,000	$3,354,000	$3,182,000	$ 172,000
Property expenses	2,088,000	907,000	1,181,000	1,133,000	48,000
Depreciation and amortization	926,000	561,000	365,000	523,000	(158,000)
Interest expense	2,252,000	1,535,000	717,000	157,000	560,000
General and administrative expense	649,000	305,000	344,000	—	—

Results Attributable To Acquisition And Disposition Activities

Rents increased from approximately $2,651,000 in the second quarter of 2002 to approximately $6,005,000 in the second quarter of 2003, a net increase of approximately $3,354,000 or 127%. Such net increase is attributable to our acquisition and disposition activities.

Property expenses, excluding depreciation, amortization and interest expense, increased from approximately $907,000 in the second quarter of 2002 to approximately $2,088,000 in the second quarter of 2003, a net increase of approximately $1,181,000 or 130%. Such increase reflects approximately $1,133,000 attributable to our acquisition activities, and approximately $48,000 attributable to properties held in both years.

Depreciation and amortization increased from approximately $561,000 in the second quarter of 2002 to approximately $926,000 in the second quarter of 2003, a net increase of approximately $365,000 or 66%. Such increase is attributable to our acquisition activities. Amortization expense attributable to properties held both years decreased by approximately $158,000 as a result of The Point Shopping Center's loan refinancing and corresponding write down of deferred costs during the second quarter of 2002.

Interest expense increased from approximately $1,535,000 during the second quarter of 2002 to approximately $2,252,000 in the second quarter of 2003, a net increase of approximately $717,000 or 47%. Such increase reflects approximately $157,000 attributable to our acquisition activities, and approximately $560,000 attributable to properties held in both years.

General and administrative expense increased approximately $344,000 to $649,000 in the second quarter of 2003 from approximately $305,000 in the second quarter of 2002, a change of 113%. The increase is primarily attributable to our growth, resulting in increases in advisory fees of $135,000 and an increase in legal and accounting fees of $204,000.

Results For Properties Fully Operating Throughout Both Periods

Rental income for Port Richmond L.L.C. 1, Academy Plaza L.L.C. 1, Washington Center L.L.C. 1, and The Point Associates, L.P., the only properties fully operating throughout the second quarter of both years, increased by approximately $172,000 from $2,233,000 in the second quarter of 2002 to $2,405,000 in the second quarter of 2003. Property expenses increased $48,000 from approximately $752,000 during the second quarter of 2002 to $799,000 during the second quarter of 2003.

Comparison of Six Months Ended June 30, 2003 to Six Months Ended June 30, 2002

During the second quarter of 2003, we acquired a 100% interest in one shopping center with a purchase price of $9.5 million, and 15% general partnership interests in two shopping centers with an aggregate purchase price, including closing costs, of approximately $16.0 million. During the first quarter of 2003, we acquired a 30% general partnership interest in three shopping centers with an aggregate purchase price of $20.8 million. During the second quarter of 2002, we acquired a 20% general partnership interest in one shopping center from a related party, based on a property value of $23.0 million. We also sold one office property for a gross sales price of approximately $4.4 million, which resulted in a loss of $49,000.

Differences in results of operations between the first half of 2003 and the first half of 2002 were driven largely by our acquisition and disposition activity. Net loss before the loss on sale of properties, distributions to preferred stockholders and income allocated to minority interest and limited partner, decreased approximately $779,000 from a net loss of $1,024,000 in the first half of 2002 to a net loss of $245,000 in the first half of 2003. Net loss attributable to common shareholders decreased approximately $36,000 from a net loss of $275,000 in the first half of 2002 to a net loss of $239,000 in the first half of 2003. Net loss per share decreased $0.30 from a net loss per share of $1.20 in the first half of 2002 to a net loss per share of $0.90 in the first half of 2003.

Results of operations for properties consolidated for financial reporting purposes and held throughout both the first half of 2002 and the first half of 2003 included four properties. As of June 30, 2002 and 2003, we owned ten and 14 properties, respectively.

Property-Specific Revenue and Expenses

	Six Months Ended				
	June 30, 2003	June 30, 2002	Difference	Acquisition/ Dispositions	Held in Both Years
Rents and expense recoveries	$11,383,000	$5,151,000	$6,232,000	$6,076,000	$ 156,000
Property expenses	4,438,000	1,800,000	2,638,000	2,297,000	341,000
Depreciation and amortization	1,767,000	1,112,000	655,000	786,000	(131,000)
Interest expense	4,290,000	2,456,000	1,834,000	1,122,000	712,000
General and administrative expense	1,172,000	554,000	618,000	618,000	—

Results Attributable to Acquisition and Disposition Activities

Rents increased from approximately $5,151,000 in the first half of 2002 to approximately $11,383,000 in the first half of 2003, a net increase of approximately $6,232,000 or 121%. Such net increase is attributable to our acquisition activities.

Property expenses, excluding depreciation, amortization and interest expense, increased from approximately $1,800,000 in the first half of 2002 to approximately $4,438,000 in the first half of 2003, a net increase of approximately $2,638,000 or 147%. Such increase reflects approximately $2,297,000 attributable to our acquisition activities and approximately $341,000 attributable to properties held in both years.

Depreciation and amortization increased from approximately $1,112,000 in the first half of 2002 to approximately $1,767,000 in the first half of 2003, a net increase of approximately $655,000 or 59%. Such increase is attributable to our acquisition activities and is offset, in part, by the reduction in amortization expense at The Point Shopping Center.

Interest expense increased from approximately $2,456,000 in the first half of 2002 to approximately $4,290,000 in the first half of 2003, a net increase of approximately $1,834,000 or 75%. Such increase reflects approximately $1,122,000 attributable to our acquisition activities, and approximately $712,000 attributable to properties held in both years. The increase attributable to properties held in both years is due to the refinancing of our mortgage on The Point Shopping Center.

General and administrative expense increased approximately $618,000 to $1,172,000 in the first half of 2003 from approximately $554,000 in the first half of 2002, a change of 112%. This is attributable to our overall growth, resulting in an increase in advisory fees of $204,000, an increase in legal and accounting fees of approximately $262,000, directors' fees of approximately $60,000 and an increase in other administrative costs of $56,000.

Results for Properties Fully Operating Throughout Both Years

Rental income for Port Richmond Village, Academy Plaza, Washington Center Shoppes, and The Point Shopping Center, the only properties fully operating throughout the first half of both years, increased by approximately $156,000 from $4,452,000 in the first half of 2002 to $4,608,000 in the first half of 2003. Property expenses increased $342,000 from approximately $1,490,000 during the first half of 2002 to $1,832,000 during the first half of 2003. The increase in property expenses for the six month period ended June 30, 2003 is attributable to (1) an increase in snow removal costs of approximately $94,000, (2) an increase in real estate taxes of $88,000 resulting from a second quarter 2002 re-assessment following the completion of The Point Shopping Center redevelopment project, and (3) an increase of $94,000 in bad debt expense principally attributable to disputed common area maintenance charges with a major tenant. These increases will, in part, be recovered through future tenant escalations.

Net Cash Flows

Operating Activities. Net cash flow (used in) provided by operating activities increased from $(132,000) during the six months ended June 30, 2002 to $451,000 during the six months ended June 30, 2003. The increase of $583,000 is attributable to the increase in net income (loss) before minority interests, limited partner's interest, distributions and loss on sale over the periods.

Investing Activities. Net cash flow used in investing activities was approximately $(50,563,000) during the six months ended June 30, 2003, compared to approximately $326,000 in the six months ended June 30, 2002. During the six months ended June 30, 2003, we completed the purchase of six shopping center properties aggregating approximately 555,000 square feet at a cost of approximately $46,144,000, while we sold our Southpoint property for approximately $4,353,000 in May 2002.

Financing Activities. Cash flow provided by financing activities increased to approximately $47,402,000 in the six months ended June 30, 2003 from approximately $199,000 during the six months ended June 30, 2002. The change of approximately $47,203,000 was primarily the result of our obtaining mortgage financing of approximately $37,612,000, proceeds from the line of credit and other short-term borrowings of approximately $2,880,000 and the receipt of $8,836,000 in equity contributions from limited partners to fund the acquisitions of six shopping centers including the capital expenditures necessary to improve and lease our properties. This increase is offset, in part, by payments of scheduled mortgage amortization and the repayment of a secured line of credit.

Comparison of Year Ended December 31, 2002 to Year Ended December 31, 2001

During 2002, we acquired three shopping centers aggregating approximately 1,039,000 rentable square feet and the land for a 41,000 square feet LA Fitness Center facility for an aggregate cost of approximately $60 million. During May 2002, we sold one office property that did not meet our strategic focus for a net sales price of $4.37 million.

During 2001, we completed the acquisitions of three shopping centers for an aggregate purchase price of approximately $36 million, and sold two properties for an aggregate gross sales price of $7.2 million.

Differences in results of operations between 2002 and 2001 were driven largely by our acquisition and disposition activity. Net loss before the loss on sale of properties, income allocated to minority interest, and income before extraordinary items increased by approximately $829,000 from a net loss of $96,000 in 2001 to a net loss of $925,000 in 2002. Net loss attributable to common shareholders increased by approximately $321,000 from a net loss of $147,000 in 2001 to a net loss of $468,000 in 2002. Net loss per share increased by $2.76 from net loss per share of $1.26 in 2001 to a net loss per share of $4.02 per share in 2002.

Results of operations for properties consolidated for financial reporting purposes and held throughout both 2002 and 2001 included one property. Results of operations for properties consolidated for financial reporting purposes and purchased or sold subsequent to January 1, 2001 through December 31, 2002 included only three properties. As of December 31, 2002, we owned seven shopping center properties.

Property-Specific Revenue and Expenses

	2002	2001	Difference	Acquisition/ Dispositions	Held in Both Years
Rents	$12,964,000	$4,817,000	$8,147,000	$7,304,000	$843,000
Property expenses	3,840,000	1,585,000	2,255,000	2,061,000	194,000
Depreciation & amortization	2,546,000	991,000	1,555,000	1,195,000	360,000
Interest expense	14,401,000	5,459,000	8,942,000	8,838,000	104,000
General & administrative expense	2,005,000	731,000	1,274,000	—	—

Results Attributable to Acquisition and Disposition Activities

Rents increased from approximately $4,817,000 in 2001 to approximately $12,964,000 in 2002, a net increase of approximately $8,147,000. Such increase reflects approximately $7,304,000 attributable to our acquisition activities, and approximately $843,000 attributable to properties held in both years.

Property expenses, excluding depreciation, amortization and interest expense, increased from approximately $1,585,000 in 2001 to approximately $3,840,000 in 2002, an increase of approximately $2,255,000. Approximately $2,061,000 of the net increase was attributable to acquisition and disposition activities, while approximately $194,000 was attributable to properties held both years.

Depreciation and amortization increased from approximately $991,000 in 2001 to approximately $2,546,000 in 2002, an increase of approximately $1,555,000. Approximately $1,195,000 of the net increase was attributable to acquisition and disposition activities, while approximately $360,000 was attributable to properties held both years.

Interest expense increased from approximately $5,459,000 in 2001 to approximately $14,401,000 in 2002. Approximately $8,838,000 of the net increase was attributable to mortgage and other indebtedness incurred with respect to acquisition and disposition activities, while approximately $104,000 was attributable to properties held both years.

General and administrative expense increased approximately $1,274,000, to $2,005,000 in 2002 from approximately $731,000 in 2001. The increase is primarily the result of our growth throughout both years.

Results for Properties Fully Operating Throughout Both Years

Several factors affected the comparability of results for The Point Shopping Center, the only property fully operating throughout both years. Rental income for The Point Shopping Center increased from approximately $2,066,000 in 2001 to approximately $2,910,000 in 2002. This is a result of the completion of the redevelopment of the center and the commencement in August 2001 of the Giant Food tenancy. Correspondingly, property expenses increased from approximately $629,000 in 2001 to approximately $823,000 in 2002.

Net Cash Flow

Operating Activities. Net cash flows provided by operating activities increased to $1,159,000 in 2002 from $1,000,000 in 2001. This increase was due primarily to the growth of our portfolio.

Investing Activities. Net cash flows used in investing activities increased to approximately $41,380,000 during 2002 from approximately $2,529,000 in 2001. During 2002, we completed the acquisitions of four shopping centers located in Pennsylvania aggregating 1.1 million square feet for a cost of approximately $60 million, and sold one office property for a net sales price of $4.37 million.

Financing Activities. Net cash flows provided by financing activities increased to approximately $41,803,000 in 2002 from approximately $3,451,000 in 2001. We funded the acquisitions of four shopping centers and capital expenditures necessary to improve and lease our properties with cash provided by joint venture partners, mortgage and other indebtedness and the sale of 3,300 preferred units in connection with the Homburg Invest capital contribution. We used the net proceeds from the sale of one property during 2002 to pay down the outstanding balance on the 2001 SWH financing.

Comparison of Year Ended December 31, 2001 to Year ended December 31, 2000

During 2001, we acquired three shopping centers aggregating approximately 440,000 rentable square feet and an adjacent parcel of land (of approximately 34,000 square feet) for a total cost of approximately $36 million. During 2001, we sold two office properties that did not meet our strategic focus for an aggregate gross sales price of $7.2 million.

During 2000, we completed the acquisition of a 50% interest in The Point Shopping Center at a purchase price of $2.1 million (50% of the appraised value less the existing first mortgage debt, *i.e.* $13,500,000 — $9,300,000 x .50), and sold one 50% interest in the Germantown Square property for a gross sales price of $3.0 million.

Differences in results of operations between 2001 and 2000 were driven largely by the acquisition and disposition activity. Net loss attributable to common shareholders for 2001 totaled approximately $147,000, compared with a net loss of approximately $13,000 for the prior year. Net income before minority interest, limited partnership's interest, loss on impairment and gain (loss) on sales decreased from net income of approximately $302,000 in 2000 to a net loss of approximately $96,000 in 2001. The computation of net loss per share resulted in a $1.20 per share increase in net loss, from a net loss of $0.06 per share in 2000 to a net loss of $1.26 per share for 2001. As we had no dilutive securities outstanding during 2000 or 2001, basic and diluted net loss per share figures are the same for both years.

Results of operations for properties consolidated for financial reporting purposes and held throughout both 2001 and 2000 included one property. Results of operations for properties consolidated for financial reporting purposes and purchased or sold during the period from January 1, 2000 through December 31, 2001 included nine properties. As of December 31, 2001, we owned five properties.

Property-Specific Revenue and Expenses

	2001	2000	Difference	Acquisition/ Dispositions	Held in Both Years
Rents	$4,817,000	$3,037,000	$1,780,000	$1,757,000	$ 23,000
Property expenses	1,585,000	1,053,000	532,000	506,000	26,000
Depreciation & amortization	991,000	622,000	369,000	420,000	(51,000)
Interest expense	2,152,000	654,000	1,498,000	1,498,000	—

Results attributable to acquisition and disposition activities

Rents increased from approximately $3,037,000 in 2000 to approximately $4,817,000 in 2001, an increase of approximately $1,780,000. Substantially all of the net increase was attributable to our acquisition and disposition activities.

Property expenses increased from approximately $1,053,000 in 2000 to approximately $1,585,000 in 2001, an increase of approximately $532,000. Substantially all of the net increase was attributable to acquisition and disposition activities.

Depreciation and amortization increased from approximately $622,000 in 2000 to approximately $991,000 in 2001, an increase of approximately $369,000. Substantially all of the net increase was attributable to acquisition and disposition activities.

Interest expense increased from approximately $654,000 in 2000 to approximately $2,152,000 in 2001. The net increase was attributable to mortgage and other indebtedness incurred with respect to acquisition and disposition activities.

General and administrative fees increased from approximately $635,000 in 2000 to approximately $731,000 in 2001. The increase is primarily the result of our growth throughout both years.

During 2001, we incurred an extraordinary loss on the early extinguishment of debt of approximately $76,000 (net of the limited partner's portion) in connection with The Point Shopping Center's refinancing. During 2000, we incurred an extraordinary loss of approximately $17,500 (net of the limited partner's interest portion) on the early extinguishment of debt in connection with the prepayment of a mortgage loan on an office property at the center owned by us.

Net Cash Flow

Operating Activities. Net cash provided by operating activities totaled $1.0 million in 2001 and $989,000 in 2000. The decrease from year to year is predominantly due to the sales of two properties in 2001 and the acquisition of four new properties over the past two years.

Investing Activities. Net cash used in investing activities totaled $2.5 million in 2001 and $8.3 million in 2000. The differences from year to year are predominantly due to the acquisition of The Point Shopping Center in 2000 and the three shopping centers in 2001.

Financing Activities. Net cash provided by financing activities totaled $3.4 million in 2001 and $5.8 million in 2000. The differences from year to year are predominantly due to the acquisition of The Point Shopping Center in 2000 and the three shopping centers in 2001.

Pro Forma Operating Results

Comparison of Pro Forma Six Months Ended June 30, 2003 to Historical Six Months Ended June 30, 2003

The pro forma condensed consolidated statement of operations for the six months ended June 30, 2003 is presented as if this offering, the formation transactions, the refinancing transactions, acquisitions of third party interests and the termination of the management contracts had occurred on January 1, 2003. The pro forma statement reflects the acquisition of Golden Triangle Shopping Center (Lancaster, PA), Huntingdon Plaza (Huntingdon, PA), Wal-Mart Shopping Center (Southington, CT), Lake Raystown Plaza (Huntingdon, PA), the remaining 50% interest in The Point Shopping Center (Harrisburg, PA), controlling partnership interests in Columbus Crossing Shopping Center (Philadelphia, PA), and the River View Plaza I, II, and III properties (Philadelphia, PA), and the operating leasehold position in the South Philadelphia Shopping Plaza. The pro forma statement also includes the general partnership interest in Fairview Plaza, Halifax Plaza, Newport Plaza, Pine Grove Shopping Center, Swede Square Shopping Center and Valley Plaza Shopping Center properties, all acquired during the first and second quarters of 2003, as if they had been acquired at January 1, 2003. In addition, such pro forma statement reflects the pay-off of the SWH financing, the acquisition of the limited partners' interests, the acquisition of preferred units from a related party, and the defeasance of mortgages at Swede Square Shopping Center and Golden Triangle Shopping Center.

The significant changes that would have been reflected in our financial statements on a pro forma basis for the six months ended June 30, 2003 compared to the historical results include the following:

The consolidation of the operating results of the aforementioned properties resulted in significant increases in various components of our statement of operations. The net effect of all of our pro forma adjustments is to increase income to $2,977,000 for the pro forma six months ended June 30, 2003, as compared to $(239,000) for the same historical period. The increase is a result of the additional properties acquired and the reduction of the higher rate debt.

On a pro forma basis, total revenues would have increased to approximately $20,750,000 for the six months ended June 30, 2003, compared to $11,422,000 reported historically for the same period, an increase of approximately $9 million, or 82%. This increase is a result of additional revenue from the acquired properties.

On a pro forma basis, total expenses would have increased to approximately $17,278,000 for the six months ended June 30, 2003, compared to approximately $11,667,000 reported historically for the same period, an increase of approximately $5.6 million, or 48%. Pro forma total expenses reflect a net increase of $5.6 million due to additional expenses from the acquired properties.

On a pro forma basis, limited partner's interest and minority partners' interests would have decreased and increased to $(72,000) and $(424,000), respectively, compared to $449,000 and $(422,000) for the same period reported historically. This decrease is attributable to acquisition of all of CBC's limited partner's interest and the acquisition of the minority partners' interests in The Point Shopping Center.

Comparison of Pro Forma Year Ended December 31, 2002 to Historical Year Ended December 31, 2002

The pro forma condensed consolidated statement of operations for the year ended December 31, 2002 is presented as if this offering, the formation transactions, the refinancing transactions, acquisitions of third party interests and the termination of the management contracts had occurred on January 1, 2002. The pro forma statement reflects the acquisition of Golden Triangle Shopping Center (Lancaster, PA), Huntingdon Plaza (Huntingdon PA), Wal-Mart Shopping Center (Southington, CT) Lake Raystown Plaza (Huntingdon, PA), the remaining 50% interest in The Point Shopping Center (Harrisburg, PA), controlling partnership interests in Columbus Crossing Shopping Center (Philadelphia, PA), and the River View Plaza I, II and III properties (Philadelphia, PA), and the operating leasehold position in the South Philadelphia Shopping Plaza. The pro forma statement also includes the general partnership interest in Fairview Plaza, Halifax Plaza, Newport Plaza, Pine Grove Shopping Center, Swede Square Shopping Center, and Valley Plaza Shopping Center properties, all acquired during the first and second quarters of 2003, as if they had been acquired at January 1, 2002. In addition, such pro forma statement reflects the pay-off of the SWH financing, the acquisition of the limited partner's interests, the acquisition of preferred units from a related party, and the defeasance of mortgages at Swede Square Shopping Center and Golden Triangle Shopping Center.

The significant changes that would have been reflected in our financial statements on a pro forma basis for the year ended December 31, 2002 compared to the historical results include the following:

The consolidation of the operating results of the aforementioned properties resulted in significant increases in various components of our statement of operations. The net effect of all of our pro forma adjustments is to increase income to $5,659,000 for the pro forma year ended December 31, 2002 as compared to $(468,000) for the same historical period. This increase is the result of additional properties acquired and the reduction of high rate debt.

On a pro forma basis, total revenues would have increased to approximately $39,184,000 for the year ended December 31, 2002, compared to $12,989,000 reported historically for the same period, an increase of approximately $26.2 million, or 202%. This increase is the result of additional revenue from the acquired properties.

On a pro forma basis, total expenses would have increased to approximately $32,858,000 for the year ended December 31, 2002, compared to approximately $14,401,000 reported historically for the same period, an increase of approximately $18.5 million, or 128%. Pro forma total expenses reflect a net increase of $18.5 million due to additional expenses from the acquired properties.

On a pro forma basis, the limited partner's interest decreased to $(136,000) compared to $806,000 for the same period reported historically. This is attributable to the acquisition of all of CBC's limited partner's interest. On a pro forma basis, minority partners' interests would have increased to $(532,000) from $(159,000) for the same period reported historically. This increase is attributable to the full year of operations on a pro forma basis.

Liquidity and Capital Resources

Analysis of Liquidity and Capital Resources

We believe that this offering of our common stock and financing and refinancing transactions described herein will improve our capital structure and our financial performance primarily as a result of the reduction of our overall debt, the elimination of certain preferred partnership participations, prepayment and repayment of certain secondary financings, and the substantial reduction of the ratio of our debt to total market capitalization. That ratio will be approximately 46% upon completion of this offering. At completion of the offering and the pending acquisitions, the financing and the refinancing transactions, the acquisition of preferred partnership interests, prepayment and repayment of certain financings and draw-downs on our line of credit, we anticipate that total consolidated indebtedness will be approximately $166.9 million and our share of total indebtedness after accounting for minority interest will be approximately $131.5 million.

We have obtained a commitment for a three year $75 million secured revolving credit facility. Under the terms of this commitment, after the consummation of this offering, we expect to have available a $40 million bridge loan, with the remaining $35 million to be available upon syndication of the facility prior to December 31, 2003 and the satisfaction of certain covenants. Upon consummation of the offering, we will have $22.44 million drawn, with the balance of the line of credit expected to be used to fund acquisitions of encumbered or unencumbered properties, refinance certain properties and other corporate purposes. Borrowings under the facility will incur interest at a rate of LIBOR plus 2.25% subject to increases up to 2.75% depending upon our leverage. The facility will be subject to customary financial covenants and limits on leverage. We have the ability to extend the payments of amounts drawn under the facility for an additional one year period. There can be no assurance that the syndication will be completed or that we will be able to comply with all covenants. We expect to use the facility, among other things, to finance (a) certain expected acquisitions of shopping centers or interim purchase deposits with respect to new acquisitions, (b) certain expected acquisitions of optioned properties, (c) capital improvements, (d) costs of redevelopment and new development projects and properties, and (e) working capital and other corporate purposes. Security for such facility is expected to be first mortgages on properties which will be otherwise unencumbered at the offering.

We intend to obtain a construction loan to finance the redevelopment of the Camp Hill Mall. If we are unable to obtain a construction loan, we intend to borrow under the line of credit.

After completion of this offering and the consummation of the pending acquisitions, we expect to prepay the existing first mortgage financing on Swede Square Shopping Center and Golden Triangle Shopping Center with defeasance and penalty costs of approximately $117,000 and $1.9 million, respectively, and to substitute therefor new floating rate financings.

There can be no assurances that any such financings, re-financings, repayments or draw-downs on the line of credit can be effected on favorable terms.

Our short-term liquidity requirements will include funding of dividend payments to our stockholders to maintain our REIT status, paying for certain capital improvements and other expenditures as well as funding acquisitions. Such short-term liquidity requirements, we believe, will be met generally from cash from operations and, if necessary, drawing on our line of credit facility.

Our properties generally require periodic investments of capital for tenant improvements, leasing commissions and certain capital improvements. For the twelve months ending June 30, 2004, we anticipate tenant improvements and leasing commissions to be approximately $1,020,000, representing $12.00 per square foot multiplied by approximately 92,000 square feet scheduled to expire during the twelve months ending June 30, 2004. In addition, for the same period we expect the cost of recurring capital improvements at our properties to be approximately $1,102,000, representing $.33 per square foot multiplied by 3.6 million square feet in our portfolio upon consummation of the offering and completion of our pending acquisitions. In addition, we have budgeted capital expenditures for redevelopments at Camp Hill Mall, Swede Square Shopping Center and Golden Triangle Shopping Center totaling approximately $30.0 million in 2004.

We expect our long-term liquidity requirements for development, redevelopment, expansion, site improvements, property acquisitions and other non-recurring capital costs to be funded through net cash from operations, long-term secured and unsecured indebtedness, including our line of credit, and potentially the issuance of additional debt and equity securities. We further intend to fund such non-recurring capital costs by using the line of credit on an interim basis, by potentially financing and refinancing properties presently owned and properties to be acquired, as well as by potentially raising equity capital through joint venture participations with respect to existing properties or properties to be acquired.

Commitments

Upon completion of this offering, the acquisitions and certain prepayments, financing and refinancing transactions described herein, we will have outstanding long-term and short-term debt

obligations of approximately $181.9 million on a consolidated basis. Our share of these debt obligations after accounting for minority interests is approximately $146.4 million. The following table summarizes our repayment obligations during the balance of 2003 and for the following five years pursuant to the terms of loans which will be outstanding upon consummation of this offering, the acquisition transactions, the financing and the refinancing transactions:

Through December 31, 2003	$ 702,000
2004	$ 15,471,000
2005	$ 37,507,000
2006	$ 24,109,000
2007	$ 3,398,000
Thereafter	$ 85,741,000
Total	$166,928,000

Consolidated Indebtedness Expected to be Outstanding After this Offering

Upon completion of this offering, the acquisition transactions and the financing and refinancing transactions described herein, we expect to have approximately $166.9 million of outstanding consolidated long-term and short-term debt obligations. Our share of these debt obligations after accounting for minority interests is approximately $131.5 million. Such indebtedness will consist of 19 mortgages secured by 19 of our properties, and approximately $22.44 million under our line of credit. Of the scheduled loan principal payments, approximately $702,000 will be due on or before December 31, 2003.

Of our outstanding indebtedness upon completion of this offering, the acquisition transactions, and the financing and refinancing transactions, we expect that approximately 39% of our share of outstanding long-term debt would be floating rate financing in the absence of a fixed rate cap. We expect, however, to enter into an interest rate cap agreement for a portion of such variable rate debt upon consummation of this offering. As a result, we expect that approximately 80% of our total indebtedness upon completion of this offering will be subject to fixed rates and/or capped rates.

The following table sets forth certain information with respect to the indebtedness that we expect to be outstanding after this offering, the acquisition transactions, and the financing and refinancing transactions.

				Balance Outstanding		
Property	**Original Amount**	**Interest Rate**	**Maturity**	**June 30, 2003**	**Pro Forma June 30, 2003**	**Our Share Pro Forma June 30, 2003**
The Point Shopping Center Harrisburg, PA	$20,000,000	7.63%	June 2027	$19,722,000	19,722,000	$ 19,722,000
Red Lion Shopping Center Philadelphia, PA	16,800,000	8.86%	Feb 2010	16,652,000	16,652,000	3,330,000
Camp Hill Mall Camp Hill, PA	14,000,000	4.74%(1)	Nov 2004	14,000,000	14,000,000	14,000,000
Loyal Plaza Shopping Center Williamsport, PA	13,877,000	7.18%	June 2011	13,745,000	13,745,000	3,436,000
Port Richmond Village Philadelphia, PA	11,610,000	7.17%	Mar 2008	11,366,000	11,366,000	11,366,000
Academy Plaza Philadelphia, PA	10,715,000	7.28%	Mar 2013	10,490,000	10,490,000	10,490,000
Washington Center Shoppes Washington Township, NJ	6,236,000	7.53%	Nov 2027	5,863,000	5,863,000	5,863,000

Property	Original Amount	Interest Rate	Maturity	Balance Outstanding		
				June 30, 2003	Pro Forma June 30, 2003	Our Share Pro Forma June 30, 2003
LA Fitness Center Fort Washington, PA	5,000,000	LIBOR + 2.75% (minimum 7.25%)	Dec 2007	1,626,000	1,626,000	813,000
Fairview Plaza New Cumberland, PA	6,080,000	5.71%	Feb 2013	6,054,000	6,054,000	1,816,000
Halifax Plaza Halifax, PA	4,265,000	6.43%	Jan 2010	4,235,000	4,235,000	1,271,000
Newport Plaza Newport, PA	5,424,000	6.43%	Feb 2010	5,398,000	5,398,000	1,619,000
Pine Grove Shopping Center Pemberton Township, NJ	6,000,000	6.24%	Apr 2010	5,963,000	5,963,000	5,963,000
Swede Square Shopping Center East Norriton, PA	5,560,000	LIBOR + 2.75% (minimum 7.25%)	May 2005	5,560,000	—	—
Valley Plaza Shopping Center	6,430,000	LIBOR + 2.50%	Jun 2005	6,430,000	6,430,000	6,430,000
Hagerstown, MD	3,462,000	12.00%	Jun 2005	3,462,000	—	—
Wal-Mart Shopping Center	5,443,750	LIBOR + 2.50%	Aug 2005	—	5,444,000	5,444,000
Southington, CT	2,931,250	12%	Aug 2005	—	—	—
Golden Triangle Shopping Center Lancaster, PA	10,800,000	7.39%	Apr 2023	—	—	—
Columbus Crossing Shopping Center Philadelphia, PA	17,500,000	LIBOR + 1.25%	—	—	17,500,000	17,500,000
Corporate						
Line of Credit	22,440,000	—	—	—	22,440,000	22,440,000
Totals	$194,574,000			$130,566,000	$166,928,000	$131,503,000

(1) The interest rate on the entire loan amount is fixed via an interest rate swap at 4.74% through November 2003 and $7.0 million of the loan is fixed at that same rate through maturity. The remaining $7.0 million portion of the loan will float at the 30-day LIBOR rate plus 195 basis points from November 2003 through maturity. We have agreed in connection with this loan to maintain a minimum net worth of $13.0 million (including minority and limited partner interests) and consolidated liquid assets of at least $1.0 million.

Funds From Operations

Management believes that funds from operations, or FFO, is an appropriate measure of performance of an equity REIT. FFO is defined by the National Association of Real Estate Investment Trusts as net income or loss excluding gains or losses from debt restructuring and sales of properties plus real estate depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. FFO does not represent cash generated from operating activities in accordance with accounting principles generally accepted in the United States and is not indicative of cash available to fund cash needs. FFO should not be considered as an alternative to net income as an indicator of our operating performance or as an alternative to cash flow as a measure of liquidity.

As all companies and analysts do not calculate FFO in a similar fashion, our calculation of FFO presented herein may not be comparable to similarly titled measures as reported by other companies.

The following table represents our pro forma FFO calculation for the six months ended June 30, 2003 and the year ended December 31, 2002:

	Pro forma Six Months Ended June 30, 2003	Pro forma Year Ended December 31, 2002	Pro forma Year Ended June 30, 2003
Net (loss) income available to common shareholders and unit holders	$ 3,049,000	$ 5,795,000	$ 7,002,000
Add (less) our share of the following items:			
Depreciation	3,153,000	6,252,000	6,464,000
Minority interest	424,000	532,000	473,000
Amount distributable to minority partners	(804,000)	(1,421,000)	(1,405,000)
Basic and diluted funds from operations(1)	$ 5,822,000	$11,158,000	$12,534,000
Weighted average shares/units outstanding	14,778,000	14,771,000	14,778,000

(1) Management believes that FFO is a widely recognized and appropriate measure of performance of an equity REIT. Although FFO is a non-GAAP financial measure, management believes it provides useful information to shareholders, potential investors and management. Management computes FFO in accordance with the standards established by NAREIT. FFO is defined by NAREIT as net income or loss excluding gains or losses from debt restructuring and sales of properties plus real estate depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. FFO does not represent cash generated from operating activities in accordance with accounting principles generally accepted in the United States and is not indicative of cash available to fund cash needs. FFO should not be considered as an alternative to net income, as an indicator of our operating performance or as an alternative to cash flow as a measure of liquidity.

As not all companies and analysts calculate FFO in a similar fashion, our calculation of FFO presented herein may not be comparable to similarly titled measures as reported by other companies.

Inflation

Low to moderate levels of inflation during the past several years have favorably impacted our operations by stabilizing operating expenses. At the same time, low inflation had an indirect effect of reducing our ability to increase tenant rents. Our properties have tenants whose leases include expense reimbursements and other provisions to minimize the effect of inflation. These factors, in the long run, are expected to result in more attractive returns from our real estate portfolio as compared to short-term investment vehicles.

Quantitative and Qualitative Disclosures About Market Risk

The primary market risk facing us is interest rate risk on our loans payable and mortgage notes payable. We will, when advantageous, hedge our interest rate risk using financial instruments. We are not subject to foreign currency risk.

We are exposed to interest rate changes primarily as a result of (1) the line of credit used to maintain liquidity, fund capital expenditures and expand our real estate investment portfolio and (2) the Camp Hill Mall and Valley Plaza Shopping Center acquisition financing. Our interest rate risk management objectives are to limit the impact of interest rate changes on earnings and cash flows and to lower our overall borrowing costs. To achieve these objectives, we borrow primarily at fixed rates and may enter into derivative financial instruments such as interest rate swaps, caps and treasury locks in order to mitigate our interest rate risk on a related financial instrument. We do not enter into derivative or interest rate transactions for speculative purposes.

We will recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges will be adjusted to fair value through income. If a derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the derivative will either be offset against earnings, or recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. As of June 30, 2003 historical, we have interest rate swaps on four of our mortgage loans. These derivatives had a fair value of approximately $860,000, of which $276,000 was recognized in other comprehensive income and the remaining $584,000 was recognized as the limited partner's interest in the consolidated operating partnership.

Our interest rate risk is monitored using a variety of techniques. As of June 30, 2003 historical, long-term debt consisted of fixed-rate secured mortgage notes and a variable rate line of credit facility. The average interest rate on the $123,000,000 of fixed rate secured mortgage indebtedness outstanding at June 30, 2003 was 7.2%, with maturities at various dates through 2027. The average interest rate on our line of credit at June 30, 2003 was 6%. There was $1,000,000 outstanding on the line of credit at June 30, 2003.

Upon completion of this offering and the use of the proceeds as described above, we expect to have outstanding approximately $181.9 million of consolidated debt of which our share will be approximately $146.4 million. We expect approximately $57.8 million, or 32% of consolidated debt, to be variable rate debt and $57 million or 39% of our share of total debt, to be variable rate debt. With respect to variable rate debt, we have entered into four interest rate swaps for approximately $22.2 million to effectively fix the base rate portion of the interest rate at approximately 6.10%.

As of pro forma June 30, 2003, we have approximately $124.1 million of consolidated fixed rate debt of which our share is $89.4 million. The average interest rate on the consolidated fixed rate secured mortgage indebtedness was 6.72%, with maturities at various dates through 2013.

Upon completion of this offering and use of the proceeds as described above, approximately $57.8 million of our consolidated outstanding indebtedness as of June 30, 2003 are loans based on the London Interbank Offered Rate, or LIBOR, of which our share is $57.0 million. If LIBOR were to increase 100 basis points, future earnings and cash flows would decrease by approximately $570,000 annually for both consolidated debt and our share of total debt.

BUSINESS AND PROPERTIES

We currently own 15 properties totaling approximately 2.5 million square feet of GLA. Our portfolio, excluding two properties under development, was approximately 94% leased as of June 30, 2003. We have entered into agreements to acquire eight other shopping centers, totaling approximately 1.1 million square feet of GLA for an aggregate purchase price of $134.5 million. Upon consummation of this offering and completion of our pending acquisitions, we will have a portfolio of 23 properties totaling approximately 3.6 million square feet of GLA, and our portfolio, excluding three properties currently under redevelopment, will be approximately 92% leased. We intend to close on these pending acquisitions shortly after consummation of this offering.

We derive substantially all of our revenues from rents and reimbursement payments received from tenants under existing leases on each of our properties. Our operating results therefore depend materially on the ability of our tenants to make required payments. We believe that the nature of the properties we primarily own and in which we invest, neighborhood and community shopping centers, provides a more stable revenue flow in uncertain economic times, as they are more resistant to economic down cycles. This is because consumers still need to purchase food and other goods found at supermarkets, even in difficult economic times.

In the future, we intend to focus on increasing our internal growth, pursuing targeted acquisitions of neighborhood and community shopping centers in attractive markets with strong economic and demographic characteristics and developing and redeveloping shopping centers. We currently expect to incur additional debt in connection with any future acquisitions of real estate.

We were originally incorporated in Iowa on December 10, 1984 and elected to be taxed as a REIT commencing with the taxable year ended December 31, 1986. In June 1998, following a tender offer completed in April 1998 for the purchase of our common stock by CBC, we reorganized as a Maryland corporation and established an “umbrella partnership REIT” structure through the contribution of substantially all of our assets to a Delaware limited partnership, the operating partnership. We conduct our business through the operating partnership. Upon consummation of this offering we will own a 97.65% interest in the operating partnership. We are presently the sole general partner and own an approximate 30% interest in the operating partnership.

Industry Background

The 2002 shopping center census by the National Research Bureau, or NRB, estimates that retail shopping center sales in the Northeast were approximately $250.4 billion in 2002. This is an increase of approximately $11.5 billion, or 4.8%, from 2001. At the end of 2002, there were approximately 8,692 shopping centers containing 1.15 billion square feet of GLA in the Northeast according to the NRB’s census, an increase from 8,602 shopping centers with 1.14 billion square feet of GLA in the Northeast at the end of 2001. According to the NRB’s census, the Northeast’s sales per square foot grew to $217.26 in 2002 from $210.18 the prior year, an increase of 3.37%.

Retail shopping centers typically are organized in one of four formats: neighborhood shopping centers, community centers, regional malls and super regional malls. These centers are distinguished by various characteristics, which include shopping center size, the number and type of anchor tenants, types of products sold, distance and travel time, and customer base.

Neighborhood shopping centers generally provide consumers with convenience goods such as food and drugs and services such as dry cleaning and laundry for the daily living needs of residents in the immediate neighborhood. A supermarket typically anchors these centers. In addition to the convenience goods provided by a neighborhood center, a community shopping center typically contains multiple anchors and may provide facilities for the sale of apparel, accessories, home fashion, hardware or appliances. In our experience, neighborhood and community shopping centers are generally more resistant to economic down cycles.

Our experience indicates that the key factors that drive the success of neighborhood and community shopping centers include strong market demographics, a diverse tenant mix with multiple anchors, including supermarkets, the proper positioning of the center to its customer base, traffic patterns and a strong relationship between the owner of the shopping center and the anchor tenants.

Pennsylvania

According to the NRB census, Pennsylvania's 1,745 retail shopping centers generated an estimated $49.8 billion in sales in 2002. This is an increase of 4.6% in sales from $47.7 billion in 2001. Pennsylvania shopping center GLA increased 1.6% to 258.9 million square feet from 254.9 million square feet. The NRB census also estimates that sales per square feet increased 2.94% from $187.01 in 2001 to $192.50 in 2002.

Harrisburg

Harrisburg is the capital of Pennsylvania and is a center for manufacturing and the health industry, as well as for government services. According to The Pennsylvania State University Data Center, the estimated population of the greater Harrisburg metropolitan area in 2001 was 512,150. The population is expected to grow to 526,000 by 2006 and to nearly 600,000 by 2020. Average household income for the area in 2001 was approximately $59,200, according to Claritis, Inc., and is projected to increase to approximately $70,250 by 2006. According to Integra Realty Resources – Philadelphia 2002, retail sales per household for the greater Harrisburg metropolitan area were approximately $38,000 in 2002 and are expected to increase to approximately $43,500 by 2007.

Philadelphia

According to the Philadelphia Planning Commission, the city's population in the 2000 census was 1,517,550. The largest employment sectors in Philadelphia are services, government and retail trade. MPS Data Services projects that average household income for the metropolitan Philadelphia area will be $92,778 for 2003, increasing to $111,000 in 2015. Philadelphia is ranked sixth (behind Chicago, Los Angeles, New York, Detroit and Atlanta) of U.S. regions in annual sales with $58.3 billion, according to MPS Data Services and the Bureau of Labor Statistics.

Our Competitive Strengths

We believe that we distinguish ourselves from other owners and operators of community and neighborhood shopping centers on account of the following:

- *High-Quality Neighborhood and Community Shopping Center Portfolio.* Our primary focus is on supermarket-anchored neighborhood and community shopping centers. We believe supermarket anchors attract customers for several trips per week and provide more stable revenues, especially in uncertain economic environments. As of June 30, 2003, approximately 77% of our centers were supermarket-anchored. After this offering and completion of our pending acquisitions, approximately 79% of our centers will be supermarket-anchored.

- *Redevelopment and Value Enhancement Expertise.* We seek to leverage our operating and redevelopment capabilities by acquiring assets that offer redevelopment and value enhancement opportunities. In particular, certain members of our senior management have successfully completed the redevelopment of The Point Shopping Center and Red Lion Shopping Center. At The Point Shopping Center, for example, we completed a total redevelopment in 2000 at a cost of approximately $9.1 million that increased revenues from $1.9 million in 2000 to $3.1 million for the twelve months ended June 30, 2003 and increased net operating income from $1.2 in 2000 to $2.3 for the twelve months ended June 30, 2003. The following is a reconciliation showing the calculation of net operating income for this property:

	Years Ended December 31,			For the Twelve Months Ended
	2000	2001	2002	June 30, 2003
Revenues	$ 1,851,000	$ 2,279,000	$ 2,918,000	$ 3,125,000
Expenses	(1,882,000)	(2,190,000)	(3,117,000)	(3,031,000)
Minority interest	15,000	(44,000)	99,000	(47,000)
Net Property Income	$ (16,000)	$ 45,000	$ (100,000)	$ 47,000
Add:				
Depreciation	$ 277,000	$ 356,000	$ 508,000	$ 581,000
Amortization	7,000	43,000	251,000	96,000
Interest	917,000	1,163,000	1,535,000	1,508,000
Minority Interest	(15,000)	44,000	(99,000)	47,000
Net Operating Income	$ 1,170,000	$ 1,651,000	$ 2,095,000	$ 2,279,000

Before the redevelopment, The Point Shopping Center was an enclosed internal two story shopping center with approximately 120,000 square feet of GLA anchored by a local grocer renting 34,000 square feet at approximately $5.00 per square foot. As a result of the redevelopment, The Point Shopping Center is now an open air center with 255,400 square feet of GLA, anchored by a 55,000 square foot Giant Food, paying $17.00 per square foot and a 24,000 square foot Staples, paying $11.00 per square foot.

We are currently redeveloping Camp Hill Mall, Swede Square Shopping Center and Golden Triangle Shopping Center, at an aggregate budgeted project cost of approximately $30.0 million, and exploring redevelopment opportunities at South Philadelphia Shopping Plaza, Valley Plaza Shopping Center and Halifax Plaza. There can be no assurance that these developments will be completed or that the actual costs will not exceed the budgeted costs.

- *Pennsylvania as Core Market.* Upon consummation of this offering and completion of our pending acquisitions, approximately 84% of our GLA will be located in eastern Pennsylvania, a mature and densely populated region. Based upon the 2000 United States Census, the average population within a three-mile radius of our properties is approximately 128,000 people and the average annual household income in such area is $51,400. The mean household income in the MSAs in which our properties are located is $59,800, which is higher than the national and Pennsylvania state mean household incomes. We believe that we benefit from the limited opportunity for new competing development near our locations and from the high barriers to entry for our asset class in our core markets.

- *Regional Asset Clusters.* Upon consummation of this offering and completion of our pending acquisitions, we expect to have 12 properties, containing 1,465,300 square feet of GLA, in the Philadelphia area, and eight properties, containing 1,681,000 square feet of GLA, in the Harrisburg area. We believe that our local presence in these areas provides us with effective “on-the-ground” awareness of property availability, tenanting opportunities, demographic trends and evolving traffic patterns. Furthermore, our local presence enables our management team to employ a “hands-on” approach to administering our properties and satisfying our tenants. Our local management offices in these regions enable us to efficiently and intensively manage our assets and to develop strategic relationships with regional grocers and retailers.

- *Experienced and Committed Management Team.* Our senior management team is comprised of executives with an average of more than 20 years experience in the acquisition,

ownership, management, leasing and redevelopment of commercial real estate in the Northeast, including shopping center properties. Senior management is expected to own a 6.7% aggregate equity interest in our company on a fully diluted basis after giving effect to this offering.

Mr. Ullman, our chairman, chief executive officer and president, and Ms. Walker, our vice president, who is in charge of our property management activity, each have more than 20 years of industry experience with us, our predecessors and our affiliates. Mr. O'Keeffe, our chief financial officer, has more than 17 years of industry experience. Mr. Widowski, our vice president and general counsel, has been practicing law for more than 18 years, with a focus on real estate transactions. Mr. Richey, our vice president and director of construction and maintenance services, has 22 years of industry experience in building, construction, project management and acquisitions. After giving effect to this offering and our pending acquisitions, over the last twelve months we will have acquired 16 properties with a combined GLA of 2.2 million square feet, at a total cost of $134.5 million.

Strong Relationships with Our Tenants. We have strong relationships with our tenants, including Giant Food, which management believes is the dominant grocer in its trade area. These relationships have led to leasing opportunities with existing tenants that are expanding as well as to acquisition opportunities sourced by tenants.

- *Varied Tenant Base and Limited Near-Term Lease Rollover.* We believe that our diversity of tenants and limited near-term lease rollover enhance our ability to generate stable cash flows over time. Upon consummation of this offering and completion of our pending acquisitions, no single tenant, with the exception of Giant Food, will represent more than 4.5% of our annualized revenues on a pro forma basis for the period ended June 30, 2003. For such period, we had approximately 364 leases with 297 distinct tenants, including national and regional supermarkets, department stores, pharmacies, restaurants and other retailers. Pro forma for this offering and the pending acquisitions, the average lease term for our neighborhood and community shopping centers will be eight years, with no more than 9% of our total base rent expiring in any single year through 2013.

- *Strategic Joint Ventures.* We have had considerable experience in creating strategic joint ventures in order to mitigate acquisition and development risks, secure marquee anchor tenants, and facilitate financing. Our joint venture partners include affiliates of Kimco Realty Corporation, a leading REIT specializing in the acquisition, development and management of neighborhood and community shopping centers. We serve as managing partner of all of our joint ventures and manage the properties.

Business and Growth Strategies

Our business and growth strategies include the following elements:

Internal Growth

- Building and benefiting from our strong tenant relationships. We believe that the success of our business greatly depends upon our ability to establish, maintain and enhance on-going relationships with our tenants. Through our direct involvement in management, we are able to meet the needs of growing tenants and benefit from leasing opportunities originating from this type of working relationship.

- Maximizing cash flow from our properties by continuing to enhance the operating performance of each property. We are able to achieve operating, marketing and leasing efficiencies through our property management and leasing program. We actively monitor our lease expirations to maintain high levels of occupancy.

- Enhancing yield and productivity of existing properties through hands-on intensive management. We take a hands-on approach in order to expediently address operating, marketing and leasing developments. Additionally, we maintain a local presence in our markets and have significant experience working with local governmental and regulatory agencies.

- Completing in process redevelopment and lease-up of Camp Hill Mall, Swede Square Shopping Center and Golden Triangle Shopping Center. In 2004, we intend to complete the redevelopment and lease-up of approximately 300,000 square feet at Camp Hill Mall, Swede Square Shopping Center and Golden Triangle Shopping Center. In this regard, at Camp Hill Mall we have executed a letter of intent for a new operating lease with Giant Food, an existing tenant, for 65,300 square feet at $15.00 per square foot, scheduled to commence June 2004. Giant Food's prior lease at this center was for a 42,000 square foot space that was ground leased from us for $2.37 per square foot. At Golden Triangle we have executed a lease with LA Fitness for 46,000 square feet at $14.00 per square foot, scheduled to commence December 2004.

- Capitalizing on redevelopment opportunities, such as those being explored at South Philadelphia Shopping Plaza, Valley Plaza Shopping Center and Halifax Plaza.

- Commencing development of a supermarket-anchored shopping center in 2005 with approximately 100,000 square feet of GLA plus two out parcels at an undeveloped 16.5 acre parcel of land located between Harrisburg and Hershey, Pennsylvania, which we have an option to acquire and is currently zoned for a shopping center.

There can be no assurance that any of the above redevelopment and development projects will be completed or commenced as planned, that the letter of intent with regard to the lease with Giant Food at Camp Hill Mall will be executed or that the rents payable under executed leases will be indicative of any leases executed in the future.

External Growth

- Acquiring additional neighborhood and community shopping centers. We pursue opportunistic acquisitions of neighborhood and community shopping centers, utilizing our knowledge of regional markets in which we operate. As described in "— Acquisition and Market Selection Process," we focus our acquisition activities on the Northeast, primarily in eastern Pennsylvania. We target properties with the following characteristics: (1) potential growth in cash flow, (2) attractive investment yields, (3) improvable through hands-on management, (4) possibly requiring redevelopment or repositioning, and (5) consistent in quality, demographics and location with our existing portfolio. After giving effect to this offering and our pending acquisitions, over the last twelve months we will have acquired 16 properties, with a combined GLA of 2.2 million square feet, at a total cost of $134.5 million. We expect to use our line of credit and operating partnership units to fund future acquisitions. Where appropriate, we will continue to establish joint ventures to mitigate acquisition and development risk, secure marquee tenants and facilitate refinancing.

- Acquiring properties that offer value enhancement opportunities. We have internal capabilities to pursue development, redevelopment, re-tenanting and upgrading opportunities. Previous redevelopments successfully completed by certain of our senior executives include The Point Shopping Center and Red Lion Shopping Center. We are currently redeveloping the Camp Hill Mall, Swede Square Shopping Center and Golden Triangle Shopping Center, and exploring potential redevelopments at the South Philadelphia Shopping Plaza, the Valley Plaza Shopping Center and Halifax Plaza.

- Identifying acquisition targets through our network of institutional and private real estate investors, lenders, brokers and agents. We are able to source and identify acquisition

opportunities through our partnerships and relationships with institutional and private owners and operators of shopping center properties.

- Focusing on traffic patterns in identifying acquisitions. Our senior management focuses on vehicle traffic counts, access, stacking, distance and pedestrian access in assessing potential acquisitions. We believe that traffic-pattern conditions are often overlooked and are important determining factors of long-term asset value.

- Utilizing management expertise to structure sophisticated acquisition transactions. Our senior management's extensive real estate and legal background allows us to enter into uniquely structured transactions, often with tax sensitive sellers.

Financing Strategy

Our financing strategy is to maintain a strong and flexible financial position by maintaining a prudent level of leverage and managing our variable interest rate exposure. We intend to finance future growth with the most advantageous source of capital available to us at the time of the transaction. These sources may include selling common stock, preferred stock or debt securities through public offerings or private placements, incurring additional indebtedness through secured or unsecured borrowings, issuing units in the operating partnership in exchange for contributed property and forming joint ventures.

Acquisition and Market Selection Process

We seek to acquire neighborhood and community shopping centers in neighborhood trade areas with attractive demographics. When specific markets are selected, we seek a convenient and easily accessible location with abundant parking facilities, preferably occupying the dominant corner, close to residential communities, with excellent visibility for our tenants and easy access for neighborhood shoppers. In particular, we emphasize the following factors:

- *Geographic Focus.* Our acquisition activities are focused in the Northeast, primarily in Pennsylvania and New Jersey. In the Northeast, there were 8,692 shopping centers with 1.15 billion square feet of GLA generating $250.4 billion of sales, or $217.26 per square foot, during 2002. In Pennsylvania, there were 1,745 shopping centers with 258.9 million square feet of GLA generating $49.9 billion of sales, or $192.50 per square foot, during 2002. In New Jersey, there were 1,324 shopping centers with 181.4 million square feet of GLA generating $35.8 billion of sales, or $197.50 per square foot, during 2002.

  In general, our strategy is to target geographic areas proximate to our existing neighborhood and community shopping centers that allow us to maximize our current resources and manage expenses. We also consider opportunities to expand into other geographic markets where the opportunity presented would allow us to reach an economy of scale. We will continue to evaluate all potential acquisitions on a property-by-property and market-by-market basis. We evaluate each market based on different criteria, including:

  - density of population within a three to five mile radius of the center;
  - mature transportation patterns;
  - limited opportunities for the development of competing centers;
  - stable or growing population base;
  - positive job growth;
  - diverse economy; and
  - other competitive factors.

- *Property Focus.* We target neighborhood and community shopping centers containing approximately 100,000 to 300,000 square feet of GLA. In particular, we focus on those shopping centers anchored by market-leading supermarkets or those smaller operators who

have dominant positions in their trade areas. In the absence of a supermarket anchor, we focus on the presence of other anchors for these centers, including department stores, off-price retailers, office superstores, and fabric and clothing retailers, all of whom we believe to be generally beneficial to the value of the center.

In addition to attractive anchors, we also seek properties with a diverse tenant mix that includes service retailers, such as banks, video stores, restaurants, apparel and specialty shops. The dominant characteristic we seek is the ability of the center to generate a steady, repetitive flow of traffic by providing staple goods to the community and offering a high level of convenience with ease of access and abundant parking.

- *Successful at Sourcing Acquisitions.* We believe we have been successful at sourcing new acquisitions based on the following factors:
  - certain members of our management team have been in the commercial real estate business in the Northeast for over 25 years and have developed good relationships with owners, developers, lenders, brokers and tenants in the region;
  - we have been creative in structuring acquisitions and creative in obtaining financing; and
  - we are knowledgeable about local market developments.

Our Properties

Upon consummation of this offering and completion of our pending acquisitions, we will have a portfolio of 23 properties totaling approximately 3.6 million square feet of GLA.

Property(1)	Year Built/ Renovated	Year Acquired	Percentage Owned (Pro Forma)	GLA	Percent Occupied as of June 30, 2003	Major Tenants	Annualized Base Rent($)(2)	Annualized Base Rent Per Square Foot($)	Percentage of Total Annualized Base Rent(%)
Current Properties									
The Point Shopping Center Harrisburg, PA	1972/ 2000-2001	2000	100	255,400	93%	Burlington Coat Factory Giant Food	2,492,294	9.76	7.84
Port Richmond Village Philadelphia, PA	1988	2001	100	155,000	100%	Thriftway Pep Boys	1,745,077	11.26	5.49
Academy Plaza Philadelphia, PA	1965/1998	2001	100	155,000	100%	Acme Markets	1,681,208	10.85	5.29
Washington Center Shoppes Washington Township, NJ	1979/1995	2001	100	158,000	96%	Acme Markets Powerhouse Gym	1,028,390	6.51	3.24
Loyal Plaza Shopping Center Williamsport, PA	1969/ 1999-2000	2002	25	293,300	92%	K-Mart Giant Food	1,977,741	6.74	6.22
Red Lion Shopping Center Philadelphia, PA	1971/1990 and 1998-2000	2002	20	224,300	94%	Sports Authority Best Buy Staples	2,401,179	10.71	7.56
Camp Hill Mall Camp Hill, PA	1958/1986, 1991 and 2003	2002	100	521,600	70%*	Boscov's Giant Food Barnes & Noble	2,753,419	5.28	8.67
LA Fitness Center Fort Washington, PA	N/A	2002	50	41,000	N/A	LA Fitness Center	N/A	N/A	N/A
Halifax Plaza Halifax, PA	1994	2003	30	54,200	100%	Giant Food Rite Aid	521,361	9.62	1.64
Newport Plaza Newport, PA	1996	2003	30	66,800	100%	Giant Food Rite Aid	538,692	8.06	1.70
Fairview Plaza New Cumberland, PA	1992	2003	30	69,600	97%	Giant Food	811,991	11.67	2.56

Property(1)	Year Built/ Renovated	Year Acquired	Percentage Owned (Pro Forma)	GLA	Percent Occupied as of June 30, 2003	Major Tenants	Annualized Base Rent($)(2)	Annualized Base Rent Per Square Foot($)	Percentage of Total Annualized Base Rent(%)
Pine Grove Shopping Center Pemberton Township, NJ	2001-2002	2003	100	79,300	97%	Peebles	814,909	10.28	2.56
Swede Square Shopping Center East Norriton, PA	1980/2003	2003	100	102,500	74%*	LA Fitness	906,374	8.84	2.85
Valley Plaza Shopping Center Hagerstown, MD	1973-1975/ 1994	2003	100	191,200	100%	K-Mart Ollie's Tractor Supply Company	861,033	4.50	2.71
Wal-Mart Shopping Center Southington, CT	1972/2000	2003	100	154,700	99%	Wal-Mart Namco	948,582	6.13	2.99
Pending Transactions									
South Philadelphia Shopping Plaza Philadelphia, PA	1950/ 1998-2003		(3)	283,300	91%	Shop Rite Bally's Total Fitness Ross	3,590,832	12.68	11.30
Golden Triangle Shopping Center Lancaster, PA	1960/1985, 1990, 1997 and 2003		100	229,000	47%*	Marshalls Staples	1,098,930	4.80	3.46
Columbus Crossing Shopping Center Philadelphia, PA	2001		(4)	142,200	100%	Super Fresh Old Navy A.C. Moore	2,253,224	15.85	7.09
River View Plaza I Philadelphia, PA	1991/1998		(4)	117,600	83%	United Artists	1,947,174	16.56	6.13
River View Plaza II Philadelphia, PA	1991/1993 and 1995		(4)	46,600	91%	Staples West Marine	886,056	19.01	2.79
River View Plaza III Philadelphia, PA	1991/1995		(4)	83,400	98%	Pep Boys Athlete's Foot	1,413,756	17.16	4.45
Lake Raystown Plaza Huntingdon, PA	1995		100	84,300	100%	Giant Food Rite Aid Fashion Bug	764,298	8.79	2.41
Huntingdon Plaza Huntingdon, PA	1970		100	102,100	73%(5)	Peebles Auto Zone	334,692	3.28	1.05
Total/Average for current properties and pending transactions			85%(6)	3,609,400			31,771,212	8.78	100%

* Properties under redevelopment

(1) Our properties are generally owned by bankruptcy remote special purpose entities. Accordingly, the assets of these entities, including the properties, may not be available to satisfy claims that a creditor may have against us.

(2) Annualized base rent represents the contractual base rent for leases in place as of June 30, 2003, calculated on a straight-line basis in accordance with U.S. generally accepted accounting principles, or GAAP. This amount excludes operating expense recoveries that would be applicable to such leases.

(3) We have entered into a lease agreement to obtain operating control of this property, along with an option to acquire this property in ten years. A description of this transaction is set forth below under "— Pending Transactions."

(4) We have entered into an agreement to acquire this property through a partnership in which we will own 100% of the common equity interest; the seller will retain a preferred interest that will be entitled to a return that approximates the interest payment on the loan that we will make to the seller upon closing of the acquisition. A description of this transaction is set forth below under "— Pending Transactions."

(5) Includes approximately 22,000 square feet that has been leased to Peebles but is under construction.

(6) Represents weighted average percentage ownership based upon GLA and includes 100% of South Philadelphia Shopping Plaza, Columbus Crossing Shopping Center and River View Plaza I, II and III. Joint venture properties are subject to the distribution priorities described elsewhere in this prospectus.

Tenant Diversification

Upon consummation of this offering and completion of the pending acquisitions, we will have leases with more than 297 distinct tenants, many of which are nationally recognized retailers. The following table sets forth information regarding the 15 largest tenants in our shopping centers based on annualized base rent on a pro forma basis upon consummation of this offering, as of June 30, 2003:

Tenant	Total Leased GLA (sq. ft.)	Percentage of Total Portfolio GLA(%)	Annualized Base Rent($)	Percentage of Total Annualized Base Rent(%)
Giant Food(1)	333,486	9.3	3,307,291	10.3
United Artists(2)	77,700	2.2	1,434,312	4.5
Staples(3)	90,002	2.5	1,293,108	4.1
Boscov's(2)	167,597	4.7	742,071	2.3
Super Fresh Food Market(2)	61,506	1.7	661,527	2.1
Shop Rite(2)	54,388	1.5	639,010	2.0
Best Buy(2)	46,000	1.3	627,571	2.0
A.C. Moore(4)	42,000	1.2	588,932	1.9
Dollar Tree(5)	48,820	1.4	550,566	1.7
Sports Authority(2)	43,825	1.2	525,900	1.7
K-Mart(4)	198,368	5.5	514,996	1.6
Pep Boys(6)	42,615	1.2	509,269	1.6
Acme Supermarket(4)	117,533	3.3	501,272	1.6
Rite Aid(3)	39,000	1.1	484,300	1.5
Old Navy(2)	25,000	0.7	472,222	1.5
Total	**1,387,840**	**38.8**	**12,852,347**	**40.4**

(1) Giant Food is located in seven of our properties.

(2) United Artists, Boscov's, Super Fresh Food Market, Best Buy, Shop Rite, Sports Authority and Old Navy are each located in one of our properties.

(3) Staples and Rite Aid are located in four of our properties.

(4) A.C. Moore, K-Mart and Acme Supermarket are each located in two of our properties.

(5) Dollar Tree is located in five of our properties.

(6) Pep Boys is located in three of our properties.

Individual Property Descriptions

The Point Shopping Center

This property contains 255,400 square feet of GLA and is leased to 19 tenants, including Burlington Coat Factory and Giant Food. The operating partnership is the sole general partner of this property with a 50% partnership interest. Upon consummation of this offering, the operating partnership will own 100% of this property.

The center was originally constructed in 1972 and was substantially redeveloped from 1998 to 2001, including the construction of a new 24,000 square foot Staples in 1998 and a 55,000 square foot Giant Food supermarket in 2001. Prior to the redevelopment, this property was a 308,000 square foot

center with a 120,000 square foot enclosed mall. In conjunction with the redevelopment, we removed the enclosed mall saving substantial property operating expenses, replaced a small local grocer with Giant Food, converted an old theater into two retail locations, installed a larger parking lot with improved flow and driver lanes, and installed a new traffic signal at the entrance intersection.

The operating partnership acquired its partnership interest in The Point Associates, L.P. on July 1, 2000 for a purchase price of $2.9 million, subject to a then-existing first mortgage of $9.3 million.

On May 29, 2002, the operating partnership refinanced the existing mortgage with a new loan of $21 million from Protective Life Insurance Company of Birmingham, Alabama. The new loan carries an interest rate of 7.625%, has an amortization schedule of 25 years and matures in June 2027. Notwithstanding the amortization term, the lender has an option of accelerating the loan at any time after June 2012. The loan is due and payable in full 90 days after the lender notifies us that it has exercised the option. The mortgage may be prepaid in full at any time during its term, subject to a prepayment premium equal to the greater of 1% of the unpaid principal balance at the time of the prepayment or a yield maintenance premium.

The operating partnership intends to use $2.4 million of the proceeds from this offering to purchase the outstanding 50% limited partnership interest. The seller also will receive an extra $150,000 if we successfully lease existing vacant space.

Port Richmond Village

This property contains 155,000 square feet of GLA and is leased to 31 tenants, including Thriftway and Pep Boys. The operating partnership owns 100% of this property.

The center was originally constructed in 1988.

The operating partnership acquired its interest in this property in October 2001 for a purchase price of $14.2 million, subject to a then-outstanding first mortgage of $11.6 million. The operating partnership's interest in this property has been pledged as security for repayment of the Hudson Realty financing (see "Hudson Realty Financing" below). After consummation of this offering, the Hudson Realty financing will be repaid and the security interest will be terminated.

As of June 30, 2003, the outstanding principal balance on the mortgage was $11.4 million. The mortgage carries an interest rate of 7.174%, has an amortization schedule of 30 years and matures in March 2008.

Academy Plaza

This property contains 155,000 square feet of GLA and is leased to 32 tenants, including Acme supermarket and a charter school. The operating partnership owns 100% of this property.

The center was originally constructed in 1965 and was substantially renovated in 1988, including the construction of an expanded 50,000 square foot Acme supermarket.

The operating partnership acquired its interest in this property in October 2001 for a purchase price of $11.6 million, subject to a then-outstanding first mortgage of $10.7 million. The operating partnership's interest in this property has been pledged as security for repayment of the Hudson Realty financing. Upon consummation of this offering, the Hudson Realty financing will be repaid and the security interest will be terminated.

As of June 30, 2003, the outstanding principal balance on the mortgage was $10.5 million. The mortgage carries an interest rate of 7.28%, has an amortization schedule of 30 years and matures in March 2013.

Washington Center Shoppes

This property contains 158,000 square feet of GLA and is leased to 27 tenants, including Acme Supermarket and Powerhouse Gym. The operating partnership owns 100% of this property.

The center was originally constructed in 1979 and was substantially expanded and renovated in 1995, including a new façade, roofs, lighting, signs and parking lot renovations.

The operating partnership acquired its interest in this property in October 2001 for a purchase price of $8.9 million, subject to a then-outstanding first mortgage of $6.0 million. The operating partnership's interest in this property is pledged as security for repayment of the Hudson Realty financing. Upon consummation of this offering, the financing will be repaid and the security interest will be terminated. This property also includes an adjacent unencumbered parcel of land that was acquired by us at the same time as Washington Center Shoppes for a purchase price of $250,000.

As of June 30, 2003, the outstanding principal balance on the mortgage was $5.9 million. The mortgage carries an interest rate of 7.53%, has an amortization schedule of 30 years and matures in November 2027. Notwithstanding the amortization term the lender has an option of accelerating the loan at any time after June 2007. The loan is due and payable in full 90 days after the lender notifies us that it has exercised the option. We intend to repay this mortgage on consummation of this offering and replace it with $8.8 million of floating rate debt.

Red Lion Shopping Center

This property contains 224,300 square feet of GLA and is leased to 16 tenants, including Best Buy and Staples. The operating partnership is the sole general partner of this property with a 20% partnership interest.

The center was originally constructed in 1971 and was substantially redeveloped during 1990 and subsequently expanded from 1998 through 2000, including the construction of a new 43,825 square foot Sports Authority store in 1990, a 46,000 square foot Best Buy in 1998 and a 24,000 square foot Staples in 2000.

The operating partnership acquired its interest in this property on May 31, 2002 from an affiliate of CBC for a purchase price of $1.2 million, subject to a then-outstanding first mortgage of $17.0 million. ARC Properties, Inc. ("ARC Properties") acquired a 69% limited partner interest, at the same time as our acquisition, for $4.1 million. Silver Circle Management Corp. ("Silver Circle"), an affiliate of CBC, has an 11% limited partnership interest in the property.

As of June 30, 2003, the outstanding principal balance on the mortgage was $16.7 million. The mortgage carries an interest rate of 8.86% and matures in February 2010. The amortization schedule is 30 years.

Pursuant to the terms of the partnership agreement for Red Lion Shopping Center, income and loss of the partnership is allocated to the respective partners in accordance with their percentage ownership interests. Silver Circle has a continuing right to receive on a priority basis upon a capital event, an amount equal to cash left in the partnership at closing in the amount of approximately $185,000, which amount approximates the amount payable to the mortgage lender for one month's debt service and reserves, respectively. Cash distributions from operations or from liquidation will also be allocated in accordance with the percentage ownership interests.

ARC Properties also has the following rights:

- To compel a sale after April 1, 2009 (the operating partnership may match the designated sales price).

- Right of first refusal for any third party offer for the Red Lion Shopping Center property which the operating partnership wishes to accept.

- If Mr. Ullman no longer controls Cedar-RL, LLC, the entity through which the operating partnership holds its interest, ARC Properties may require that the property be marketed or it may terminate the property manager and choose a new third party manager, subject to the operating partnership's reasonable approval.

- If by May 31, 2004, cumulative distributions amount to less than 80% of certain targeted amounts and ARC Properties determines in its reasonable discretion that the operating partnership is not properly managing the property, it may require marketing of the property or termination of the operating partnership as manager. Such right continues until cumulative distributions equal or exceed 80% of targeted amounts.

- To compel refinancing if such refinancing can be made available on a non-recourse basis, at a fixed rate, with a minimum five year term and if economically more favorable than the existing financing.

The operating partnership and an affiliate of ARC Properties have independent options to purchase the property or all of ARC Properties' interest for fair market value. Upon exercise of such option at a specified price, either option holder may purchase the property or the other partner's interests based on such price.

Silver Circle has agreed to pay us rent in the event a certain 49,588 square feet of space remains vacant at the center through May 2012 in an amount up to $570,262 per year plus certain other charges. This obligation is secured by an escrow account that we may draw upon as payments are due, which has a balance of approximately $885,000 as of June 30, 2003.

Our 20% indirect ownership interest as sole general partner of API Red Lion Shopping Center Associates provides us with control over the activities of API Red Lion Shopping Center Associates, except with respect to limited significant decisions where the consent of a majority of the limited partners is required. Accordingly, we report consolidated results of API Red Lion Shopping Center Associates and eliminate intercompany balances and transactions. We are currently evaluating the impact FIN 46 will have on consolidating this joint venture into our financial statements.

Loyal Plaza Shopping Center

This property contains 293,300 square feet of GLA and is leased to 24 tenants, including K-Mart and Giant Food. The operating partnership is the sole general partner of this property with a 25% partnership interest.

The center was originally constructed in 1969 and was substantially redeveloped during 1999 and 2000, including the construction of a new 67,000 square foot Giant Food supermarket and a free standing Eckert drug store that opened in 2001.

The operating partnership acquired its interest in this property in July 2002 for a purchase price of $18.3 million, including the assumption of a $14.0 million first mortgage loan. The operating partnership contributed $1.4 million for its 25% partnership interest and Kimco Preferred Investor IV Trust ("Kimco Investor IV") invested $4.0 million for the remaining 75% limited partnership interest in Loyal Plaza Associates, L.P.

As of June 30, 2003, the outstanding principal balance on the mortgage was $13.7 million. The mortgage carries an interest rate of 7.18%, has an amortization schedule of 30 years and matures in June 2011. Prepayment of the mortgage requires a defeasance or make-whole deposit equal generally to the amount in government securities or other acceptable securities that will not result in a downgrading, withdrawal or qualification of the ratings of the rating agencies in effect for the loan, and which will generate amounts equal to or greater than the payments required by the loan agreement for the remaining period of the loan.

The partnership agreement for Loyal Plaza Shopping Center provides essentially that Kimco Investor IV is entitled to receive a 12.0% preferred return, after which the operating partnership is entitled

to receive a 10% preferred return. Thereafter, any excess cash flow is divided 70% to Kimco Investor IV and 30% to the operating partnership. In the event of a sale, refinancing or other capital transaction, the initial proceeds of such transaction after repayment of third party debt shall be distributed generally to Kimco Investor IV until its initial capital contribution is reduced to zero, then to Kimco Investor IV until it achieves a 14% internal rate of return, or IRR, then to the operating partnership until its capital contribution balance is reduced to zero, then until it receives a 14% IRR, and then in accordance with the residual sharing ratio (50% to the operating partnership and 50% to Kimco Investor IV).

The effect of the preferred IRR arrangements with Kimco Investor IV will expose the operating partnership's contributed capital, in the event of a capital transaction, to cover any shortfall in Kimco Investor's IV's rate of return. There will not be any exposure beyond the potential inability of the operating partnership to realize repayment of such contributed amounts (and any undistributed income).

Either party has the right after June 30, 2007 to initiate a procedure for offering the property for sale for amounts in excess of any debt secured by the property plus unreturned capital contributions, or to initiate a "buy-sell" option.

As the sole general partner, we are responsible for managing the affairs of the partnership and making all decisions relevant thereto, except with respect to limited significant decisions where the consent of Kimco Investor IV is required. Accordingly, the operation of the property is consolidated into the accompanying financial statements. We are currently evaluating the impact FIN 46 will have on consolidating this joint venture into our financial statements.

Camp Hill Mall

This property contains 521,600 square feet of GLA and is leased to approximately 54 tenants, including Boscov's, Giant Food and Barnes and Noble. The operating partnership owns 100% of this property.

The center was originally constructed in 1957 and redeveloped in 1986. A 90,000 square foot addition was completed in 1991. The operating partnership is currently in the process of substantially redeveloping the property and expects the redevelopment to be completed in the summer of 2005. The operating partnership intends to construct a new 65,300 square foot Giant Food supermarket, which will open in the summer of 2004 in place of a small, inaccessible Giant Food supermarket. The redevelopment costs are expected to be between $22 million and $24 million, although actual costs could deviate materially from this estimate. The redevelopment will involve converting an enclosed mall into an open air power center, eliminating substantial operating expenses. This will enable us to diversify away from sign-in retail domain to three distinct functional uses — grocery, retail and entertainment.

The operating partnership acquired its interest in this property in November 2002 for a purchase price of $17.2 million plus closing costs. This regional shopping mall has several outparcels and is located on approximately 44 acres at the intersection of Route 15 and Trindle Road at the Harrisburg beltway on the west bank of the Susquehanna River. Hudson Realty has a second mortgage on this property to secure a loan with a principal balance of $7.75 million. After this offering, we expect that the Hudson Realty financing will be repaid and their security interest will be terminated.

The principal balance of the first mortgage, which was obtained in November 2002 and is due in November 2004, was $14.0 million. The interest rate is fixed via an interest rate swap at 4.74% for the entire loan from the date the mortgage was obtained, through and including November 2003. From December 2003 through November 2004, $7.0 million is fixed at 4.74% and the remaining $7.0 million will bear interest at a floating rate equal to 30-day LIBOR plus 195 basis points. We have an option to extend the mortgage for an additional year. The mortgage may be repaid at any time after six months in whole or in part without penalty. If we prepaid the mortgage as of July 31, 2003, the cost to terminate the interest rate swap would have been approximately $185,000. The operating partnership has guaranteed 25% of the principal of the mortgage.

LA Fitness Center

The operating partnership acquired its interest in this property, a 7-acre parcel of land, in December 2002 at a cost of $280,000. An affiliate of ARC Properties, Inc. invested $1.0 million for a limited partnership interest in Fort Washington Fitness, L.P. and is entitled to receive a 12% preferential return on its investment before any distributions are made to us. The operating partnership is the sole general partner of this property with a 50% partnership interest.

This property will contain 41,000 square feet of GLA. The center is being developed into a health club facility, which project is expected to be completed during the fourth quarter of 2003. The property is leased to L.A. Fitness International for 15 years with three additional five-year renewal options. The operating partnership estimates that the development project will cost $8.8 million. The development is being funded by a $5.0 million construction loan obtained by the operating partnership, $2.6 million from LA Fitness International and $1.0 million from ARC Properties, Inc. The terms of the agreement with L.A. Fitness International provide that L.A. Fitness International is responsible for any construction overruns that may occur.

ARC Properties also has the following rights:

- To compel a sale after July 1, 2007 (the operating partnership may match the designated sales price).
- Right of first refusal for any third party offer for the L.A. Fitness Center property which the operating partnership wishes to accept.
- If Mr. Ullman no longer controls Cedar-Fort Washington, LLC, the entity through which the operating partnership holds its interest, it may require that the property be marketed or to terminate the property manager and to choose a new third party manager, subject to the operating partnership's reasonable approval.
- If at any time after the second anniversary of the first day of the month immediately following the first month that L.A. Fitness Center commences its rent payment, cumulative distributions amount to less than 80% of certain targeted amounts and ARC Properties determines in its reasonable discretion that the operating partnership is not properly managing the property, it may require marketing of the property or termination of the operating partnership as manager. Such right continues until cumulative distributions equal or exceed 80% of targeted amounts.
- To compel refinancing if such refinancing can be made available on a non-recourse basis, at a fixed rate, with a minimum five year term and if economically more favorable than the existing loan.

As of June 30, 2003, the outstanding principal balance on the construction loan was $1.6 million. The construction loan carries an interest rate of 275 basis points over 90-day LIBOR with a minimum rate of 5.75%, has no amortization schedule during construction and matures in December 2004.

Fairview Plaza, Halifax Plaza and Newport Plaza

These properties contain an aggregate of 190,500 square feet of GLA and are leased to an aggregate of 28 tenants, including Giant Food, McDonald's, Subway, Rite Aid and the Pennsylvania Liquor Control Board. The operating partnership has a 30% general partnership interest in each of these properties.

Fairview Plaza, Halifax Plaza and Newport Plaza were originally built in 1992, 1994 and 1996, respectively.

The operating partnership acquired its interest in Fairview Plaza, Halifax Plaza and Newport Plaza for the aggregate purchase price of $21 million, including closing costs. The operating partnership's interest in these properties is held through an umbrella limited partnership, Fairport Associates, L.P.

CIF-Fairport Associates, LLC, a limited liability company of which the operating partnership is the sole member, is the sole general partner of Fairport Associates L.P. Kimco Preferred Investors III, ("Kimco Investor III"), is the limited partner of Fairport Associates, L.P. Fairport Associates, L.P. in turn owns 99% as limited partner in Fairview Plaza Associates, L.P., Newport Plaza Associates, L.P. and Halifax Plaza Associates, L.P. The general partner, with a 1% general partnership interest, of each entity is a single-purpose limited liability company of which the operating partnership is the sole managing member.

As of June 30, 2003, the outstanding principal balance on the mortgage loans for Fairview Plaza, Halifax Plaza and Newport Plaza were $6.1 million, $4.2 million and $5.4 million, respectively. The interest rate on the Fairview Plaza mortgage is 5.71%. Through a series of interest rate swaps, the interest rates for Halifax Plaza and Newport Plaza have been fixed at 6.43%. The maturity dates for the mortgages are February 2013 for Fairview Plaza and February 2010 for each of Halifax Plaza and Newport Plaza. The amortization schedule for Fairview Plaza is 30 years, while Halifax Plaza has annual amortization payments of $90,000 and Newport Plaza has annual amortization payments of $109,200.

The partnership agreements for each of the respective properties provide essentially that Kimco Investor III is entitled to receive a 12.5% preferred return, after which the operating partnership is entitled to receive a 12.5% preferred return. Thereafter, any excess cash flow is divided 50% to Kimco Investor III and 50% to the operating partnership. In the event of a sale, refinancing or other capital transaction, the initial proceeds of such transaction after repayment of third party debt shall be distributed generally to Kimco Investor III until its initial capital contribution is reduced to zero, then to Kimco Investor III until it achieves a 12.5% internal rate of return, or IRR, then to the operating partnership until its capital contribution balance is reduced to zero, then until it receives a 12.5% IRR, and then in accordance with the residual sharing ratio (30% to the operating partnership and 70% to Kimco Investor III). As each of the properties, and the respective ownership entities, are all under the Fairport partnership umbrella, any shortfall in required priority payments by any one of the three properties will be offset by excess cash receipts from any other of the properties prior to any other distribution for the benefit of any affiliate of the operating partnership.

The effect of the preferred IRR arrangements with Kimco Investor III will expose the operating partnership's contributed capital, in the event of a capital transaction, to cover any shortfall in Kimco Investor III's rate of return. There will not be any exposure beyond the potential inability of the operating partnership to realize repayment of such contributed amounts (and any undistributed income).

Either party has the right after December 31, 2007 to initiate a procedure for offering the three properties (not just one or two of the properties) for sale for amounts in excess of any debt secured by the three properties plus unreturned capital contributions, or to initiate a "buy-sell" option for the three properties.

Fairport Associates, L.P. is the sole general partner responsible for managing the affairs of the partnership and making all decisions relevant thereto, except with respect to limited significant decisions where the consent of Kimco Investor III is required. Accordingly, the operations of the property are consolidated into the accompanying financial statements.

Pine Grove Shopping Center

This property contains 79,300 square feet of GLA and is leased to 15 tenants, including Peebles. The operating partnership is the sole general partner of this property with a 15% interest. Upon consummation of this offering, the operating partnership will own 100% of this property.

The center was originally constructed in 2001 and substantially redeveloped during 2002.

The operating partnership acquired its interest in this property in April 2003 at a cost of $8.0 million, which was financed in part by a $6.0 million first mortgage, of which the operating partnership guaranteed $1.8 million. Homburg Invest purchased an 85% limited partnership interest for $2.0 million. Homburg Invest received a 10% placement fee and is entitled to receive a 12% preferential return before we receive any distributions. The operating partnership has an option to buy Homburg

Invest's interest provided that Homburg Invest receives a 15% annualized rate of return from the acquisition date through the effective date of the exercise of the option. The operating partnership intends to use $2.2 million (less any distributions previously made) of the proceeds from this offering to purchase Homburg Invest's interests in this property.

As of June 30, 2003, the outstanding principal balance on the mortgage was $6.0 million. Through an interest rate swap, the interest rate on the mortgage was fixed at 6.24%. The mortgage has annual amortization payments of $150,000 and matures in April 2010. The operating partnership has guaranteed 30% of the principal of the loan.

Swede Square Shopping Center

This property contains 102,500 square feet of GLA and is leased to 12 tenants, including LA Fitness Center. The operating partnership is the sole general partner of this property with a 15% general partnership interest. Upon consummation of this offering, the operating partnership will own 100% of this property.

The center was originally constructed in 1980 and is currently undergoing a complete redevelopment involving retenanting with multiple new tenant build-outs, upgrading common areas, redesigning the parking lot, improving access and flow and installing new facades and signage.

The operating partnership acquired its interest in this property in May 2003 at a cost of $8.6 million, subject to a first mortgage of approximately $5.6 million. The principal amount of the mortgage may be increased for additional construction successfully completed. Homburg Invest purchased an 85% limited partnership interest for $3.0 million. Homburg Invest received a 10% placement fee and is entitled to receive a 12% preferential return before we receive any distributions. The operating partnership has an option to buy Homburg Invest's interest provided that Homburg Invest receives a 15% annualized rate of return from the acquisition date through the effective date of the exercise of the option. The operating partnership intends to use $3.2 million (less any distributions paid) of the proceeds from this offering to purchase Homburg Invest's limited partnership interest in this property.

As of June 30, 2003, the outstanding principal balance on the mortgage was $5.6 million. The mortgage can be increased to a total of $7.5 million in connection with certain leasing and redevelopment achievements. The mortgage carries a floating rate of LIBOR plus 275 basis points, with a minimum rate of 7.25%, is interest only during the initial term of the loan and matures in May 2005. The mortgage can be repaid without penalty after January 2004 and we currently expect to repay the loan at that time. We have guaranteed 30% of the principal of this loan.

Valley Plaza Shopping Center

This property contains 191,200 square feet of GLA and is leased to seven tenants, including K-Mart, Ollie's and Tractor Supply Company. The operating partnership owns 100% of this property.

The center was originally constructed in 1975.

The operating partnership acquired its interest in this property in June 2003 for $9.5 million, including closing costs.

The purchase price plus certain lender fees were financed by a $6.4 million, two-year, interest-only senior bank loan with interest at LIBOR plus 250 basis points, and a two-year, $3.5 million subordinated bank loan with interest at 12% annually. Commitment fees of $65,000 for the senior bank loan and $346,000 for the subordinated bank loan were included in the loan amounts. We are required to pay an exit fee of $104,000 upon repayment. Homburg Invest is entitled to receive one-half of the commitment fees and exit fees, and 4.75% of the interest payments on the subordinated loan in consideration for arranging the loan and for providing the lender with certain repayment guarantees with respect to both loans.

Wal-Mart Shopping Center

Wal-Mart Shopping Center is a community shopping center of approximately 154,700 square feet, of which Wal-Mart represents approximately 94,400 square feet with a lease extending through 2018. Other principal tenants include a 20,000 square foot Namco, a 14,600 square foot Southington Wine & Spirits, a 10,000 square foot Connecticut Lighting Center and Sovereign Bank on an outparcel. We acquired a ground lease of this property that expires in 2072.

The purchase price for the property was approximately $8.35 million, plus closing costs. We obtained a subordinated loan of $2.9 million and a senior loan of $5.4 million for the purchase of this property. Both loans mature in two years. The subordinated loan bears interest at a rate of 12%, while the senior loan bears interest at a spread of 250 basis points over 30-day LIBOR. We intend to use $2.9 million of the proceeds of this offering to repay the subordinated loan. In addition, Homburg Invest purchased an 85% limited partnership interest for $825,000, which includes a 10% fee to Homburg Invest. Homburg Invest received a 10% placement fee for the loans and is entitled to receive 40% of the interest accrued on the subordinated loan and a 12% preferential return on the $825,000 partnership interest before we receive any distributions. The operating partnership has an option to buy Homburg Invest's interest for $990,000. We intend to use $990,000 of the proceeds from this offering to purchase Homburg Invest's limited partnership interest in this property.

Pending Transactions

South Philadelphia Shopping Plaza

In April 2003, we entered into a lease agreement with regard to South Philadelphia Shopping Plaza, located in Philadelphia, Pennsylvania. In connection therewith, we made a non-refundable deposit of $3.0 million. South Philadelphia Shopping Plaza is a 283,000 square foot shopping center built in 1950 with a 54,000 square foot Shop Rite as the anchor tenant. Additional tenants include Bally's Total Fitness, Ross and Strauss Auto Zone.

Currently, we, through a subsidiary of the operating partnership, intend to net lease South Philadelphia Shopping Plaza from the existing owner for a term of 29 years, 11 months. We will have the right to exercise an option to purchase the property at fair market value at any time after ten years, subject to acceleration of our right to exercise the purchase option in certain instances, such as the bankruptcy of the existing owner.

Simultaneously with the execution of the net lease, the operating partnership will make a loan to the existing owner in the amount of $39.0 million, secured by a first mortgage on the owner's fee interest in the property.

The interest payment under the loan will equal the fixed rent under the net lease. The owner will direct us to make all payments under the net lease directly to us. The existing owner's obligation under the loan is deemed to be satisfied upon our payment of fixed rent under the net lease, and the owner's obligation under the loan is deemed excused if we do not make our payment of fixed rent under the net lease. In connection with this transaction, the current owner of this center has agreed that we may offset rent due under the net lease in the event a certain 7,600 square feet space is vacant at the property during the three years subsequent to the transaction. In the event such vacancies exist the current owner's interest payments due under the loan will exceed the fixed rent due under the loan and the owner will be obligated to pay us the difference.

Golden Triangle Shopping Center

In September 2003, we entered into an agreement to acquire from affiliates of CBC Golden Triangle Shopping Center in Lancaster, Pennsylvania. This is an approximately 229,000 square foot shopping center built in 1960 with a 30,000 square foot Marshalls and a 24,060 square foot Staples. We have entered into a lease for a 46,000 square foot L.A. Fitness Center and are negotiating a lease for a 30,000 square foot grocer. We expect to redesign the parking lot and install new facades and signage.

The purchase price for the property will be approximately $1.5 million, plus closing costs and the assumption of a $9.9 million first mortgage. The purchase is expected to be funded from the proceeds of this offering.

Columbus Crossing Shopping Center

In October 2003, we entered into an agreement to acquire operating control of Columbus Crossing Shopping Center in Philadelphia, Pennsylvania. The interests of the present partners in the partnership that owns the property will be recast as preferred limited partnership interests. This is a new, fully leased approximately 142,000 square foot shopping center completed in 2001 with a 61,500 square foot Super Fresh Supermarket as the principal anchor tenant. Additional tenants include a 25,000 square foot Old Navy, a 22,000 square foot A.C. Moore and a 10,000 square foot Famous Footwear. The property is located on the Delaware River off Christopher Columbus Boulevard and abuts adjacent free-standing Wal-Mart and Home Depot stores, which we are not acquiring.

We have the option to redeem the preferred interest of the existing owners in ten years, in the event and to the extent the existing owners of the partnership have not redeemed their interests prior to that time. We currently intend to exercise such option. At the time we become a partner in the partnership, we will make a $6.4 million loan to the current owners of the partnership, which would be repaid at the time the present partners interests in the partnership are redeemed. We will become the managing general partner of the partnership that owns this property and acquire 1% of the common interests of the partnership and we will become a limited partner of the partnership and acquire 99% of the common interests of the partnership.

The return to the existing owners on the preferred interests will approximate the interest payable under the loan.

This property is subject to a $17.5 million first mortgage loan.

River View Plaza I, II and III

In October 2003, we entered into an agreement under which we will acquire operating control of River View Plaza I, River View Plaza II and River View Plaza III shopping centers in Philadelphia, Pennsylvania. These shopping centers consist of three separate properties with an aggregate of approximately 246,600 square feet of GLA. River View I is anchored by a United Artists Theatre, River View II is anchored by Staples and West Marine and River View III is anchored by Pep Boys and Athlete's Foot.

All three properties are also located on Christopher Columbus Boulevard (on the opposite side of the boulevard from the Columbus Crossing property) and there is a northbound exit from Route I-95 adjacent to the properties.

The transaction has been structured so that the existing owners will contribute the property to a newly formed partnership, and, in exchange for their contribution, each of the owners will acquire a preferred limited partnership interest in the partnership. We will become the managing general partner of the partnership and acquire 1% of the common interests of the partnership and we will become a limited partner of the partnership and acquire 99% of the common interests of the partnership. We have an option to redeem the preferred interests of the existing owners in ten years, in the event and to the extent the existing owners of the partnership have not redeemed their interests prior to that time. We currently intend to exercise such option. At the time we become partners in the partnership that owns the property, we will make a $26.7 million loan to the existing owners, which must be repaid at the time the present partners interests in the partnership are redeemed. The return to the existing owners on the preferred interest will approximate the interest payable under the loan. The property is subject to a $22.5 million first mortgage loan, which we will repay from the proceeds of this offering.

Lake Raystown Plaza

In August 2003, we entered into an agreement to purchase Lake Raystown Plaza shopping center in Huntingdon, Pennsylvania. This is a Giant Food supermarket-anchored center of approximately 84,300 square feet, completed in 1995, located approximately 20 miles east of Altoona, Pennsylvania. In addition to a 39,200 square foot Giant Food supermarket, other tenants include a 10,000 square foot Rite Aid drug store and a 9,100 square foot Fashion Bug.

The purchase price for the property will be approximately $7.0 million, plus closing costs. The purchase is expected to be financed from the proceeds of this offering and from a borrowing under our line of credit which we intend to enter into concurrently with the acquisition.

Huntingdon Plaza

In August 2003, we entered into an agreement to purchase Huntingdon Plaza shopping center in Huntingdon, Pennsylvania. This is an approximately 102,100 square foot shopping center adjacent to the Lake Raystown Plaza property and features a 22,000 square foot Peebles, a 9,000 square foot Auto Zone and a 7,000 square foot Family Dollar Store. Negotiations are pending to fill the remaining vacancies.

The purchase price for the property will be approximately $4.0 million, plus closing costs. The purchase is expected to be financed from the proceeds of this offering and from a borrowing under our line of credit, which we intend to enter into concurrently with the acquisition.

The Point Shopping Center

We have entered into an agreement to acquire the 50% interest in The Point Shopping Center in Harrisburg, Pennsylvania which is not presently owned by us for a purchase price of approximately $2.4 million, subject to a $19.7 million first mortgage. This property contains approximately 255,000 square feet of GLA.

Options

We have entered into an option for $150,000, which expires December 2004, to acquire an undeveloped 16.5 acre parcel of land located between Harrisburg and Hershey, Pennsylvania for approximately $1.9 million.

We received a 10-year option to acquire the Shore Mall in Egg Harbor Township, New Jersey, a 620,000 square foot shopping center, from an affiliate of CBC, subject to a right of first refusal of a former owner, which expires in 2009. The option provides that the purchase price will be the appraised value at the time the option is exercised. The option provides us with a right of first refusal if the owner receives a bona fide third-party offer. If we do not exercise our option in connection with a bona fide third party offer, the option will terminate. Brentway and SKR presently provide property management, leasing, construction management and legal services to the Shore Mall property. Upon completion of this offering and the merger of our advisors, we expect to continue to provide management services to, and to receive fees at standard rates from, the Shore Mall property until that property is acquired by us (or sold or otherwise disposed of by the existing owners). An affiliate of CBC owns 92% of this property and Mr. Ullman owns 8%.

We currently do not intend to exercise our option because the property is highly leveraged and the debt has significant prepayment penalties. In addition, we are waiting for additional road work in the area to be completed.

Rents and Occupancy Information

The following table shows certain information on rents and occupancy rates for our properties during the period of our ownership.

Year Ended December 31,	Occupancy	Average Base Rent Per Square Foot	GLA	Number of Operating Properties	Aggregate Percentage Rents
2000	82%	$ 5.11	260,000	1	$80,700
2001	93%	9.03	728,000	4	$53,300
2002	90%	8.76	1,803,000	7	$39,100

The following table shows lease expiration data as of June 30, 2003, for all of our properties upon consummation of this offering and completion of our pending transactions described in this prospectus, assuming no tenants exercise renewal options.

Expiration Year	Expiring GLA	Base Rents		No. of Leases Expiring	Percent of GLA Leased Represented by Expiring Leases
		Per Sq. Ft.	Total		
2003 (second half)	194,910	$ 5.50	$1,071,742	37	3.35%
2004	262,597	9.53	2,503,387	55	7.82%
2005	203,914	13.96	2,848,188	45	8.90%
2006	344,249	8.52	2,931,242	46	9.16%
2007	204,264	12.65	2,583,940	46	8.07%
2008	178,055	12.14	2,161,492	29	6.75%
2009	95,011	12.96	1,231,681	13	3.85%
2010	286,577	5.52	1,582,550	13	4.94%
2011	199,266	10.49	2,089,469	15	6.53%
2012	128,175	13.99	1,792,570	19	5.60%
2013	114,218	11.11	1,268,915	9	3.96%
Thereafter	965,185	10.31	9,952,402	37	31.08%

Four of our properties either contributed more than 10% of our aggregate gross revenues during 2002 or had a book value equal to more than 10% of our total assets at year-end 2002. Except for Giant Food, no tenant at these properties leases more than 10% of such center's GLA. The following charts show certain information for these properties during the period of our ownership.

	The Point Shopping Center	
Fiscal Year	Avg. Occupancy Rate	Avg. Annual Base Rent per sq. ft.
2000	82%	$ 5.11
2001	91%	7.70
2002	93%	10.29

	Red Lion Shopping Center	
Fiscal Year	Avg. Occupancy Rate	Avg. Annual Base Rent per sq. ft.
2002	85%	$ 11.91

	Loyal Plaza Shopping Center	
Fiscal Year	Avg. Occupancy Rate	Avg. Annual Base Rent per sq. ft.
2002	92%	$ 7.16

	Camp Hill Mall	
Fiscal Year	Avg. Occupancy Rate	Avg. Annual Base Rent per sq. ft.
2002	90%	$ 6.69

The following tables show lease expiration data as of June 30, 2003 for each of the above properties for the next ten years (assuming that none of the tenants exercise renewal options).

The Point Shopping Center

Expiration Year	Expiring GLA	% of Leased Property Square Feet	Annualized Expiring Rents	No. of Leases Expiring	% of Annual Base Rent Represented by Expiring Leases
2003	—	0.00	$ —	0	0.00
2004	2,550	1.07	24,910	1	1.02
2005	1,600	0.67	13,000	1	0.53
2006	88,305	37.13	387,178	3	15.78
2007	14,648	6.16	234,228	3	9.55
2008	26,635	11.20	229,092	2	9.34
2009	—	0.00	—	0	0.00
2010	—	0.00	—	0	0.00
2011	5,000	2.10	37,222	1	1.52
2012	16,909	7.11	253,760	5	10.34
2013	24,000	10.09	264,000	1	10.76
Thereafter	58,200	24.42	1,010,383	2	41.18

Red Lion Shopping Center

Expiration Year	Expiring GLA	% of Leased Property Square Feet	Annualized Expiring Rents	No. of Leases Expiring	% of Annual Base Rent Represented by Expiring Leases
2003	30,933	14.58	$ 107,550	2	4.48
2004	1,800	0.85	28,168	1	1.17
2005	50,546	23.82	599,553	3	24.99
2006	3,600	1.70	54,000	1	2.25
2007	26,815	12.64	277,830	3	11.58
2008	—	0.00	—	0	0.00
2009	4,310	2.03	63,861	1	2.66
2010	—	0.00	—	0	0.00
2011	—	0.00	—	0	0.00
2012	—	0.00	—	0	0.00
2013	10,750	5.07	174,623	2	7.28
Thereafter	83,442	39.32	1,094,034	3	45.59

Loyal Plaza Shopping Center

Expiration Year	Expiring GLA	% of Leased Property Square Feet	Annualized Expiring Rents	No. of Leases Expiring	% of Annual Base Rent Represented by Expiring Leases
2003	—	0.00	$ —	0	0.00
2004	8,350	3.10	118,258	3	5.99
2005	21,864	8.12	232,958	5	11.80
2006	109,538	40.68	401,549	5	20.34
2007	24,420	9.07	328,960	5	16.66
2008	2,500	0.93	33,846	1	1.71
2009	—	0.00	—	0	0.00
2010	6,500	2.41	58,271	1	2.95
2011	9,900	3.68	81,720	1	4.14
2012	8,355	3.10	55,000	1	2.79
2013	—	0.00	—	0	0.00
Thereafter	77,843	28.91	663,765	2	33.62

Camp Hill Mall

Expiration Year	Expiring GLA	% of Leased Property Square Feet	Annualized Expiring Rents	No. of Leases Expiring	% of Annual Base Rent Represented by Expiring Leases
2003	132,977	29.31	$406,128	22	13.65
2004	22,026	4.85	279,768	8	9.40
2005	4,208	0.93	80,788	4	2.72
2006	10,459	2.30	111,634	3	3.75
2007	—	0.00	—	0	0.00
2008	1,297	0.29	22,692	1	0.76
2009	3,639	0.80	50,946	1	1.71
2010	180,576	39.79	910,882	4	30.62
2011	86,078	18.97	797,939	7	26.82
2012	3,466	0.76	50,329	2	1.69
2013	—	0.00	—	0	0.00
Thereafter	9,040	1.99	264,022	2	8.87

(1) Annualized expiring rents represents the contractual rent for expiring leases, calculated on a straight line basis in accordance with GAAP.

Depreciation on The Point Shopping Center, Red Lion Shopping Center, Loyal Plaza Shopping Center, and Camp Hill Mall is calculated using the straight-line method over the estimated useful life of the real property and improvements, which ranges from three to 39 years. At December 31, 2002, the Federal tax basis in these centers was as follows: approximately $21,600,000 for The Point Shopping Center, approximately $20,300,000 for Red Lion Shopping Center, approximately $18,800,000 for Loyal Plaza Shopping Center, and approximately $17,900,000 for Camp Hill Mall.

The realty tax rate is approximately $2.44 per $100 of assessed value for Loyal Plaza Shopping Center; $8.27 per $100 of assessed value for Red Lion Shopping Center; $1.74 per $100 for The Point Shopping Center; and $1.61 per $100 for Camp Hill Mall.

Competition

We believe that competition for the acquisition and operation of retail shopping centers is highly fragmented. We face competition from institutional investors, other REITs and 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 our markets.

We encounter competition for acquisitions of existing income-producing properties. We also face competition in leasing available space at our properties to prospective tenants. The actual competition for tenants varies depending upon the characteristics of each local market in which we own and manage property. We believe that the principal competitive factors in attracting tenants in our market areas are location, price, the presence of anchor tenants, mix and quality of tenants and maintenance of properties.

Office

Our executive office is located at 44 South Bayles Avenue, Port Washington, New York and contains 4,587 square feet under a lease at rentals consistent in the building that expires on October 31, 2007. Mr. Ullman owns a 24% interest in the building that houses our executive offices. We also have an office located at the Camp Hill Mall that contains 2,000 square feet. We expect to open an office in the Philadelphia, Pennsylvania area during 2003.

Legal Proceedings

We are not presently involved in any litigation nor to our knowledge is any litigation threatened against us or our subsidiaries that, in management's opinion, would result in any material adverse effect on our ownership, management or operation of our properties, or is not covered by our liability insurance.

Environmental Matters

There are two principal environmental matters that affect our Loyal Plaza Shopping Center. These are (a) certain petroleum-impacted soil at the newly-built, free-standing Eckerd drug store building on an outparcel of the property; and (b) a concentration of dry cleaning solvents, PCE and TCE, at levels in excess of amounts permitted by the PADEP.

Pursuant to the purchase agreement for the purchase of the property by us, the seller will remain liable for all costs up to and including a satisfactory "Release of Liability" letter issued by the PADEP with respect to all such contamination at the property. The seller has deposited $950,000 in escrow to support its obligations. In the event that the escrows are insufficient to cover all required testing and remediation, the seller has undertaken to expend any and all monies required to complete such testing and remediation including monitoring, without limits as to time. While we believe an anticipated "Release of Liability" letter from the PADEP will operate to relieve us of any further liability for remediation of the site under Pennsylvania environmental statutes, or for any contamination identified in reports submitted to and approved by the PADEP to protect us from successful citizens' suits or other contribution actions, we cannot assure you that we would not incur costs associated with the investigation, remediation or removal of such contamination.

At the South Philadelphia Shopping Plaza, in which we intend to obtain an interest upon consummation of this offering, concentrations of PCE, TCE and cis-1,2-DCE (dry cleaning solvents) at levels in excess of amounts permitted by the PADEP were found. Pursuant to our agreement, the existing owner is responsible for all remediation measures as may be required to meet statewide health standards in connection with these contaminants. If the existing owner fails to satisfy its obligations under the agreement, we may be liable for significant remediation cost.

At Swede Square Shopping Center, there are concentrations of dry cleaning solvents in groundwater in excess of amounts permitted by PADEP. Pursuant to a Consent Order and Agreement entered into between PADEP, the former owner and us, the former owner is required to take all remedial measures, including monitoring of groundwater, to attain site specific standards. We have certain

obligations under the Consent Order, including restricting the property to industrial or commercial use, and not disturbing monitoring wells or soils on the property. PADEP covenants not to sue or take administrative action against us for the identified contamination until the remediation is complete, provided we meet our obligations under the Consent Order. While we believe that this covenant relieves us of any liability for remediation under Pennsylvania environmental statutes, it does not protect us from actions or suits by third parties during the remediation.

Employees

Upon consummation of the merger of our advisors, we will have 28 employees. We believe that our relations with our employees are good. None of our employees are unionized.

Outstanding Indebtedness

Protective Life Insurance Company

On May 29, 2002, we refinanced a loan used to construct certain improvements to The Point Shopping Center. The new loan, provided by Protective Life Insurance Company of Birmingham, Alabama, is potentially for $21 million, of which $20.0 million was drawn down upon completion of the refinancing. The additional $1.0 million becomes available to us if, within two years of the date of closing of the refinancing, we lease generally not less than 22,500 square feet in the shopping center at $14.00 per square foot for a 10-year period to an acceptable creditworthy tenant. If we are unable to find such a tenant within the two year period, we lose our right to access the additional $1.0 million of the loan.

The interest rate on the new loan is 7.625%. The loan matures in June 2027 and has an amortization of 25 years. Notwithstanding the amortization term, the lender has an option of accelerating the loan at any time after June 2012. The loan is due and payable in full 90 days after the lender notifies us that it has exercised the option. Debt service under the loan for the initial $20.0 million funding amount is $1.8 million per year. The loan may be pre-paid in full at any time upon 90-days' prior written notice and payment of a prepayment premium equal to the greater of 1% of the then-unpaid principal balance of the loan or a yield maintenance formula. We are also required to escrow with the lender amounts equal to annual real estate taxes and insurance premium.

SWH Financing

During November 2002, we entered into a financing agreement with SWH for a $6.0 million loan of which approximately $4.2 million was used to fund the Camp Hill Mall acquisition and to provide approximately $100,000 of working capital. The balance of the SWH financing, approximately $1.3 million, was used to pay off the then-existing SWH loan balance of approximately $880,000 together with certain "exit fees" of approximately $500,000 attributable to financing previously provided by SWH for the portfolio of supermarket-anchored shopping centers that we purchased in October 2001. The term of the SWH loan was through November 30, 2005 and it carried interest at the rate of 12.5%, adjusting to an annual rate of 14% from December 1, 2004 through maturity.

SWH received a funding fee of $300,000 (equal to 5% of the loan amount) at closing and received an exit fee of $120,000 when the loan was repaid.

The security for repayment of the SWH financing was our equity interest in Port Richmond Village, Academy Plaza and Washington Center Shoppes, together with a pledge of the operating partnership's interest in the Camp Hill Mall. Citizens Bank of Pennsylvania, which holds the first mortgage on the Camp Hill Mall, and SWH have entered into certain inter-creditor agreements that provide, among other things, for notice and other procedures in the event of default under either of the loan agreements.

Hudson Realty

We obtained a $7.75 million loan from Hudson Realty Capital LLC, or Hudson Realty (the principals of which include the principals of SWH). A portion of the proceeds of this loan was used to repay in full the SWH financing. The loan is secured by the security interest presently held by SWH. The loan is for 18 months at an interest rate of 12.5% per annum. Hudson Realty received a five percent commitment fee and is entitled to a two percent exit fee. Amortization of principal commences May 1, 2004 at $200,000 per month for the 7th through 9th months, $250,000 per month for the 10th through 12th months, $350,000 per month for the 13th through 15th months and $450,000 per month thereafter. We have the right to prepay the loan at any time after Hudson Realty shall have received at least four months interest. If we obtain debt or equity financing on the Camp Hill Mall from a party other than Hudson Realty or sell our interest in the center prior to January 24, 2004, and the loan has not yet been funded, we have agreed to pay to Hudson Realty a fee of $200,000.

GE Capital Corporation

Fairview Plaza. In January 2003, we obtained a $6.1 million first mortgage loan from GE Capital Corporation in connection with the purchase of our interest in Fairview Plaza. The loan matures in February 2013, bears interest at a rate of 5.75% and has a 30-year amortization schedule. Annual debt service on the loan, including interest and amortization, is approximately $424,000. The loan is prepayable upon payment of a penalty equal essentially to the difference between the interest cost/yield of the loan and the then-prevailing lending/borrowing rates, discounted to then-present value, for the balance of the term of the loan.

Golden Triangle Shopping Center. In September 2003, we entered into an agreement to acquire this center from affiliates of CBC for a purchase price of approximately $1.5 million, plus closing costs and the assumption of a $9.9 million first mortgage. The loan matures in April 2023, bears interest at a rate of 7.39% and has a 25-year amortization schedule; provided, however, that the lender may accelerate the maturity to April 2008. Annual debt service on the loan, including interest and amortization, is approximately $948,000.

Columbus Crossing Shopping Center. In August 2003, we entered into an agreement to acquire operating control of this center. The property is subject to a $17.5 million first mortgage loan, with an interest rate of the greater of LIBOR plus 2.9% or 4.8%. The loan matures in July 2005. We may extend the loan for one year with notice to the lender and payment of a fee of 0.5%. The loan carries an exit fee of 1%.

Citizens Bank of Pennsylvania

Halifax Plaza and Newport Plaza. We obtained loans of $4.3 million and $5.4 million from Citizens Bank of Pennsylvania in connection with the purchase of our interests in Halifax Plaza and Newport Plaza, respectively. Each loan is for a period of seven years with amortization at $90,000 per annum for Halifax Plaza and $109,800 per annum for Newport Plaza. Annual debt service on both loans, including interest and amortization, is $800,000 in the aggregate. The loans are prepayable without penalty except for applicable breakage fees under certain interest rate protection agreements. The interest rate on both loans is determined by a "spread" of 210 basis points over 30-day LIBOR. We entered into interest rate swaps for the entire amounts and terms of the respective loans, swapping 30-day LIBOR for a fixed rate of 4.33%, so as to result in a fixed rate of 6.43%. The operating partnership guaranteed 20% of the principal amount of the loan.

Camp Hill Mall. The operating partnership acquired its interest in this property in November 2002 for a purchase price of $17.2 million plus closing costs. The principal balance of the mortgage from Citizens Bank of Pennsylvania, which was obtained in November 2002 and is due in November 2004, was $14.0 million. The interest rate is fixed via an interest rate swap at 4.74% for the entire loan from the date the mortgage was obtained, through and including November 2003. From December 2003 through November 2004, $7.0 million is fixed at 4.74% and the remaining $7.0 million will bear interest at a

floating rate equal to 30-day LIBOR plus 195 basis points. We have an option to extend the mortgage for an additional year. The mortgage may be repaid at any time after six months in whole or in part without penalty. If we had prepaid the mortgage as of June 30, 2003, the cost to terminate the interest rate swap would have been approximately $216,000. The operating partnership has guaranteed 25% of the principal of the mortgage.

Pine Grove Shopping Center. The operating partnership acquired its interest in this property in April 2003 at a cost of $8.0 million, which was financed in part by a $6.0 million first mortgage by Citizens Bank of Pennsylvania, of which the operating partnership guaranteed $1.8 million. The mortgage carries an interest rate of 6.24%, amortization is $150,000 annually and matures in April 2010. The operating partnership has guaranteed 30% of the principal of the mortgage.

North Fork Bank

Effective March 16, 2003, we established a secured line of credit for a one-year period with North Fork Bank. The loan bears interest at a rate equal to the greater of 6% or North Fork Bank's prime rate plus 1%. The line of credit has a $2.0 million limit; provided, however, that the line of credit above $1.0 million will be available only when the Hudson Realty financing has been repaid in full. This loan will be repaid with $1.0 million of proceeds from this offering.

BFV Interim Finance B.V.

We obtained a subordinated loan of $3.4 million and a senior loan of $6.4 million from BFV Interim Finance B.V. (a Netherlands corporation that is an affiliate of ABN Amro Bank) in connection with our purchase of the Valley Plaza Shopping Center. Each loan is for a period of two years. The subordinated loan bears interest at a rate of 12%. The interest rate on the senior loan is determined by a "spread" of 250 basis points over 30-day LIBOR. We paid origination fees of $346,220 and $64,298 in connection with the subordinated loan and senior loan, respectively, and will have to pay an exit fee of $103,860 in connection with the subordinated loan upon repayment of the loans.

The loans are guaranteed by us and Homburg Invest. In exchange for its guarantee, Homburg Invest receives 4.75% on the interest accrued on the subordinated loan, and 50% of the origination and exit fees.

This indebtedness will be repaid with $10.3 million of the proceeds of this offering, including $225,040 payable to Homburg Invest as its portion of the origination and exit fees.

Farmers First Bank

A $5.0 million construction loan from Farmers First Bank of Lititz, Pennsylvania has been obtained in connection with the LA Fitness Center development project. At June 30, 2003, the outstanding principal balance on the loan was $1.6 million. The loan carries an interest rate of 275 basis points over 90-day LIBOR, with a minimum rate of 5.75%, has no amortization schedule during construction and matures in December 2004. The borrower has the right, with notice to the bank and payment of a 1/2% fee, to convert the construction loan to a 36-month financing commencing in January 2005 and ending on December 31, 2007. The rate for the financing also will float at 275 basis points over 90-day LIBOR, with a minimum rate of 6.25%. At the borrower's option, the borrower may fix the rate at 3.75% above the three-year Treasury rate, with a minimum rate of 7%. In addition, there are two one-year extensions available to the borrower upon payment of a 1/4% fee for each year.

The Chase Manhattan Bank

Academy Plaza. The operating partnership acquired its interest in this property in October 2001 subject to a then-outstanding first mortgage of $10.7 million originated by The Chase Manhattan Bank. The loan matures in March 2013, bears interest at a rate of 7.275% and has a 30-year amortization

schedule. Annual debt service on the loan is approximately $910,000. The loan is subject to a prepayment penalty if paid prior to maturity.

Port Richmond Village. The operating partnership acquired its interest in this property in October 2001 subject to a then-outstanding first mortgage of $11.6 million originated by The Chase Manhattan Bank. The loan matures in April 2007, bears interest at a rate of 7.174% and has a 30-year amortization schedule. Annual debt service on the loan is approximately $975,000. The loan is subject to a prepayment penalty if paid prior to maturity.

CS First Boston Mortgage Capital Corporation

The operating partnership acquired its interest in Washington Center Shoppes in October 2001 subject to a then-outstanding first mortgage of $6.236 million originated by CS First Boston Mortgage Capital Corporation. The loan matures in November 2027, with an "anticipated repayment date" of November 2007, bears interest at a rate of 7.53% and has a 30-year amortization schedule. Annual debt service on the loan is approximately $522,000. The loan is subject to a prepayment penalty if paid prior to maturity.

RAIT Partnership, L.P.

The operating partnership acquired its interest in Swede Square Shopping Center in May 2003 at a cost of $8.6 million. As of June 30, 2003, the outstanding principal balance on the mortgage from RAIT Partnership, L.P. was $5.6 million. The mortgage carries a rate of LIBOR plus 2.75%, subject to a minimum rate of 7.25%, and is interest only during the initial term. The loan matures in May 2005. We may extend the loan for one year with notice to the lender and payment of a fee of 0.5%. We can prepay the mortgage at any time upon 30 days notice to the lender; however, any prepayment within the first eight months of the loan's origination would be subject to a 2% prepayment penalty.

Lehman Brothers Bank, FSB

The operating partnership acquired its interest in Loyal Plaza Shopping Center in July 2002 at a cost of $18.3 million, subject to a then-outstanding first mortgage of $14.0 million originated by Lehman Brothers Bank, FSB. As of June 30, 2003, the outstanding principal balance on the mortgage was $13.7 million. The mortgage carries an interest rate of 7.18%, has an amortization schedule of 30 years and matures in June 2011. Annual debt service on the loan is $1,138,000. Prepayment of the mortgage requires a defeasance or make-whole deposit equal generally to the amount in government securities or other acceptable securities that will not result in a downgrading, withdrawal or qualification of the ratings of the rating agencies in effect for the loan, and which will generate amounts equal to or greater than the payments required by the loan agreement for the remaining period of the loan.

Bouwfonds Property Finance BV

We obtained a subordinated loan of $2.9 million and a senior loan of $5.4 million from Bouwfonds Property Finance BV. The subordinated loan bears interest at a rate of 12%, while the senior loan bears interest at a spread of 250 basis points over 30-day LIBOR. We paid a commitment fee of 1% at closing, divided one-half to Bouwfonds Property Finance BV and one-half to Homburg Invest. In addition, the subordinated loan included an up-front closing fee of approximately $293,000 paid at closing and an exit fee of $88,000, each divided one-half to Bouwfonds Property Finance BV and one-half to Homburg Invest. Of the total 12% interest rate on the subordinated loan, 9.5% was divided one-half to Bouwfonds Property Finance BV and one-half to Homburg Invest.

Salomon Smith Barney

The operating partnership acquired its interest in Red Lion Shopping Center in May 2002 from an affiliate of CBC at a cost of $1.2 million, subject to a then-outstanding first mortgage of $17.0 million originated by Salomon Smith Barney. As of June 30, 2003, the outstanding principal balance on the

mortgage was $16.7 million. The mortgage carries an interest rate of 8.86%, has an amortization schedule of 30 years and matures in February 2010. The loan is subject to a prepayment penalty if paid prior to maturity.

Realty Enterprise Fund, LLC Loan

In August 2003, we obtained a $1.0 million loan from Realty Enterprise Fund, LLC, which was used to fund the deposit for the acquisition of Columbus Crossing Shopping Center and River View Plaza I, II and III. The loan bears interest at the rate of 9% annually and is due on the earlier to occur of one year from the date of advance or five days after completion of any public offering. We have agreed to pay an exit fee of 20% of the principal advanced. The lender, at its sole option, shall have the right to convert all of the loan to units in the operating partnership valued at the public offering price, less the underwriting commission.

MANAGEMENT

The following table sets forth certain information about our directors and executive officers:

Name	Age	Position
Leo S. Ullman	64	Chairman of the Board of Directors, Chief Executive Officer and President
Brenda J. Walker	51	Director and Vice President
James J. Burns	64	Director
Johannes A.M.H. der Kinderen	63	Director
Richard Homburg	54	Director
Frank W. Matheson	58	Director*
Everett B. Miller, III	58	Director
Roger M. Widmann	64	Director*
Thomas J. O'Keeffe	58	Chief Financial Officer
Thomas B. Richey	48	Vice President and Director of Construction and Maintenance Services
Stuart H. Widowski	43	Secretary and General Counsel

* Mr. Widmann has agreed to serve as a director and our board of directors will cause him to be elected as a director prior to completion of this offering. Mr. Matheson has agreed to resign as a director upon completion of this offering.

Currently, our charter provides that our board of directors is divided into three classes of directors. The current terms of the Class I, Class II and Class III directors will expire in 2005, 2006 and 2004, respectively. Directors of each class will be chosen for three-year terms upon the expiration of their current terms and each year one class of directors will be elected by the stockholders. Upon consummation of this offering, our charter will eliminate the classes of directors upon the expiration of the current terms of the respective classes and each director elected at our annual stockholders meeting held October 9, 2003 or thereafter will serve for a term of one year. Mr. der Kinderen and Mr. Matheson, our current Class I directors, and Mr. Ullman, Ms. Walker and Mr. Homburg, our current Class III directors, will serve their full terms.

Information regarding our directors and executive officers is set forth below.

Leo S. Ullman, age 64, chief executive officer, president and chairman of the board of directors, has been involved in real estate property and asset management for approximately twenty-five years. He has been chairman and president of SKR and chairman of Brentway from 1994 (and its predecessors since 1978) through the current date, and president of CBRA since the latter company's formation in January 1998. He is also president and sole director of a number of companies affiliated with CBC. Mr. Ullman was first elected as our chairman in April 1998 and served until November 1999. He was re-elected in December 2000. Mr. Ullman also has been chief executive officer and president from April 1998 to date. He has been a member of the New York Bar since 1966 and was in private legal practice until 1998. From 1984 until 1993, he was a partner in the New York law firm, Reid & Priest, and served as initial director of its real estate group. Mr. Ullman received an A.B. from Harvard University and a J.D. and M.B.A. from Columbia University.

Brenda J. Walker, age 51, has been vice president and a director since 1998 and was treasurer from April 1998 until November 1999. She has been president of Brentway and vice president of SKR from 1994 through the current date; vice president of API Management Services Corp. and API Asset Management, Inc. from 1992 through 1995; and vice president of CBRA from 1998 to date. Ms. Walker has been involved in real estate property and asset management for more than twenty years. Ms. Walker received a B.A. from Lincoln University.

James J. Burns, age 64, a director since 2001, has been chief financial officer and senior vice president of Wellsford Real Properties, Inc. since December 2000. He joined Wellsford in October 1999 as chief accounting officer upon his retirement from Ernst & Young in September 1999. At Ernst & Young, Mr. Burns was a senior audit partner in the E&Y Kenneth Leventhal Real Estate Group for 22 years. Mr. Burns also serves as a director of One Liberty Properties, Inc., a REIT. Mr. Burns is a certified public accountant and a member of the American Institute of Certified Public Accountants.

Johannes A.M.H. der Kinderen, age 63, a director since 1998, was the director of investments from 1984 through 1994 for Rabobank Pension Fund, and has been or is chairman and/or a member of the board of the following entities: Noord Amerika Real Estate B.V. (1995-present); Noord Amerika Vast Goed B.V. (1985-present); Mass Mutual Pierson (M.M.P.) (1988-1997); Warner Building Corporation (1996 to date); GIM Vastgoed (1998 to date); Fellion Investments B.V. (2001 to date); and N.V. Maatschappij voor Trustzaken Ameuro (from 2002 to date).

Richard Homburg, age 54, a director and chairman from November 1999 to August 2000, and a director again since December 18, 2002, was born and educated in the Netherlands. Mr. Homburg was the president and CEO of Uni-Invest N.V., a publicly listed Dutch real estate fund from 1991 until 2000. In 2002, an investment group purchased 100% of the shares of Uni-Invest N.V., taking it private, at which time it was one of the largest real estate funds in the Netherlands with assets of approximately $2.5 billion CDN. Mr. Homburg is chairman and CEO of Homburg Invest Inc. and president of Homburg Invest USA Inc. (a wholly-owned subsidiary of Homburg Invest Inc.). In addition to his varied business interests, Mr. Homburg has served on many boards, including as past president and director of the Investment Property Owners of Nova Scotia, Evangeline Trust and World Trade Center in Eindhoven, the Netherlands, and also has sat on the board of directors or advisory boards of other large charitable organizations. Mr. Homburg was designated to serve on our board pursuant to a standstill agreement we entered into with Homburg Invest, in which we agreed to support the election of two designees of Homburg Invest Inc. to our board of directors.

Frank W. Matheson, age 58, a director since April 2002, has been involved in the real estate industry for the past 14 years, serving as president and CEO of Homburg Canada Incorporated, an international real estate company with holdings in residential, commercial, industrial and retail properties. Before that time, he was active in the general insurance industry. An active community member, Mr. Matheson is past chairman of the Halifax School Board and Halifax Forum Commission. He is presently vice chairman and director of the Halifax International Airport. He also has served on other community and corporate boards. Mr. Matheson is an affiliate of Homburg Invest Inc. Mr. Matheson was designated to serve on our board pursuant to a standstill agreement we entered into with Homburg Invest Inc., in which we agreed to support the election of two designees of Homburg Invest Inc. to our board of directors.

Everett B. Miller, III, age 58, a director since 1998, is vice president of alternative investments at YMCA Retirement Fund. In March 2003, Mr. Miller was appointed to the Real Estate Advisory Committee of the New York State Common Retirement Fund. Prior to his retirement from Commonfund Realty, Inc., a registered investment advisor, and his appointment to the board of directors of such company in May 2002, Mr. Miller served as the chief operating officer of that company from 1997 until May 2002. Prior to such time, commencing in March 1997, Mr. Miller was the senior vice president and chief executive officer of two privately held REITs, Endowment Realty Investors and Endowment Realty Investors II, sponsored by Commonfund, which is located in Wilton, Connecticut. From January 1995 through March 1997, Mr. Miller was the principal investment officer for real estate and alternative investment at the Office of the Treasurer of the State of Connecticut. Before that, Mr. Miller was employed for eighteen years at affiliates of the Travelers Insurance Company, at which his most recent position was senior vice president of the Travelers Realty Investment Company.

Roger M. Widmann, age 64, is a principal of the investment banking firm of Tanner & Co., Inc., which specializes in providing advice to corporations ranging from Fortune 200 companies to mid-sized firms. From 1986 to 1995, Mr. Widmann was a senior managing director of Chemical Securities Inc., a

subsidiary of Chemical Banking Corporation (now JPMorgan Chase Corporation). Prior to joining Chemical Securities Inc., Mr. Widmann was a founder and managing director of First Reserve Corporation, the largest independent energy investing firm in the U.S. Previously, he was senior vice president with the investment banking firm of Donaldson, Lufkin & Jenrette, responsible for the firm's domestic and international investment banking business. He has also been a vice president with New Court Securities Corporation (now Rothschild, Inc.). Mr. Widmann is a senior moderator of the Executive Seminar in the Humanities at The Aspen Institute, is Chairman of Lydall, Inc. (NYSE), Manchester, Connecticut, a manufacturer of thermal, acoustical and filtration materials, and is president of the March of Dimes of Greater New York.

Thomas J. O'Keeffe, age 58, joined us in November 2002 as our chief financial officer. Prior to joining, Mr. O'Keeffe served as a financial consultant from 1997 to 2002, as chief financial officer of Bradley Real Estate, Inc., a shopping center REIT, from 1985 to 1996, as chief financial officer of R.M. Bradley & Co., Inc., a full service real estate management company from 1981 to 1997, and as audit manager for Deloitte & Touche from 1975 to 1981. Mr. O'Keeffe, a certified public accountant, is also a director of the John Fitzgerald Kennedy Library Foundation and serves on its executive, audit and investment committees. Mr. O'Keeffe received a B.S.A. from Bentley College and an M.B.A. from Babson College.

Thomas B. Richey, age 48, joined us in 1998 as our vice president and director of construction and maintenance services. Mr. Richey has been involved in the real estate business for approximately 25 years. He served as director of a historic site service project in Muncy, Pennsylvania, from 1978 through 1980 and as economic development director of the city of Williamsport, Pennsylvania, from 1980 through 1983. From 1983 to 1986, Mr. Richey was involved with acquisitions and construction for Lundy Construction Company and for Shawnee Management Inc. From 1988 through 1996, Mr. Richey was a partner in two companies involved in renovating and providing other services to hotel properties. From 1996 through 1998, Mr. Richey was business and project manager for Grove Associates, Inc., an engineering and surveying company. Mr. Richey received a B.A. from Lycoming College.

Stuart Widowski, age 43, joined us in 1996 as our vice president and general counsel. He was in private practice for seven years, including five years with the law firm Reid & Priest in New York, New York. From 1991 through 1996, Mr. Widowski served in the legal department of the Federal Deposit Insurance Corporation. Mr. Widowski received a B.A. from Brandeis University and a J.D. from the University of Michigan.

Board Committees

Our board of directors has appointed a nominating and corporate governance committee, an audit committee and a compensation committee. The composition of each committee must comply with the listing requirements and other rules and regulations of the NYSE, as amended or modified from time to time. Each of these committees has at least three directors and is composed exclusively of independent directors.

Audit Committee. The audit committee will help ensure the integrity of our financial statements, the qualifications and independence of our independent auditor and the performance of our internal audit function and independent auditors. The audit committee will select, assist and meet with the independent auditor, oversee each annual audit and quarterly review, review with management the committee's assessment of internal audit controls and discuss any weaknesses of such controls and prepare the report that federal securities laws require be included in our annual proxy statement. Mr. Burns, Mr. der Kinderen and Mr. Miller have been appointed as members of the audit committee.

Compensation Committee. The compensation committee will review and approve the compensation and benefits of our executive officers, administer and make recommendations to our board of directors regarding our compensation and stock incentive plans and produce an annual report on executive compensation for inclusion in our proxy statement. Mr. Burns, Mr. der Kinderen and Mr. Miller have been appointed as members of the compensation committee.

Nominating and Corporate Governance Committee. The nominating and corporate governance committee will develop and recommend to our board of directors a set of corporate governance principles, adopt a code of ethics, adopt policies with respect to conflicts of interest, monitor our compliance with corporate governance requirements of state and federal law and the rules and regulations of the NYSE, establish criteria for prospective members of our board of directors, conduct candidate searches and interviews, oversee and evaluate our board of directors and management, evaluate from time to time the appropriate size and composition of our board of directors and recommend, as appropriate, increases, decreases and changes in the composition of our board of directors and formally propose the slate of directors to be elected at each annual meeting of our stockholders. Mr. Burns, Mr. der Kinderen and Mr. Miller have been appointed as members of the nominating and corporate governance committee.

Our board of directors may from time to time establish certain other committees to facilitate the management of our company.

Compensation of Directors

During 2002, each of our directors not affiliated with CBRA — Mr. Miller, Mr. der Kinderen and Mr. Burns — received an annual fee of $10,000 plus $1,000 for each board meeting and $250 for each audit committee meeting attended. Effective January 1, 2003, independent directors' fees were increased to $4,000 per quarter; meeting attendance fees are $1,000 per regular board meeting and audit committee meeting. In addition, members of the audit committee each receive a quarterly fee of $1,000. In addition, each of our independent directors who were members of the board committee that approved the mergers of our advisors received an additional fee of $25,000 for service on the committee, plus an additional $5,000 to the chairperson of such committee.

Compensation of Executive Officers

Because we were externally advised prior to the consummation of this offering, we did not pay any compensation to our executive officers for periods prior to this offering. The following table sets forth the annual base salary and other compensation expected to be paid in 2003 to our Chief Executive Officer and President and our four other most highly compensated executive officers. We have entered into employment agreements with our executive officers that will become effective upon the merger of our advisors and the consummation of this offering. See "— Employment Agreements."

Summary Compensation Table

		Annual Compensation			Long Term Compensation	
Name and Principal Position	Year	Salary(1) $	Bonus(2) $	Other Annual Compensation $	Stock Options #	All Other Compensation $
Leo S. Ullman President and Chief Executive Officer	2003	350,000	—	—	—	—
Thomas J. O'Keeffe Chief Financial Officer	2003	250,000	—	—	—	—
Brenda J. Walker Vice President	2003	200,000	—	—	—	—
Stuart H. Widowski Vice President and General Counsel	2003	175,000	—	—	—	—
Thomas B. Richey Vice President and Director of Construction and Maintenance Services	2003	175,000	—	—	—	—

(1) Amounts given are annualized projections for the year ending December 31, 2003 based on employment agreements that will become effective upon the merger of our advisors and the consummation of this offering. See "— Employment Agreements."

(2) Bonuses are paid at the discretion of the board of directors taking into account such factors as the board deems appropriate, including stock price appreciation and funds from operations growth.

Stock Option Plan

We established a stock option plan for the purpose of attracting and retaining executive officers, directors and other key employees. An aggregate of 2,000,000 of our authorized shares of common stock have been reserved for issuance under this plan. The plan is administered by a committee of the board of directors, which committee will, among other things, select the number of shares subject to each grant, the vesting period for each grant and the exercise price (subject to applicable regulations with respect to incentive stock options) for the options.

The following table sets forth information regarding our existing compensation plans and individual compensation arrangements pursuant to which our equity securities are authorized for issuance to employees or non-employees (such as directors, consultants, advisors, vendors, customers, suppliers or lenders) in exchange for consideration in the form of goods or services:

	A	B	C
Plan category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuances Under Equity Compensation Plans (Excluding Securities in Column A)
Equity compensation plans approved by security holders	16,666	$ 10.50	1,983,334
Equity compensation plans not approved by security holders	55,555	$ 13.50	27,777
Total	72,221		2,011,111

Employment Agreements With Named Executive Officers

Effective on consummation of this offering, we will enter into employment agreements with Messrs. Ullman, O'Keeffe, Widowski and Richey and Ms. Walker.

Each agreement will be for a term of four years and will provide that in the event of termination by us without cause or by the executive for good reason, the executive will be entitled to receive from us within five days following termination:

- Any earned and unpaid base salary;
- A cash payment of two and one-half times the executive's annual base salary and bonus;
- Continuation of health insurance benefits; and
- Acceleration of vesting of all options.

Good reason means:

- Our material breach of the employment agreement;
- A material reduction in the executive's duties or responsibilities;
- The relocation of the executive or our headquarters to any location outside of the New York City metropolitan area; and
- A change in control.

Each employment agreement also will provide that each executive will not compete with us for a period of one year after the termination of the executive's employment, unless employment is terminated by us without cause or by the executive for good reason.

Compensation Committee Interlocks and Insider Participation

There are no compensation committee interlocks and none of our employees participates on our compensation committee.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Merger of Our Advisors

We have taken steps to internalize our advisors. Immediately prior to this offering, CBRA and SKR will merge into us and Brentway will merge into the operating partnership. Each of the principals of our advisors will become our employees and executive officers upon consummation of this offering. The aggregate consideration to be received by CBRA, SKR and Brentway in connection with the merger is 1,040,000 shares of our common stock and units. Each share of common stock and unit issued pursuant to the merger will be valued at the per share public offering price of our common stock in this offering. If the final public offering price causes the aggregate value of the shares of common stock and units received in connection with the merger to exceed $15.0 million, the number of shares of common stock and units to be received will be reduced so that the number of shares and units when multiplied by the price per share in the offering equals $15.0 million.

Upon consummation of the merger with CBRA and SKR, we will issue 693,333 shares of our common stock having an aggregate value of $8,666,662 to the owners and employees of CBRA and SKR, based upon the midpoint of the price range set forth on the cover page of this prospectus. The shares will not be registered, and may only be transferred pursuant to an effective registration statement filed under the Securities Act of 1933 or pursuant to an exemption from such registration.

As consideration for the merger of Brentway into the operating partnership, the operating partnership will issue 346,667 units having an aggregate value of $4,333,338, based on the midpoint of the price range set forth on the cover of this prospectus, to the owners of Brentway. Each unit is exchangeable at any time into one share of our common stock. The units and the shares of common stock into which the units may be exchanged will not be registered, and may only be transferred pursuant to an effective registration statement filed under the Securities Act of 1933 or pursuant to an exemption from such registration.

As a result of the above, each of Messrs. Ullman, O'Keeffe, Richey, Widowski and Ms. Walker will receive 595,067, 138,667, 45,067, 34,667 and 110,933, respectively, shares and/or units having a value of $7,438,333, $1,733,337, $563,337, $433,337 and $1,386,662, respectively, based on the midpoint of the price range set forth on the cover of this prospectus.

An independent committee of our board consisting of disinterested directors retained a financial advisor who advised them as to the fairness of the consideration to be paid in connection with the merger of our advisors from a financial perspective and of the purchase price for the repurchase from CBC of their units. The independent committee and the board have approved the merger. Members of the independent committee received $25,000 in fees for serving on the committee, while the chairman received an additional $5,000.

The merger was approved by our stockholders at our annual meeting held on October 9, 2003. The stockholders approved the issuance of up to $15.0 million of shares of our common stock and units. Reference is made to the proxy statement for a complete description of the merger.

Prior to consummation of the merger, we were an externally-advised REIT. With the exception of a few non-management employees at certain of our centers, we had no employees and relied on CBRA and its affiliates to manage our affairs. Pursuant to the terms of an administrative and advisory agreement, CBRA provided us with management, acquisition, leasing and advisory services, accounting systems, professional and support personnel, and office facilities. Mr. Ullman, our chairman, chief executive officer and president is also the principal stockholder of CBRA. Ms. Walker, our vice president and director, Mr. O'Keeffe, our chief financial officer, and Mr. Widowski, our secretary, are also officers of CBRA.

The advisory agreement provided that it may be terminated (a) for cause upon not less than sixty days' prior written notice, and (b) by vote of at least 75% of the independent directors at the end of the third or fourth year of its five-year term in the event gross assets fail to increase by 15% per annum.

Pursuant to the advisory agreement, effective as of January 1, 2002, CBRA earned a disposition or acquisition fee, as applicable, equal to 1% of the sale/purchase price; no other fees would be payable in connection with such transactions. All accrued acquisition fees are included in accounts payable at December 31, 2002.

The following is a schedule of acquisition and disposition fees paid, accrued or deferred by us to CBRA for the six-month period ended June 30, 2003 and for the year ended December 31, 2002:

Property	Paid	Accrued	Total
*2003 Transactions**			
Red Lion Shopping Center	$ 44,000	$ —	$ 44,000
Three Giant supermarket-anchored shopping centers	—	180,000	180,000
Pine Grove Shopping Center	74,000	—	74,000
Swede Square Shopping Center	79,000	—	79,000
Valley Plaza Shopping Center	92,000	—	92,000
Total	$289,000	$180,000	$469,000
2002 Transactions			
Southpoint	$ 47,000	$ —	$ 47,000
Red Lion Shopping Center		44,000	44,000
Loyal Plaza Shopping Center	—	183,000	183,000
Camp Hill Mall	—	172,000	172,000
LA Fitness Center	60,000	—	60,000
Total	$107,000	$399,000	$506,000

* During 2001, the advisory agreement was modified and CBRA agreed to defer certain fees of $195,700 and to ultimately waive such fees if the agreement is not terminated before December 31, 2004. These fees are not included in accrued expense at June 30, 2003 and will be waived upon consummation of this offering.

Property Management Services

Brentway provided property management, leasing, construction management and loan placement services to our real properties pursuant to a management agreement dated April 1998 between Brentway and us and individual management agreements between Brentway and each of our properties. Brentway is owned by Mr. Ullman and Ms. Walker, who are also chairman and president of Brentway, respectively. The term of the management agreement was for one year and was automatically renewed annually for additional one-year periods subject to the right of either party to cancel the management agreement upon sixty days' written notice. Under the management agreement, Brentway is obligated to provide property management services, which include leasing and collection of rent, maintenance of books and records, establishment of bank accounts and payment of expenses, maintenance and operation of property, reporting and accounting for us regarding property operations, and maintenance of insurance.

As discussed above, Brentway had entered into individual management agreements with each entity holding title to the properties owned by us. Such individual management agreements were required by the properties' first mortgage lenders and in some instances by the individual partnership agreements.

The following is a schedule of management, administrative, advisory, legal, leasing and loan placement fees paid to CBRA or its affiliates.

		Six Months Ended June 30, 2003	Years Ended December 31, 2002	2001	2000
Management Fees	(1)	$393,000	$536,000	$103,000	$70,000
Construction Management	(2)	$ 2,000	$ 20,000	$180,000	$28,000
Leasing Fees	(3)	$ 17,000	$135,000	$135,000	$44,000
Administrative and Advisory	(4)	$384,000	$360,000	$163,000	$98,000
Legal	(5)	$ 82,000	$210,000	$182,000	$33,000
Loan Placement Fees	(6)	$ —	$100,000	$100,000	$ —

(1) Management fees are calculated at 3% - 4% of gross revenues collected.

(2) Construction management fees are calculated at 5% of construction costs.

(3) Leasing fees are calculated at 4% - 4.5% of a new tenants' base rent.

(4) Annual administrative and advisory fees are equal to 3/4 of 1% of the estimated current value of our real estate assets plus 1/4 of 1% of the estimated current value of all our other assets.

(5) Legal fees are paid to an affiliate of CBRA for the services provided by Stuart H. Widowski, Esq., in-house counsel.

(6) Loan placement fees are calculated at 1% of the loan amount up to a maximum of $100,000.

Leasing and management fees paid by us during these periods also were paid to third parties. Brentway subcontracted with local management companies for site management and leasing services for our office properties in Jacksonville, Florida, and Salt Lake City, Utah, which properties were sold as of May 24, 2002 and May 22, 2002, respectively.

Legal Services

SKR is wholly-owned by Mr. Ullman. Mr. Widowski, through SKR, provided certain legal services to us and our properties at rates that we believe to be less than those prevailing in the market.

Transactions with CBC

CBC will receive $9.0 million of the proceeds from this offering in connection with our repurchase of all of the units of the operating partnership owned by CBC, representing a price of $15.87 per unit. An independent committee of our board, consisting of independent directors, retained a financial advisor that advised them as to the fairness of the consideration to be paid to CBC for the repurchase of their units. CBC currently owns 78% of our common stock and units on a fully-diluted basis. Upon consummation of this offering, CBC will own less than 1% of our common stock.

Purchase of 20% interest in API Red Lion Shopping Center Associates, L.P.

On May 31, 2002, Cedar-RL, LLC, a newly formed special purpose, wholly-owned subsidiary of the operating partnership, purchased from Silver Circle Management Corp., or Silver Circle, an affiliate of Mr. Ullman and CBC, a 20% interest in API Red Lion Shopping Center Associates, a partnership owned by Mr. Ullman (as limited partner with an 8% ownership interest) and Silver Circle (as sole general partner with a 92% ownership interest). The purchase price was $1,182,857. We issued to CBC a promissory note in the original principal amount of $887,000, payable in three equal annual installments. Repayment of the current installment has been deferred until October 31, 2003. The outstanding balance of this note will be repaid with $887,000 of the proceeds from this offering.

Also on May 31, 2002, Silver Circle and Mr. Ullman sold an aggregate 69% limited partnership interest in API Red Lion Shopping Center Associates, L.P. to Philadelphia ARC-Cedar LLC, an unrelated party, for $4,360,500. As a result of such transactions, Mr. Ullman no longer had an ownership interest in API Red Lion Shopping Center Associates. The proceeds of sale of Mr. Ullman's interest in API Red Lion Shopping Center Associates, L.P. were used in their entirety to repay certain loans to Silver Circle. Mr. Ullman and Ms. Walker are officers of Silver Circle, but have no ownership interest in that entity.

The purchase price was based on a third party appraisal of the Red Lion Shopping Center property.

Our board of directors obtained a fairness opinion from an investment banking firm with respect to the purchase of the partnership interest in API Red Lion Associates, L.P. by the operating partnership.

Acquisition of Interests in Shopping Centers

Certain affiliates of CBC currently own a 50% interest in The Point Shopping Center. We will use $2.4 million of the proceeds from this offering to purchase this 50% interest. The purchase price for this interest was arrived at through negotiation with CBC.

Certain affiliates of CBC currently own Golden Triangle Shopping Center. We will use $1.5 million, plus closing costs, of the proceeds from this offering to purchase this property and we will assume a $9.9 million first mortgage. The purchase price for this interest was arrived at through negotiation with CBC.

Loan for South Philadelphia Shopping Plaza

In connection with our lease agreement to obtain operating control of South Philadelphia Shopping Plaza, in August 2003, an affiliate of CBC loaned us $750,000 to make a portion of the deposit in connection with the proposed transaction. The loan matures in October 2003 and bears interest at a rate of 15%. The proceeds from this offering will be used to repay this loan.

Transactions with Homburg USA and Homburg Invest

Subscription Agreement

On December 18, 2002, we entered into a subscription agreement with Homburg USA pursuant to which we issued in a private placement to Homburg USA 3,300 preferred units at a purchase price of $909.09 per preferred unit, for an aggregate purchase price of $3.0 million. On January 2, 2003, Homburg USA converted 552 preferred units into 46,000 shares of our common stock. In order to maintain our status as a REIT, in June 2003, Homburg USA exchanged the 46,000 shares of common stock for 552 preferred units. We will use $3.96 million of the proceeds from this offering to redeem the preferred units owned by Homburg USA in accordance with the terms relating to such units.

Pursuant to the subscription agreement, Mr. Richard Homburg was appointed as a director. We also agreed to seek approval of our stockholders to enable us to issue to Homburg USA 45,666 additional shares of our common stock at a purchase price of $10.9098 per share, to cause 548 preferred units to be redeemed at their purchase price, and to cause the balance of the 2,200 preferred units to be convertible into our common stock at $12.27 per share. The proposal was approved by our stockholders at our annual meeting held on October 9, 2003. Since the preferred units will be redeemed from the proceeds of this offering, the issuance of additional shares to Homburg USA and the preferred units conversion rights will be cancelled.

Standstill Agreement

On or about January 18, 2002, Homburg Invest, a Canadian corporation listed on the Toronto Stock Exchange, acquired from Mr. Homburg, a Canadian national, and/or affiliated persons,

50,000 shares of our common stock, then representing in excess of 20% of our outstanding common stock. Our charter and bylaws in effect at that time prohibited the acquisition of more than 3.5% of our common stock without consent of our board of directors. We, Homburg Invest, and Mr. Homburg entered into a standstill agreement pursuant to which Homburg Invest Inc, Mr. Homburg, and their respective affiliates have agreed not to purchase more than 29.9% of our common stock in the aggregate for a period of five (5) years, not to commence or support a tender offer during that period, and to vote for certain persons to serve as our directors. We also agreed to support the election of two designees of Homburg Invest Inc. to our board of directors. Mr. Homburg and Mr. Matheson are the current directors designated by Homburg Invest. Upon consummation of this offering, Homburg Invest will own less than 1% of our common stock and the standstill agreement will be terminated.

Acquisition of Interests in Shopping Centers

Homburg Invest supplied substantially all the equity (through purchasing joint venture interests) in connection with our acquisition of Pine Grove Shopping Center, Swede Square Shopping Center and Wal-Mart Shopping Center. Homburg Invest received a 10% origination fee for providing the equity in each acquisition. Under the partnership agreement for each property, Homburg Invest will receive a 12% preferential return on its investment. We have the option to buy its interest in each partnership provided it receives a 15% annualized rate of return, 20% in the case of the Wal-Mart Shopping Center, from the date each center was acquired until we repurchase its interests. We currently intend to exercise this option and use the proceeds from this offering to repurchase Homburg Invest's interests. Accordingly, Homburg Invest will receive approximately $6.4 million in the aggregate, less any distributions made, as of October 31, 2003 in exchange for its interest in the Pine Grove Shopping Center, Swede Square Shopping Center and Wal-Mart Shopping Center.

In addition, Homburg Invest jointly and severally with us guaranteed $6.4 million of loans we obtained to acquire the Valley Plaza Shopping Center and Wal-Mart Shopping Center. The terms of the Valley Plaza Shopping Center guarantee provide that Homburg Invest will receive 4.75% of the interest accrued on the junior loan and 50% of the origination or exit fees. The terms of the Wal-Mart Shopping Center guarantee provide that Homburg Invest will receive 4.75% of the interest accrued on the equity loan and 50% of the closing fee and look-back provision. The loan will be repaid with proceeds from this offering and the guarantees will be terminated. Pursuant to the terms of the guarantees, Homburg Invest will receive approximately $225,000 upon repayment of the loans.

Loan for South Philadelphia Shopping Plaza

In connection with our lease agreement to obtain operating control of South Philadelphia Shopping Plaza, in August 2003, Homburg Invest loaned us $1.1 million to make a portion of the deposit in connection with the proposed transaction. The loan matures in one year and bears interest at a rate of 9%, and has a 10% origination fee and a 20% exit fee. Proceeds from this offering will be used to repay this loan and a $220,000 exit fee. Homburg Invest will receive approximately $220,000 in exit fees upon repayment of the loan.

Transactions with Mr. Ullman

44 South Bayles Avenue

Our principal executive offices are located at 44 South Bayles Avenue, Port Washington, New York. Mr. Ullman owns 24% of this building through general and limited partner interests. Currently, CBRA pays the rent for our principal executive offices. The lease, at rentals consistent with the building, expires on October 31, 2007. Rent is currently approximately $124,000 and escalates annually, up to approximately $135,000 in the final year of the lease. We will begin to pay rent after the merger upon the same terms as CBRA.

Loan

Mr. Ullman loaned CBRA $150,000, which CBRA loaned to us, to pay certain of our obligations. The loan charges no interest and has no fees. The loan will be repaid from the proceeds of this offering.

Shore Mall Option

We received a ten-year option to acquire the Shore Mall, in Egg Harbor Township, New Jersey, a 620,000 square foot shopping center, anchored by Boscov's, Circuit City, Value City and Burlington Coat Factory from Rickson Corp., N.V., an affiliate of CBC, and Mr. Ullman. The option, which is subject to a right of first refusal of a former owner, expires in 2009, is for ten years and provides that the purchase price will be the appraised value at the time the option is exercised. The option provides us with a right of first refusal if the owner receives a bona fide third-party offer. If we do not exercise our option in connection with a bona fide third party offer, the option will terminate. We will manage this property during the option period. An affiliate of CBC owns 92% of this property and Mr. Ullman owns 8%.

Brentway and SKR presently provide property management, leasing, construction management and legal services to the Shore Mall property. Upon completion of this offering and the merger of our advisors, we expect to continue to provide management services to, and to receive fees at standard rates from, the Shore Mall property until that property is acquired by us (or sold or otherwise disposed of by the existing owners).

INVESTMENT POLICIES AND POLICIES WITH RESPECT TO CERTAIN ACTIVITIES

The following is a discussion of our investment policies and our policies with respect to certain activities, including financing matters and conflicts of interest. These policies may be amended or revised from time to time at the discretion of our board of directors without a vote of our stockholders. Any change to any of these policies would be made by our board of directors, however, only after a review and analysis of that change, in light of then existing business and other circumstances, and then only if, in the exercise of their business judgment, they believe that it is advisable to do so in our and our stockholders' best interests. We cannot assure you that our investment objectives will be attained.

Investments in Real Estate or Interests in Real Estate

As the result of the merger of our advisors, we will be a REIT that is fully integrated, self-administered and self-managed, which acquires, owns, manages, leases and redevelops mainly neighborhood and community shopping centers located primarily in eastern Pennsylvania. We currently own 15 properties totaling approximately 2.5 million square feet of gross rentable area. We have entered into agreements to acquire eight other shopping centers, totaling approximately 1.1 million square feet of GLA, for an aggregate purchase price of $134.5 million. We intend to close on these pending acquisitions shortly after consummation of this offering.

In the future, we intend to focus on increasing our internal growth and we expect to continue to pursue targeted acquisitions of neighborhood and community shopping centers in attractive markets with strong economic and demographic characteristics. In evaluating future acquisitions of neighborhood and community shopping centers, we seek a convenient and easily accessible location with abundant parking facilities, preferably occupying the dominant corner, close to residential communities, with excellent visibility for our tenants and easy access for neighborhood shoppers. We will also consider future opportunities to acquire other properties on a case-by-case basis. In evaluating future acquisitions of properties other than neighborhood and community shopping centers, we seek properties or transactions that have unique characteristics which present a compelling case for investment. Examples might include properties having high entry yields, properties that are outside of our target markets but are being sold as part of a portfolio package, properties which are debt-free, a transaction in which we might issue units in the operating partnership or properties which provide substantial growth potential through redevelopment.

We currently expect to incur additional debt in connection with any future acquisitions of real estate.

We conduct substantially all of our investment activities through the operating partnership and our other affiliates. Our policy is to acquire assets primarily for current income generation. In general, our investment objectives are:

- to increase our value through increases in the cash flows and values of our properties;
- to achieve long-term capital appreciation, and preserve and protect the value of our interest in our properties; and
- to provide quarterly cash distributions.

There are no limitations on the amount or percentage of our total assets that may be invested in any one property. Additionally, no limits have been set on the concentration of investments in any one location or facility type.

Investments in Mortgages

We have not, prior to this offering, engaged in any significant investments in mortgages nor do we intend to engage in this activity in the future.

Investments in Securities of or Interests in Persons Primarily Engaged in Real Estate Activities and Other Issuers

We have not, prior to this offering, generally engaged in investment activities in other entities. Subject to REIT qualification, we may in the future invest in securities of entities engaged in real estate activities or securities of other issuers. See "Material United States Federal Income Tax Considerations". We may also invest in the securities of other issuers in connection with acquisitions of indirect interests in properties, which normally would include general or limited partnership interests in special purpose partnerships owning properties. We may in the future acquire some, all or substantially all of the securities or assets of other REITs or similar entities where that investment would be consistent with our investment policies. Subject to the percentage of ownership limitations and asset test requirements, there are no limitations on the amount or percentage of our total assets that may be invested in any one issuer. We do not anticipate investing in other issuers of securities for the purpose of exercising control or acquiring any investments primarily for sale in the ordinary course of business or holding any investments with a view to making short-term profits from their sale. In any event, we do not intend that our investments in securities will require us to register as an "investment company" under the Investment Company Act, and we intend to divest securities before any registration would be required.

We have not in the past acquired, and we do not anticipate that we will in the future seek to acquire, loans secured by properties and we have not, nor do we intend to, engage in trading, underwriting, agency distribution or sales of securities of other issuers.

Dispositions

Although we disposed of four office properties that we had owned for a substantial period of time, we generally will not seek to dispose of properties within our portfolio. We will consider doing so, subject to REIT qualification rules, if our management determines that a sale of a property would be in our best interests based on the price being offered for the property, the operating performance of the property, the tax consequences of the sale and other factors and circumstances surrounding the proposed sale. However, we may not be able to dispose of properties we own through joint ventures without the consent of our partners in the joint ventures.

Financing Policies

As disclosed elsewhere in this prospectus, we have incurred debt in order to fund operations and acquisitions. After this offering and the proposed property acquisitions described in this prospectus, we expect to have total consolidated indebtedness of $166.9 million, of which our share will be $131.5 million after accounting for minority interest. Our board will consider a number of factors when evaluating our level of indebtedness and when making decisions regarding the incurrence of indebtedness, including the purchase price of properties to be acquired with debt financing, the estimated market value of our properties upon refinancing and the ability of particular properties, as well as our company as a whole, to generate cash flow to cover expected debt service.

Generally speaking, although we may incur any of the forms of indebtedness described below, we intend to focus primarily on financing future growth through the incurrence of secured debt on an individual property or a portfolio of properties. We may incur debt in the form of purchase money obligations to the sellers of properties, or in the form of publicly or privately placed debt instruments, financing from banks, institutional investors, or other lenders, any of which may be unsecured or may be secured by mortgages or other interests in our properties. This indebtedness may be recourse, non-recourse or cross-collateralized and, if recourse, that recourse may include our general assets and, if non-recourse, may be limited to the particular property to which the indebtedness relates. In addition, we may invest in properties subject to existing loans secured by mortgages or similar liens on the properties, or may refinance properties acquired on a leveraged basis. We may use the proceeds from any borrowings for working capital, to purchase additional interests in partnerships or joint ventures in which we participate, to refinance existing indebtedness or to finance acquisitions, expansion, redevelopment of existing properties

or development of new properties. We may also incur indebtedness for other purposes when, in the opinion of our board, it is advisable to do so. In addition, we may need to borrow to meet the taxable income distribution requirements under the Code if we do not have sufficient cash available to meet those distribution requirements.

Lending Policies

We do not have a policy limiting our ability to make loans to other persons. We may consider offering purchase money financing in connection with the sale of properties where the provision of that financing will increase the value to be received by us for the property sold. We and the operating partnership may make loans to joint ventures in which we or they participate or may participate in the future. We have not engaged in any significant lending activities in the past nor do we intend to in the future.

Equity Capital Policies

Our board has the authority, without further stockholder approval, to issue additional authorized shares of common stock and preferred stock or otherwise raise capital, including through the issuance of senior securities, in any manner and on those terms and for that consideration it deems appropriate, including in exchange for property. Existing stockholders will have no preemptive right to shares of common stock or other shares of our capital stock issued in any offering, and any offering might cause a dilution of a stockholder's investment in us. Although we have no current plans to do so, we may in the future issue common stock in connection with acquisitions. We also may issue units in the operating partnership in connection with acquisitions of property.

We may, under certain circumstances, purchase shares of our common stock in the open market or in private transactions with our stockholders, if those purchases are approved by our board. Our board of directors has no present intention of causing us to repurchase any shares, and any action would only be taken in conformity with applicable federal and state laws and the applicable requirements for qualifying as a REIT.

Conflict of Interest Policy

Our board of directors is subject to certain provisions of the MGCL that are designed to eliminate or minimize conflicts. However, we cannot assure you that these policies or provisions of law will be successful in eliminating the influence of these conflicts.

Under the MGCL, a contract or other transaction between us and any of our directors and any other entity in which that director is also a director or has a material financial interest is not void or voidable solely on the grounds of the common directorship or interest, the fact that the director was present at the meeting at which the contract or transaction is approved or the fact that the director's vote was counted in favor of the contract or transaction, if:

- the fact of the common directorship or interest is disclosed to our board of directors or a committee of our board of directors, and our board of directors or that committee authorizes the contract or transaction by the affirmative vote of a majority of the disinterested directors, even if the disinterested directors constitute less than a quorum;

- the fact of the common directorship or interest is disclosed to our stockholders entitled to vote, and the contract or transaction is approved by a majority of the votes cast by the stockholders entitled to vote, other than votes of shares owned of record or beneficially by the interested director, corporation, firm or other entity; or

- the contract or transaction is fair and reasonable to us.

Reporting Policies

We are subject to the full information reporting requirements of the Securities Exchange Act of 1934, as amended. Pursuant to these requirements, we file periodic reports, proxy statements and other information, including certified financial statements, with the Securities and Exchange Commission. See “Where You Can Find More Information.”

PRINCIPAL STOCKHOLDERS

The following table sets forth, as of October 8, 2003 on an actual basis, and assuming the offering and sale of the 13,500,000 shares hereunder, the total number of shares of our common stock beneficially owned, and the percent so owned, by (a) each person known by us to own more than 5% of our common stock, (b) each of our directors and executive officers and (c) all directors and executive officers as a group.

	Before Offering Amount and Nature of Beneficial Ownership(1)		After Offering Amount and Nature of Beneficial Ownership(1)	
Name and Address of Beneficial Owner	Number of Shares	Percent(2)	Number of Shares	Percent(2)
Cedar Bay Company(3) c/o SKR Management Corp. 44 South Bayles Avenue Port Washington, NY 11050	630,312	78.3%	63,312	*
Homburg Invest Inc.(4) 11 Akerley Boulevard Halifax, Nova Scotia Canada B3B1V7	50,000	21.0%	50,000	*
ARC — Cedar Warrants, LLC(7) 1401 Broad Street Clifton, NJ 07013	55,555	18.9%	55,555	*
Leo S. Ullman(5)(6)(8)	3,455	1.04%	598,522	4.1
James J. Burns(6)	2,222	*	2,222	*
Richard Homburg(4)	50,000	21.0%	50,000	*
J.A.M.H. der Kinderen(6)	2,225	*	2,225	*
Frank W. Matheson(4)	50,000	21.0%	50,000	*
Everett B. Miller III(6)	2,255	*	2,255	*
Roger M. Widmann	0	—	0	—
Thomas J. O'Keeffe	0	—	138,667	*
Thomas B. Richey	133	*	45,200	*
Brenda J. Walker(6)(9)	2,388	*	113,321	*
Stuart H. Widowski	166	*	34,833	*
All directors and executive officers as a group (11 people)(10)	62,877	25.3%	987,245	6.7%

* Less than 1%

(1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of common stock subject to options or warrants currently exercisable or exercisable within 60 days of the date hereof, are deemed outstanding for computing the percentage of the person holding such options or warrants but are not deemed outstanding for computing the percentage of any other person.

(2) Percentage amount assumes the exercise by such persons of all options to acquire shares of common stock and no exercise by any other person.

(3) Represents 63,312 shares of common stock and 567,000 units convertible into 567,000 shares of common stock owned by CBC. CBC is a New York partnership owned 55% by Duncomb Corp., 40% by Lindsay Management Corp. and 5% by Hicks Corp. Mr. Ullman is an executive officer, but not an owner, of each of those entities. Each of these entities is beneficially owned by MeesPierson Intertrust, a trust company which owns these interests on behalf of its clients.

(4) Homburg USA, which is a wholly-owned subsidiary of Homburg Invest, is owned 49.29% by Uni-Invest Holdings N.V., a company controlled by Richard Homburg and 14.48% by Homburg Euro

Inc., a company controlled by Mr. Homburg for the benefit of a family trust. Messrs. Homburg and Matheson may be deemed to be the beneficial owners of all shares of Common Stock owned by Homburg USA and Homburg Invest. They disclaim beneficial ownership of these shares.

(5) Mr. Ullman may be deemed to be the beneficial owner of all the shares of common stock and units owned by CBC. Mr. Ullman disclaims beneficial ownership of such securities.

(6) Includes 2,222 shares of common stock issuable on exercise of stock options.

(7) Represents vested warrants to purchase 55,555 operating partnership units, which are exchangeable for 55,555 shares of common stock at an exercise price of $13.50 per share. The holder is an affiliate of ARC Properties, Inc.

(8) Includes 277,334 operating partnership units which are convertible into 277,334 shares of common stock.

(9) Includes 69,333 operating partnership units which are convertible into 69,333 shares of common stock.

(10) Includes 11,110 shares of common stock issuable on exercise of options and 346,667 operating partnership units which are convertible into 346,667 shares of common stock.

DESCRIPTION OF CAPITAL STOCK

The following description of the terms of our stock is only a summary. For a complete description, we refer you to the MGCL, our charter and our bylaws. We have filed our charter and bylaws as exhibits to this registration statement.

General

Our charter provides that we may issue up to 50,000,000 shares of common stock, $0.06 par value per share, and up to 5,000,000 shares of preferred stock, $.01 par value per share. As of October 1, 2003, 237,778 shares of our common stock were issued and outstanding. Under the MGCL, our stockholders generally are not liable for our debts or obligations.

Common Stock

All outstanding shares of our common stock are duly authorized, fully paid and nonassessable. Holders of our common stock are entitled to receive dividends when authorized by our board of directors out of assets legally available for the payment of dividends. They are also entitled to share ratably in our assets legally available for distribution to our stockholders in the event of our liquidation, dissolution or winding up, after payment of or adequate provision for all of our known debts and liabilities. These rights are subject to the preferential rights of any other class or series of our stock and to the provisions of our charter regarding restrictions on transfer of our stock.

Subject to our charter restrictions on transfer of our stock, each outstanding share of common stock entitles the holder to one vote on all matters submitted to a vote of stockholders, including the election of directors. Except as provided with respect to any other class or series of stock, the holders of our common stock will possess the exclusive voting power. There is no cumulative voting in the election of directors, which means that the holders of a majority of the outstanding shares of common stock can elect all of the directors then standing for election, and the holders of the remaining shares will not be able to elect any directors.

Holders of our common stock have no preference, conversion, exchange, sinking fund, redemption or appraisal rights and have no preemptive rights to subscribe for any of our securities. Subject to our charter restrictions on transfer of stock, all shares of common stock will have equal dividend, liquidation and other rights.

Under the MGCL, a Maryland corporation generally cannot dissolve, amend its charter, merge, sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business, unless approved by the affirmative vote of stockholders holding at least two thirds of the shares entitled to vote on the matter. However, a Maryland corporation may provide in its charter for approval of these matters by a lesser percentage but not less than a majority of all of the votes entitled to be cast on the matter.

Preferred Stock

We currently have no shares of preferred stock issued or outstanding. Our board of directors, by resolution, is vested with the authority to provide for the issuance of shares of our preferred stock in one or more classes or one or more series, with such voting powers, full or limited, or no voting powers, and with such designations, preferences and relative, participating, optional and other special rights, and qualifications, limitations or restrictions, if any, as will be stated in the resolution providing for the issuance adopted by our board of directors. Except as otherwise provided under the MGCL, the holders of our preferred stock will only have voting rights expressly provided for by our board of directors. Before the issuance of any shares of our preferred stock, we will file Articles Supplementary with the State Department of Assessment and Taxation of Maryland in accordance with the MGCL.

Power to Reclassify Unissued Shares of Common Stock and Preferred Stock

Our charter and bylaws authorize our board of directors to classify and reclassify any unissued shares of our common stock or preferred stock into other classes or series of stock. Prior to issuance of shares of each class or series, our board of directors is required by the MGCL and by our charter to set, subject to our charter restrictions on transfer of stock, the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each class or series. Therefore, our board of directors could authorize the issuance of shares of another class or series of preferred stock with terms and conditions which also could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of our common stock or otherwise be in their best interest.

Power to Issue Additional Shares of Common Stock and Preferred Stock

We believe that the power to issue additional shares of common stock or preferred stock and to classify or reclassify unissued shares of common stock or preferred stock and thereafter to issue the classified or reclassified shares provides us with increased flexibility in structuring possible future financings and acquisitions and in meeting other needs which might arise. These actions can be taken without stockholder approval, unless stockholder approval is required by applicable law or the rules of any stock exchange or automated quotation system on which our securities may be listed or traded. Although we have no present intention of doing so, we could issue a class or series of stock that could delay, defer or prevent a transaction or a change in control of us that might involve a premium price for holders of common stock or otherwise be in their best interest.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is American Stock Transfer & Trust Company, New York, New York.

Transfer Restrictions

In order for us to qualify as a REIT under the Code, our stock must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months (other than the first year for which an election to be a REIT has been made) or during a proportionate part of a shorter taxable year. Also, not more than 50% of the value of the outstanding shares of stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities such as qualified pension plans) during the last half of a taxable year (other than the first year for which an election to be a REIT has been made).

Our charter contains restrictions on the ownership and transfer of our common stock which are intended to assist us in complying with these requirements and continuing to qualify as a REIT. The relevant sections of our charter provide that, subject to the exceptions described below, no person or entity may beneficially own, or be deemed to own by virtue of the applicable constructive ownership provisions of the Code, more than 3.5% of the outstanding shares of our common stock, provided, however, our board of directors may increase such limit to 9.9%. We refer to this restriction as the "ownership limit." Upon consummation of this offering, the ownership limit in our charter will be set at 9.9%. A person or entity that becomes subject to the ownership limit by virtue of a violative transfer that results in a transfer to a trust, as set forth below, is referred to as a "purported beneficial transferee" if, had the violative transfer been effective, the person or entity would have been a record owner and beneficial owner or solely a beneficial owner of our common stock, or is referred to as a "purported record transferee" if, had the violative transfer been effective, the person or entity would have been solely a record owner of our common stock.

The constructive ownership rules under the Code are complex and may cause stock owned actually or constructively by a group of related individuals and/or entities to be owned constructively by one individual or entity. As a result, the acquisition of less than 9.9% of our common stock (or the

acquisition of an interest in an entity that owns, actually or constructively, our common stock) by an individual or entity, could, nevertheless cause that individual or entity, or another individual or entity, to own constructively in excess of 9.9% of our outstanding common stock and thereby subject the common stock to the applicable ownership limit.

Our board of directors, in its sole discretion, will be able to waive the 9.9% ownership limit with respect to a particular stockholder if it:

- determines that such ownership will not cause any individual's beneficial ownership of shares of our common stock to violate the ownership limit and that any exemption from the ownership limit will not jeopardize our status as a REIT; and

- determines that such stockholder does not and will not beneficially own an interest in a tenant of ours (or a tenant of any entity owned in whole or in part by us) that would cause us to own, actually or constructively, more than a 9.9% interest (as set forth in Section 856(d)(2)(B) of the Code) in such tenant or that any such ownership would not cause us to fail to qualify as a REIT under the Code.

As a condition of our waiver, our board of directors may require an opinion of counsel or IRS ruling satisfactory to our board of directors, and/or representations or undertakings from the applicant with respect to preserving our REIT status.

In connection with the waiver of the ownership limit or at any other time, our board of directors may decrease the ownership limit for all other persons and entities provided that the decreased ownership limit will not be effective for any person or entity whose percentage ownership in our common stock is in excess of such decreased ownership limit until such time as such person or entity's percentage of our common stock equals or falls below the decreased ownership limit, but any further acquisition of our common stock in excess of such percentage ownership of our common stock will be in violation of the ownership limit. Additionally, the new ownership limit may not allow five or fewer stockholders to beneficially own more than 49% in value of our outstanding common stock.

Our charter provisions further prohibit:

- any person from beneficially owning shares of our stock that would result in us being "closely held" under Section 856(h) of the Code or otherwise cause us to fail to qualify as a REIT; and

- any person from transferring shares of our common stock if such transfer would result in shares of our stock being beneficially owned by fewer than 100 persons (determined without reference to any rules of attribution).

Any person who acquires or attempts or intends to acquire beneficial ownership of shares of our common stock that will or may violate any of the foregoing restrictions on transferability and ownership will be required to give notice immediately to us and provide us with such other information as we may request in order to determine the effect of such transfer on our status as a REIT. The foregoing provisions on transferability and ownership will not apply if our board of directors determines that it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT.

Pursuant to our charter, if any purported transfer of our common stock or any other event would otherwise result in any person violating the ownership limits or such other limit as permitted by our board of directors, then any such purported transfer will be void and of no force or effect as to that number of shares in excess of the ownership limit (rounded up to the nearest whole). That number of shares in excess of the ownership limit will be automatically transferred to, and held by, a trust for the exclusive benefit of the American Cancer Society. The automatic transfer will be effective as of the close of business on the business day prior to the date of the violative transfer or other event that results in a transfer to the trust. Any dividend or other distribution paid to the purported record transferee, prior to our discovery that the shares had been automatically transferred to a trust as described above, must be repaid to the trustee upon demand for distribution to the beneficiary of the trust. If the transfer to the trust as described above

is not automatically effective, for any reason, to prevent violation of the applicable ownership limit or as otherwise permitted by our board of directors, then our charter provides that the transfer of the excess shares will be void.

Shares of our common stock transferred to us as trustee are deemed offered for sale to us, or our designee, at a price per share equal to the lesser of (a) the price paid by the purported record transferee for the shares and (b) the market price on the date we, or our designee, accepts such offer. We have the right to accept such offer until we as trustee have sold the shares of our common stock held in the trust pursuant to the clauses discussed below. Upon a sale to us, the interest of the charitable beneficiary in the shares sold terminates and we, as trustee, must distribute the net proceeds of the sale to the purported record transferee and any dividends or other distributions held by us as trustee with respect to such common stock will be paid to the charitable beneficiary.

Subject to the MGCL, effective as of the date that the shares have been transferred to the trust, we as trustee shall have the authority, at our sole discretion:

- to rescind as void any vote cast by a purported record transferee prior to our discovery that the shares have been transferred to the trust; and
- to recast the vote in accordance with the desires of the trustee acting for the benefit of the beneficiary of the trust.

However, if we have already taken irreversible corporate action, then we as trustee may not rescind and recast the vote.

Any beneficial owner or constructive owner of shares of our common stock and any person or entity (including the stockholder of record) who is holding shares of our common stock for a beneficial owner must, on request, provide us with a completed questionnaire containing the information regarding their ownership of such shares, as set forth in the applicable Treasury regulations. In addition, any person or entity that is a beneficial owner or constructive owner of shares of our common stock and any person or entity (including the stockholder of record) who is holding shares of our common stock for a beneficial owner or constructive owner shall, on request, be required to disclose to us in writing such information as we may request in order to determine the effect, if any, of such stockholder's actual and constructive ownership of shares of our common stock on our status as a REIT and to ensure compliance with the ownership limit, or as otherwise permitted by our board of directors.

All certificates representing shares of our common stock bear a legend referring to the restrictions described above.

These ownership limits could delay, defer or prevent a transaction or a change of control of our company that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

STRUCTURE AND DESCRIPTION OF OPERATING PARTNERSHIP

The operating partnership is the entity through which we conduct our business and own (either directly or through subsidiaries) all of our assets. As of June 30 2003, we owned an approximate 30% economic interest in, and are the sole general partner of, the operating partnership. Upon consummation of this offering, we will own an approximate 97.65% economic interest in the operating partnership. The units are exchangeable at the holder's option at any time on a one-to-one basis into shares of our common stock.

As of October 8, 2003, the operating partnership also has outstanding 3,300 preferred units, with a $1,000 liquidation value per preferred unit. The preferred units were issued during 2002 to Homburg USA at a price of $909.09 per preferred unit. The preferred units are redeemable by the operating partnership at any time at a redemption price equal to 120% of the liquidation value plus an amount equal to all accumulated, accrued and unpaid distributions or dividends thereon to the date of redemption. Holders of the preferred units have the right to exchange their preferred units for one share of our common stock at prices ranging from $10.92 to $12.30 per common share. These preferred units will be repurchased with the proceeds of this offering.

In addition, the operating partnership has issued warrants to purchase 83,333 units to ARC. The warrants, with an exercise price of $13.50 per unit, are subject to adjustment for, among other things, non-cash dividend payments, stock splits and reorganizations. The warrants expire in May 2012. As of January 2003, 55,555 warrants have vested. The remaining 27,778 warrants will vest upon ARC rendering certain services to us throughout the remaining vesting period.

In August 2003, we obtained a $1.0 million loan from Realty Enterprise Fund, LLC. This lender has the right to convert all of the loan to units valued at the public offering price, less the underwriting commission.

The following summarizes the material provisions of the agreement of limited partnership of the operating partnership.

Distributions, Allocations of Profits And Losses

The operating partnership agreement provides that we, as general partner of the operating partnership, will cause the operating partnership to distribute all or such portion as we determine of the available cash (as defined in the operating partnership agreement) of the operating partnership each quarter pro rata in accordance with respective number of units held by each partner. Profits and losses for tax purposes will also generally be allocated among the partners in accordance with their percentage interests, subject to compliance with applicable law and regulations.

Management

As the sole general partner of the operating partnership, we will generally have the exclusive right, responsibility and discretion in the management and control of the operating partnership. The limited partners of the operating partnership will generally have no authority to transact business or take any action on behalf of, or make any decision for, the operating partnership.

The operating partnership agreement provides that we shall not, without the consent of the limited partners, engage in any transaction or, in our capacity as the general partner, authorize the operating partnership to take any action to amend, modify or terminate the operating partnership agreement; institute any proceeding for bankruptcy or similar creditors relief on behalf of the operating partnership; to approve the transfer of the general partner's general partnership interest to any person; or admit into the operating partnership any additional or substitute general partners.

Transferability of Interests

The operating partnership agreement generally provides that we may not withdraw from the operating partnership, or transfer or assign our interest in the operating partnership without the consent of all limited partners. The limited partners may transfer their respective interests in the operating partnership to accredited investors (as defined under the Securities Act of 1933), subject to our right of first refusal. No transferee, however, will be admitted to the operating partnership as a substitute limited partner having the right of a limited partner without our consent and the satisfaction of certain other conditions, including agreeing to be bound by the terms and conditions of the operating partnership agreement.

Additional Capital Contributions; Issuance of Additional Partnership Interests

No limited partner is required under the terms of the operating partnership agreement to make additional capital contributions to the operating partnership. We shall make additional capital contributions to the operating partnership for the acquisition or development of additional properties or for other partnership purposes. The operating partnership agreement authorizes us to issue on behalf of the operating partnership additional partnership interests in the operating partnership to any person other than us for any partnership purposes from time to time for such capital contributions and other consideration and on such terms and with such designations, preferences and rights as we will determine. Such additional interests in the operating partnership may not be issued to us except in connection with an issuance of capital stock by us with designations, preferences and rights substantially similar to the additional partnership interests that are issued, and we must make a capital contribution to the operating partnership in an amount equal to the proceeds received by us in connection with the issuance of such stock and, in the case of an exercise of a right, warrant or option, we will contribute to the operating partnership an amount equal to the exercise price of such security. As additional partnership interests are issued to new partners, the partnership interests of all existing partners of the operating partnership, including ours, will be diluted proportionately based upon the amount of such contributions and the deemed value of the operating partnership at such time.

Except in connection with the redemption rights described below, we may not issue additional capital stock, unless the proceeds of the issuance are contributed to the operating partnership as an additional capital contribution.

Redemption of Units

Generally, each limited partner shall have the right to require the operating partnership to redeem its units at a redemption price equal to the fair market value of one share of our common stock. We will have the right to redeem the units for cash or to issue shares of our common stock.

Fiduciary Standards and Indemnifications

The operating partnership agreement provides that the general partner will act in the interest of the operating partnership as an entity distinct from the individual interests of the partners. The operating partnership agreement also provides that the general partner and each person designated by the general partner will be indemnified and held harmless by the operating partnership for any act performed for or on behalf of the operating partnership, or in furtherance of the operating partnership's business, unless (a) the act or omission of the indemnified person was material to the matter giving rise to the proceeding and either was committed in bad faith or was the result of active and deliberate dishonesty; (b) the indemnified person actually received an improper personal benefit in money, property or services; or (c) in the case of any criminal proceeding, the indemnified person had reasonable cause to believe that the act or omission was unlawful.

SHARES ELIGIBLE FOR FUTURE SALE

Future sales in the public markets of substantial amounts of common stock could adversely affect the market prices prevailing from time to time for our common stock. It could also impair our ability to raise capital through future sales of equity securities.

After completion of this offering, we will have 14,431,111 shares of common stock outstanding, assuming no exercise of the underwriters' overallotment option. All of the 13,500,000 shares of common stock sold in this offering will be freely transferable without restriction or further registration under the Securities Act, except for any of the shares that are acquired by affiliates as that term is defined in Rule 144 under the Securities Act.

The shares of common stock held by our affiliates and our officers and directors are restricted securities as that term is defined in Rule 144 under the Securities Act. Restricted securities may be sold in the public market only if registered or if they qualify for an exemption from registration under Rule 144, which is summarized below.

Rule 144

In general, under Rule 144 as currently in effect, a person who has beneficially owned restricted shares of our common stock for at least one year would be entitled to sell, within any three-month period, that number of shares that does not exceed the greater of:

- 1% of the shares of our common stock then outstanding, which will equal approximately 144,311 shares immediately after this offering (164,561 shares if the underwriters exercise their overallotment option in full); or
- the average weekly trading volume of our common stock on the NYSE during the four calendar weeks preceding the date on which notice of the sale is filed with the SEC.

Sales under Rule 144 are also subject to manner of sale provisions, notice requirements and the availability of current public information about us.

Lock-Up

We, our executive officers, our directors, CBC and Homburg Invest have agreed that, subject to specified exceptions (including issuances of shares of common stock in connection with acquisitions), without the consent of the underwriters, will not, directly or indirectly, offer, sell or otherwise dispose of any shares of our common stock or any securities that may be converted into or exchanged for any shares of our common stock for a period of 180 days from the date of this prospectus. See "Underwriting — No Sales of Similar Securities."

ARC Properties, Inc. Warrants

The operating partnership, in connection with the Red Lion Shopping Center acquisition, issued to ARC, a limited partner in API Red Lion Shopping Center Associates, warrants to purchase 83,333 units. The warrants, with an exercise price of $13.50 per unit, are subject to adjustment for, among other things, non-cash dividend payments, stock splits and reorganizations. The warrants expire in May 2012. As of January 2003, 55,555 warrants have vested. The remaining 27,778 warrants will vest upon ARC rendering certain services to us throughout the remaining vesting period.

The first 27,777 warrants issued were capitalized as part of the Red Lion Shopping Center transaction using the fair value method. The accounting treatment of the subsequent issuance of warrants will be determined by future services performed by ARC. Approximately $87,000 was charged to

operations for the six months ended June 30, 2003. If ARC continues to provide services to us pursuant to the terms of the warrant agreement, the remaining warrants will be accounted for over the vesting period.

Realty Enterprise Fund, LLC Loan Option

In August 2003, we obtained a $1.0 million loan from Realty Enterprise Fund, LLC. This lender has the right to convert all of the loan to units valued at the public offering price, less the underwriting commission. Realty Enterprise Fund has the right to exchange the units for shares of our common stock and to include such shares in any future registration statement we may file.

MATERIAL PROVISIONS OF MARYLAND LAW AND OF OUR CHARTER AND BYLAWS

The following description of certain provisions of Maryland law and of our charter and bylaws is only a summary. For a complete description, we refer you to the MGCL, our charter and our bylaws. We have filed our charter and bylaws as exhibits to this registration statement.

Classification of Our Board of Directors

Our bylaws provide that the number of our directors may be established by our board of directors but may not be fewer than three nor more than fifteen. Any vacancy will be filled, at any regular meeting or at any special meeting called for that purpose, by a majority of the remaining directors, except that a vacancy resulting from an increase in the number of directors must be filled by a majority of the entire board of directors.

Currently, our charter provides that our board of directors is divided into three classes of directors. The current terms of the Class I, Class II and Class III directors will expire in 2005, 2006 and 2004, respectively. Directors of each class will be chosen for three-year terms upon the expiration of their current terms and each year one class of directors will be elected by the stockholders. Upon consummation of this offering, our charter will eliminate the classes of directors upon the expiration of the current terms of the respective classes and each director elected at our annual stockholders meeting held October 9, 2003 or thereafter will serve for a term of one year. The current Class I and Class III directors will serve their full terms.

Holders of shares of our common stock will have no right to cumulative voting in the election of directors.

Removal of Directors

Our charter provides that a director may be removed only for cause (as defined in the charter) and only by the affirmative vote of a majority of the votes entitled to be cast in the election of directors. This provision, when coupled with the provision in our bylaws authorizing our board of directors to fill vacant directorships, precludes stockholders from removing incumbent directors except for cause and by a substantial affirmative vote and filling the vacancies created by the removal with their own nominees.

Business Combinations

Under the MGCL, "business combinations" between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include a merger, consolidation, share exchange, or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. An interested stockholder is defined as:

- any person who beneficially owns 10% or more of the voting power of our common stock; or
- an affiliate or associate of ours who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of our then outstanding voting stock.

A person is not an interested stockholder under the statute if the board of directors approved in advance the transaction by which he otherwise would have become an interested stockholder. However, in approving a transaction, the board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the board of directors.

After the five-year prohibition, any business combination between the Maryland corporation and an interested stockholder generally must be recommended by the board of directors of the corporation and approved by the affirmative vote of at least:

- 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation voting together as a single group; and
- two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested stockholder.

These super-majority vote requirements do not apply if our common stockholders receive a minimum price, as defined under the MGCL, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares.

The statute permits various exemptions from its provisions, including business combinations that are exempted by the board of directors before the time that the interested stockholder becomes an interested stockholder.

Pursuant to the statute, our board of directors has by resolution opted out of these provisions of the MGCL and, consequently, the five-year prohibition and the super-majority vote requirements will not apply to business combinations between us and any interested stockholder of ours. As a result, anyone who later becomes an interested stockholder may be able to enter into business combinations with us that may not be in the best interest of our stockholders without compliance by our company with the super-majority vote requirements and the other provisions of the statute.

Control Share Acquisitions

We have also opted out of certain provisions of the MGCL that provide that control shares of a Maryland corporation acquired in a control share acquisition have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter. Shares owned by the acquirer, by officers of the corporation or by directors who are employees of the corporation are excluded from shares entitled to vote on the matter. Control shares are voting shares of stock which, if aggregated with all other shares of stock owned by the acquirer or in respect of which the acquirer is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquirer to exercise voting power in electing directors within one of the following ranges of voting power:

- one-tenth or more but less than one-third;
- one-third or more but less than a majority; or
- a majority or more of all voting power.

Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A control share acquisition means the acquisition of control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition may compel the board of directors of the corporation to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. The right to compel the calling of a special meeting is subject to the satisfaction of certain conditions, including an undertaking to pay the expenses of the meeting. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then the corporation may redeem for fair value any or all of the control shares, except those for which voting rights have previously been approved. The right of the corporation to redeem control shares is subject to certain conditions and limitations. Fair value is determined, without regard to the absence of voting rights for the control shares, as of the date of the last

control share acquisition by the acquirer or of any meeting of stockholders at which the voting rights of the shares are considered and not approved. If voting rights for control shares are approved at a stockholders meeting and the acquirer becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of appraisal rights may not be less than the highest price per share paid by the acquirer in the control share acquisition.

The control share acquisition statute does not apply (a) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction, or (b) to acquisitions approved or exempted by the charter or bylaws of the corporation.

Our bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions by any person of shares of our stock. This provision may be amended or eliminated at any time in the future.

Amendment To Our Charter

Our charter, including its provisions on classification of our board of directors and removal of directors, may be amended only by the affirmative vote of the holders of at least two-thirds of all of the votes entitled to be cast on the matter.

Anti-Takeover Effect of Certain Provisions of Maryland Law and of Our Charter and Bylaws

The business combination provisions and, if the applicable provision in our bylaws is rescinded, the control share acquisition provisions of the MGCL, the provisions of our charter on classification of our board of directors and removal of directors could delay, defer or prevent a transaction or a change in the control of us that might involve a premium price for holders of our common stock or otherwise be in their best interest.

Ownership Limit

Our charter provides that no person or entity may beneficially own, or be deemed to own by virtue of the applicable constructive ownership provisions of the Code, more than 3.5% of the outstanding shares of our common stock, provided, however, our board of directors may increase such limit to 9.9%. We refer to this restriction as the "ownership limit." Upon consummation of this offering, the ownership limit in our charter will be set at 9.9%. For a fuller description of this restriction and the constructive ownership rules, see "Description of Capital Stock — Transfer Restrictions."

Indemnification and Limitation of Directors' and Officers' Liability

Our charter and the partnership agreement provide for indemnification of our officers and directors against liabilities to the fullest extent permitted by the law, as amended from time to time.

The MGCL permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from actual receipt of an improper benefit or profit in money, property or services or active and deliberate dishonesty established by a final judgment as being material to the cause of action. Our charter contains such a provision which eliminates such liability to the maximum extent permitted by the MGCL.

- Our charter provides that, to the maximum extent that the MGCL in effect from time to time permits limitation of the liability of directors and officers of a corporation, no director or officer shall be liable to us or our stockholders for money damages. Our bylaws obligate us, to the fullest extent permitted by the MGCL in effect from time to time, to indemnify any person who was a director, officer, employee of agent of us.

The MGCL requires a corporation (unless its charter provides otherwise, which our company's charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made a party by reason of his or her service in that capacity. The MGCL permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made a party by reason of their service in those or other capacities unless it is established that:

- the act or omission of the director or officer was material to the matter giving rise to the proceeding and
    - was committed in bad faith, or
    - was the result of active and deliberate dishonesty;
- the director or officer actually received an improper personal benefit in money, property or services; or
- in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful.

However, under the MGCL, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that personal benefit was improperly received, unless in either case a court orders indemnification and then only for expenses. In addition, the MGCL permits a corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of:

- a written affirmation by the director or officer of his good faith belief that he has met the standard of conduct necessary for indemnification by the corporation; and
- a written undertaking by the director or on the director's behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the director did not meet the standard of conduct.

Insofar as the foregoing provisions permit indemnification of directors, officers or persons controlling us for liability arising under the Securities Act, we have been informed that in the opinion of the SEC, this indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of the material federal income tax consequences relating to the acquisition, holding, and disposition of our common stock. This summary is based upon the Code, the regulations promulgated thereunder by the U.S. Treasury Department, rulings and other administrative pronouncements issued by the IRS, and judicial decisions, all as currently in effect, and all of which are subject to differing interpretations or to change, possibly with retroactive effect. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax consequences described below. No advance ruling has been or will be sought from the IRS regarding any matter discussed in this prospectus. The summary is also based upon the assumption that our operations will be in accordance with our organizational documents. This summary is for general information only, and does not purport to discuss all aspects of federal income taxation that may be important to a particular investor in light of its investment or tax circumstances, or to investors subject to special tax rules, such as:

- financial institutions;
- banks;
- insurance companies;
- broker-dealers;
- regulated investment companies;
- persons who hold our stock as a "hedge" or as a position in a "straddle" or as part of a "conversion transaction";
- persons who are required to mark-to-market for tax purposes;
- persons that have a "functional currency" other than the U.S. dollar; and
- holders who receive our stock through the exercise of employee stock options or otherwise as compensation;

and, except to the extent discussed below:

- tax-exempt organizations; and
- foreign investors.

This summary assumes that investors will hold our stock as capital assets, which generally means as property held for investment.

THE FEDERAL INCOME TAX TREATMENT OF HOLDERS OF OUR COMMON STOCK DEPENDS IN SOME INSTANCES ON DETERMINATIONS OF FACT AND INTERPRETATIONS OF COMPLEX PROVISIONS OF FEDERAL INCOME TAX LAW FOR WHICH NO CLEAR PRECEDENT OR AUTHORITY MAY BE AVAILABLE. IN ADDITION, THE TAX CONSEQUENCES OF HOLDING OUR COMMON STOCK TO ANY PARTICULAR STOCKHOLDER WILL DEPEND ON THE STOCKHOLDER'S PARTICULAR TAX CIRCUMSTANCES. YOU ARE URGED TO CONSULT YOUR TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL, AND FOREIGN INCOME AND OTHER TAX CONSEQUENCES TO YOU IN LIGHT OF YOUR PARTICULAR INVESTMENT OR TAX CIRCUMSTANCES OF ACQUIRING, HOLDING, EXCHANGING, OR OTHERWISE DISPOSING OF OUR COMMON STOCK.

Taxation of the Company

We have elected to be taxed as a REIT, commencing with the taxable year ended December 31, 1986. We believe that we have operated in such a manner as to qualify for taxation as a REIT, and intend to continue to operate in such a manner.

The law firm of Stroock & Stroock & Lavan LLP has acted as our tax counsel since 1998. We expect to receive an opinion of Stroock & Stroock & Lavan LLP to the effect that we are organized in conformity with the requirements for qualification as a REIT under the Code, and that our actual method of operation will enable us to meet the requirements for qualification and taxation as a REIT. It must be emphasized that the opinion of Stroock & Stroock & Lavan LLP is based on various assumptions relating to our organization and operation, and is conditioned upon representations and covenants made by our management regarding our organization, assets and the past, present and future conduct of our business operations. While we intend to operate so that we will qualify as a REIT, given the highly complex nature of the rules governing REITs, the ongoing importance of factual determinations, and the possibility of future changes in our circumstances, no assurance can be given by Stroock & Stroock & Lavan LLP or us that we will so qualify for any particular year. The opinion, a copy of which will be filed as an exhibit to the registration statement of which this prospectus is a part, is expressed as of the date issued, and does not cover subsequent periods. Counsel will have no obligation to advise us or the holders of our stock of any subsequent change in the matters stated, represented or assumed, or of any subsequent change in the applicable law. You should be aware that opinions of counsel are not binding on the IRS or the courts, and no assurance can be given that the IRS will not challenge the conclusions set forth in such opinions or that a court would not sustain such a challenge.

Qualification and taxation as a REIT depends on our ability to meet on a continuing basis, through actual operating results, distribution levels, and diversity of stock ownership, various qualification requirements imposed upon REITs by the Code, the compliance with which will not be reviewed by Stroock & Stroock & Lavan LLP. In addition, our ability to qualify as a REIT depends in part upon the operating results, organizational structure and entity classification for federal income tax purposes of certain affiliated entities, the status of which may not have been reviewed by Stroock & Stroock & Lavan LLP. Our ability to qualify as a REIT also requires that we satisfy certain asset tests, some of which depend upon the fair market values of assets directly or indirectly owned by us. Such values may not be susceptible to a precise determination. Accordingly, no assurance can be given that the actual results of our operations for any taxable year satisfy such requirements for qualification and taxation as a REIT.

Taxation of REITs in General

As indicated above, qualification and taxation as a REIT depends upon our ability to meet, on a continuing basis, various qualification requirements imposed upon REITs by the Code. The material qualification requirements are summarized below under "— Requirements for Qualification — General."

While we intend to operate so that we qualify as a REIT, no assurance can be given that the IRS will not challenge our qualification, or that we will be able to operate in accordance with the REIT requirements in the future. See "— Failure to Qualify."

Provided that we qualify as a REIT, we will generally be entitled to a deduction for dividends that we pay and therefore will not be subject to federal corporate income tax on our net income that is currently distributed to our stockholders. This treatment substantially eliminates the "double taxation" at the corporate and stockholder levels that generally results from investment in a corporation. Rather, income generated by a REIT generally is taxed only at the stockholder level upon a distribution of dividends by the REIT.

The Jobs and Growth Tax Relief Reconciliation Act of 2003, or the 2003 Act, recently enacted by Congress and signed by President Bush, reduces the rate at which individual stockholders are taxed on corporate dividends from a maximum of 38.6% (as ordinary income) to a maximum of 15% (the same as long-term capital gains) for the 2003 through 2008 tax years. Dividends received by stockholders from us or from other entities that are taxed as REITs, however, are generally not eligible for the reduced rates and will continue to be taxed at rates applicable to ordinary income.

Net operating losses, foreign tax credits and other tax attributes of a REIT generally do not pass through to the stockholders of the REIT, subject to special rules for certain items such as capital gains

recognized by REITs. See "Material United States Federal Income Tax Considerations — Taxation of Stockholders."

If we qualify as a REIT, we will nonetheless be subject to federal tax in the following circumstances:

- We will be taxed at regular corporate rates on any undistributed income, including undistributed net capital gains.
- We may be subject to the "alternative minimum tax" on our items of tax preference, including any deductions of net operating losses.
- We will be subject to a 100% tax on net income derived from "prohibited transactions" (which are, in general, certain sales or other dispositions of property (other than "foreclosure property") held primarily for sale to customers in the ordinary course of business).
- If we should fail to satisfy the 75% gross income test or the 95% gross income test, as discussed below, but nonetheless maintain our qualification as a REIT because other requirements are met, we will be subject to a 100% tax on the amount by which we fail such test adjusted to reflect our profitability.
- If we should fail to distribute during each calendar year at least the sum of (a) 85% of our REIT ordinary income for such year, (b) 95% of our REIT capital gain net income for such year, and (c) any undistributed taxable income from prior periods, we will be subject to a 4% excise tax on the excess of the required distribution over the sum of (a) the amounts actually distributed, plus (b) retained amounts on which income tax is paid at the corporate level.
- If we have (i) net income from the sale or other disposition of "foreclosure property" (defined generally as property acquired through foreclosure or otherwise as a result of a default on a loan secured by the property or a lease of such property) that is held primarily for sale to customers in the ordinary course of business or (ii) other non-qualifying income from foreclosure property, we will be subject to tax on such income at the highest corporate income tax rate.
- We may be required to pay monetary penalties to the IRS in certain circumstances, including if we fail to meet record keeping requirements intended to monitor our compliance with rules relating to the composition of a REIT's stockholders, as described below in "— Requirements for Qualification — General."
- A 100% tax may be imposed on some items of income and expense that are directly or constructively paid between a REIT and a taxable REIT subsidiary (as described below) if and to the extent that the IRS successfully adjusts the reported amounts of these items.
- If we acquire appreciated assets from a corporation that is not a REIT (i.e., a corporation taxable under subchapter C of the Code) in a transaction in which the adjusted tax basis of the assets in our hands is determined by reference to the adjusted tax basis of the assets in the hands of the subchapter C corporation, we may be subject to tax on such appreciation at the highest corporate income tax rate then applicable if we subsequently recognize gain on a disposition of any such assets during the ten-year period following their acquisition from the subchapter C corporation.
- We will be subject to tax at the highest corporate income tax rate on the portion of any excess inclusion we derive from REMIC residual interests that is equal to the percentage of our stock that is owned by "disqualified organizations" (generally, tax-exempt entities not subject to tax on unrelated business income, including governmental organizations).

In addition, we and our subsidiaries may be subject to a variety of taxes, including payroll taxes and state, local, and foreign income, property and other taxes on their assets and operations. We could also be subject to tax in situations and on transactions not presently contemplated.

Requirements for Qualification — General

The Code defines a REIT as a corporation, trust or association:

(1) that is managed by one or more trustees or directors;

(2) the beneficial ownership of which is evidenced by transferable shares, or by transferable certificates of beneficial interest;

(3) that would be taxable as a domestic corporation but for the special Code provisions applicable to REITs;

(4) that is neither a financial institution nor an insurance company subject to specific provisions of the Code;

(5) the beneficial ownership of which is held by 100 or more persons;

(6) in which, during the last half of each taxable year, not more than 50% in value of the outstanding stock is owned, directly or indirectly, by five or fewer "individuals" (as defined in the Code to also include specified entities); and

(7) which meets other tests described below, including with respect to the nature of its income and assets.

The Code provides that conditions (1) through (4) must be met during the entire taxable year, and that condition (5) must be met during at least 335 days of a taxable year of 12 months, or during a proportionate part of a shorter taxable year. Our charter provides restrictions regarding transfers of our shares, which are intended to assist us in satisfying the share ownership requirements described in conditions (5) and (6) above.

To monitor compliance with the share ownership requirements, we are generally required to maintain records regarding the actual ownership of our shares. To do so, we must demand written statements each year from the record holders of significant percentages of our stock in which the record holders are to disclose the actual owners of the shares, i.e., the persons required to include in gross income the dividends paid by us. A list of those persons failing or refusing to comply with this demand must be maintained as part of our records. Failure by us to comply with these record keeping requirements could subject us to monetary penalties. A stockholder that fails or refuses to comply with the demand is required by Treasury regulations to submit a statement with its tax return disclosing the actual ownership of the shares and other information.

In addition, a corporation generally may not elect to become a REIT unless its taxable year is the calendar year. We satisfy this requirement.

Effect of Subsidiary Entities

Ownership of Partnership Interests. In the case of a REIT that is a partner in a partnership, Treasury regulations provide that the REIT is deemed to own its proportionate share (based on its capital interest) of the partnership's assets, and to earn its proportionate share of the partnership's income, for purposes of the asset and gross income tests applicable to REITs as described below. In addition, the assets and gross income of the partnership are deemed to retain the same character in the hands of the REIT. Thus, our proportionate share of the assets and items of income of any subsidiary partnership are treated as our assets and items of income for purposes of applying the REIT requirements described below. A summary of certain rules governing the federal income taxation of partnerships and their partners is provided below in "Tax Aspects of Investments in Affiliated Entities — Partnerships."

Disregarded Subsidiaries. If a REIT owns a corporate subsidiary that is a "qualified REIT subsidiary," that subsidiary is disregarded for federal income tax purposes, and all assets, liabilities and items of income, deduction and credit of the subsidiary are treated as assets, liabilities and items of income, deduction and credit of the REIT itself, including for purposes of the gross income and asset tests applicable to REITs as summarized below. A qualified REIT subsidiary is any corporation, other than a "taxable REIT subsidiary" as described below, that is wholly-owned by a REIT, or by other disregarded subsidiaries, or by a combination of the two. Other entities that are wholly-owned by a REIT, including single member limited liability companies, are also generally disregarded as a separate entities for federal income tax purposes, including for purposes of the REIT income and asset tests. Disregarded subsidiaries, along with partnerships in which we hold an equity interest, are sometimes referred to herein as "pass-through subsidiaries."

In the event that a disregarded subsidiary of ours ceases to be wholly-owned — for example, if any equity interest in the subsidiary is acquired by a person other than us or another disregarded subsidiary of ours — the subsidiary's separate existence would no longer be disregarded for federal income tax purposes. Instead, it would have multiple owners and would be treated as either a partnership or a taxable corporation. Such an event could, depending on the circumstances, adversely affect our ability to satisfy the various asset and gross income requirements applicable to REITs, including the requirement that REITs generally may not own, directly or indirectly, more than 10% of the securities of another corporation. See "— Income Tests" and "— Asset Tests."

Taxable Subsidiaries. A REIT, in general, may jointly elect with subsidiary corporations, whether or not wholly-owned, to treat the subsidiary corporation as a taxable REIT subsidiary, or TRS. The separate existence of a TRS or other taxable corporation, unlike a disregarded subsidiary as discussed above, is not ignored for federal income tax purposes. Accordingly, such an entity would generally be subject to corporate income tax on its earnings, which may reduce the cash flow generated by us and our subsidiaries in the aggregate, and our ability to make distributions to our stockholders.

A parent REIT is not treated as holding the assets of a taxable subsidiary corporation or as receiving any income that the subsidiary earns. Rather, the stock issued by the subsidiary is an asset in the hands of the parent REIT, and the REIT recognizes as income, the dividends, if any, that it receives from the subsidiary. This treatment can affect the income and asset test calculations that apply to the REIT, as described below. Because a parent REIT does not include the assets and income of such subsidiary corporations in determining the parent's compliance with the REIT requirements, such entities may be used by the parent REIT to indirectly undertake activities that the REIT rules might otherwise preclude it from doing directly or through pass-through subsidiaries (for example, activities that give rise to certain categories of income such as management fees or foreign currency gains).

Income Tests

In order to maintain qualification as a REIT, we annually must satisfy two gross income requirements. First, at least 75% of our gross income for each taxable year, excluding gross income from sales of inventory or dealer property in "prohibited transactions," must be derived from investments relating to real property or mortgages on real property, including "rents from real property," dividends from other REITs, interest derived from mortgage loans secured by real property and gains from the sale of real estate assets, as well as income from some kinds of temporary investments. Second, at least 95% of our gross income in each taxable year, excluding gross income from prohibited transactions, must be derived from some combination of such income from investments in real property (i.e., income that qualifies under the 75% income test described above), as well as other dividends, interest, and gain from the sale or disposition of stock or securities, which need not have any relation to real property.

Rents received by us will qualify as "rents from real property" in satisfying the gross income requirements described above, only if several conditions are met, including the following. If rent is partly attributable to personal property leased in connection with a lease of real property, the portion of the total rent that is attributable to the personal property will not qualify as "rents from real property" unless it

constitutes 15% or less of the total rent received under the lease. Moreover, for rents received to qualify as "rents from real property," the REIT generally must not operate or manage the property or furnish or render services to the tenants of such property, other than through an "independent contractor" from which the REIT derives no revenue. We and our affiliates are permitted, however, to perform services that are "usually or customarily rendered" in connection with the rental of space for occupancy only and are not otherwise considered rendered to the occupant of the property. In addition, we and our affiliates may directly or indirectly provide non-customary services to tenants of our properties without disqualifying all of the rent from the property if the payment for such services does not exceed 1% of the total gross income from the property. For purposes of this test, the income received from such non-customary services is deemed to be at least 150% of the direct cost of providing the services. Moreover, we are permitted to provide services to tenants or others through a TRS without disqualifying the rental income received from tenants for purposes of the REIT income requirements. Also, rental income will qualify as rents from real property only to the extent that we do not directly or constructively hold a 10% or greater interest, as measured by vote, value, assets or net profits, in the lessee's equity.

To the extent that a REIT derives income from the rental of real property where all or a portion of the amount of rental income payable is contingent, such income generally will qualify for purposes of the gross income tests only if it is based upon the sales, and not the profits, of the lessee. This limitation does not apply, however, where the lessee leases substantially all of its interest in the property to tenants or subtenants, to the extent that the rental income derived by lessee would qualify as rents from real property had it been earned directly by a REIT.

If we fail to satisfy one or both of the 75% or 95% gross income tests for any taxable year, we may still qualify as a REIT for the year if we are entitled to relief under applicable provisions of the Code. These relief provisions will be generally available if our failure to meet these tests was due to reasonable cause and not due to willful neglect, we attach to our tax return a schedule of the sources of our income, and any incorrect information on the schedule was not due to fraud with intent to evade tax. It is not possible to state whether we would be entitled to the benefit of these relief provisions in all circumstances. If these relief provisions are inapplicable to a particular set of circumstances involving us, we will not qualify as a REIT. As discussed above under "— Taxation of REITs in General," even where these relief provisions apply, a tax would be imposed upon the amount by which we fail to satisfy the particular gross income test.

Asset Tests

At the close of each calendar quarter, we must also satisfy four tests relating to the nature of our assets. First, at least 75% of the value of our total assets must be represented by some combination of "real estate assets", cash, cash items, U.S. government securities, and, under some circumstances, stock or debt instruments purchased with new capital. For this purpose, real estate assets include interests in real property, such as land, buildings, leasehold interests in real property, stock of other corporations that qualify as REITs, and some kinds of mortgage backed securities and mortgage loans. Assets that do not qualify for purposes of the 75% test are subject to the additional asset tests described below.

The second asset test is that the value of any one issuer's securities owned by us (other than securities issued by a TRS) may not exceed 5% of the value of our total assets. Third, we may not own more than 10% of any one issuer's outstanding securities (other than securities of a TRS), as measured by either voting power or value. Fourth, the aggregate value of all securities issued by TRSs and held by us may not exceed 20% of the value of our total assets. The 10% value test does not apply to "straight debt" having specified characteristics.

Notwithstanding the general rule, as noted above, that for purposes of the REIT income and asset tests, a REIT is treated as owning its share of the underlying assets of a subsidiary partnership, if a REIT holds indebtedness issued by a partnership, the indebtedness will be subject to, and may cause a violation of the asset tests, unless it is a qualifying mortgage asset or otherwise satisfies the rules for "straight debt."

Similarly, although stock of another REIT is a qualifying asset for purposes of the REIT asset tests, non-mortgage debt held by us that is issued by another REIT may not so qualify.

We believe that our holdings of assets comply, and will continue to comply, with the foregoing REIT asset requirements, and we intend to monitor compliance on an ongoing basis. No independent appraisals have been obtained, however, to support our conclusions as to the value of our total assets. Accordingly, there can be no assurance that the IRS will not contend that our interests in our subsidiaries or in the securities of other issuers will not cause a violation of the REIT asset requirements.

Annual Distribution Requirements

In order to qualify as a REIT, we are required to distribute dividends, other than capital gain dividends, to our stockholders in an amount at least equal to:

(a) the sum of (1) 90% of our "REIT taxable income" (computed without regard to our deduction for dividends paid and net capital gains) and (2) 90% of the after tax net income, if any, from foreclosure property, minus

(b) the sum of specified items of noncash income.

These distributions must be paid in the taxable year to which they relate, or in the following taxable year if declared before we timely file our tax return for the year and if paid with or before the first regular dividend payment after such declaration. In order for distributions to be counted for this purpose, and to give rise to a tax deduction by us, they must not be "preferential dividends." A dividend is not a preferential dividend if it is pro rata among all outstanding shares of stock within a particular class, and is in accordance with the preferences among different classes of stock as set forth in our organizational documents.

To the extent that we distribute at least 90%, but less than 100%, of our "REIT taxable income," as adjusted, we will be subject to tax at ordinary corporate tax rates on the retained portion. We may elect to retain, rather than distribute, our net long-term capital gains and pay tax on such gains. In this case, we could elect to have our stockholders include their proportionate share of such undistributed long-term capital gains in income, and to receive a corresponding credit for their share of the tax paid by us. Our stockholders would then increase the adjusted basis of our common stock by the difference between the designated amounts included in their long-term capital gains and the tax deemed paid with respect to their shares.

To the extent that a REIT has available net operating losses carried forward from prior tax years, such losses may reduce the amount of distributions that it must make in order to comply with the REIT distribution requirements. Such losses, however, will generally not affect the character, in the hands of stockholders, of any distributions that are actually made by the REIT, which are generally taxable to stockholders to the extent that the REIT has current or accumulated earnings and profits. See "— Taxation of Stockholders — Taxation of Taxable Domestic Stockholders — Distributions."

If we should fail to distribute during each calendar year at least the sum of (a) 85% of our REIT ordinary income for such year, (b) 95% of our REIT capital gain net income for such year, and (c) any undistributed taxable income from prior periods, we will be subject to a 4% excise tax on the excess of such required distribution over the sum of (x) the amounts actually distributed and (y) the amounts of income retained on which we have paid corporate income tax. We intend to make timely distributions so that we are not subject to the 4% excise tax.

It is possible, from time to time, that we may not have sufficient cash to meet the distribution requirements due to timing differences between (a) the actual receipt of cash, including receipt of distributions from our subsidiaries, and (b) the inclusion of items in income by us for federal income tax purposes. In the event that such timing differences occur, in order to meet the distribution requirements, it might be necessary to arrange for short-term, or possibly long-term, borrowings, or to pay dividends in the form of taxable in-kind distributions of property.

We may be able to rectify a failure to meet the distribution requirements for a year by paying "deficiency dividends" to stockholders in a later year, which may be included in our deduction for dividends paid for the earlier year. In this case, we may be able to avoid losing our REIT status or being taxed on amounts distributed as deficiency dividends. However, we will be required to pay interest and a penalty based on the amount of any deduction taken for deficiency dividends.

Failure to Qualify

If we fail to qualify for taxation as a REIT in any taxable year, and the relief provisions do not apply, we would be subject to tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates. Distributions to stockholders in any year in which we are not a REIT would not be deductible by us, nor would they be required to be made. In this situation, to the extent of current and accumulated earnings and profits, all distributions to stockholders that are individuals will generally be taxable at capital gains rates (through 2008) pursuant to the 2003 Act, and, subject to limitations of the Code, corporate distributees may be eligible for the dividends received deduction. Unless we are entitled to relief under specific statutory provisions, we would also be disqualified from re-electing to be taxed as a REIT for the four taxable years following the year during which qualification was lost. It is not possible to state whether, in all circumstances, we would be entitled to this statutory relief.

Prohibited Transactions

Net income derived from a prohibited transaction is subject to a 100% tax. The term "prohibited transaction" generally includes a sale or other disposition of property that is held primarily for sale to customers in the ordinary course of a trade or business. We intend to conduct our operations so that no asset owned by us or our pass-through subsidiaries will be held for sale to customers, and that a sale of any such asset will not be in the ordinary course of our business. Whether property is held "primarily for sale to customers in the ordinary course of a trade or business" depends, however, on the particular facts and circumstances. No assurance can be given that any property sold by us will not be treated as property held for sale to customers, or that we can comply with certain safe-harbor provisions of the Code that would automatically prevent such treatment.

Tax Aspects of Investments in Affiliated Partnerships

General

We may hold investments through entities that are classified as partnerships for federal income tax purposes. In general, partnerships are "pass-through" entities that are not subject to federal income tax. Rather, partners are allocated their proportionate shares of the items of income, gain, loss, deduction and credit of a partnership, and are potentially subject to tax on these items, without regard to whether the partners receive a distribution from the partnership. We will include in our income our proportionate share of these partnership items for purposes of the various REIT income tests (based solely on our capital interest in the partnership) and in the computation of our REIT taxable income (based on the entire partnership agreement). Moreover, for purposes of the REIT asset tests, we will include our proportionate share of assets held by subsidiary partnerships (based solely on our capital interest in the partnership). See "Taxation of the Company — Effect of Subsidiary Entities — Ownership of Partnership Interests."

Entity Classification

The investment by us in partnerships involves special tax considerations, including the possibility of a challenge by the IRS of the status of any of our subsidiary partnerships as a partnership, as opposed to a corporation, for federal income tax purposes. If any of our subsidiary partnerships were treated as a corporation for federal income tax purposes, it would be subject to an entity-level tax on its income. In such a situation, the character of our assets and items of gross income would change and could preclude us from satisfying the REIT asset tests or the gross income tests as discussed in "Taxation of the Company — Asset Tests" and "— Income Tests," and in turn could prevent us from qualifying as a REIT.

See “Taxation of the Company — Failure to Qualify,” above, for a discussion of the effect of our failure to meet these tests for a taxable year. In addition, any change in the status of any subsidiary partnerships of ours for tax purposes might be treated as a taxable event, in which case we could have taxable income that is subject to the REIT distribution requirements without receiving any cash.

Tax Allocations With Respect To Partnership Properties

Under the Code and the Treasury regulations, income, gain, loss and deduction attributable to appreciated or depreciated property that is contributed to a partnership in exchange for an interest in the partnership must be allocated for tax purposes in a manner such that the contributing partner is charged with, or benefits from, the unrealized gain or unrealized loss associated with the property at the time of the contribution. The amount of the unrealized gain or unrealized loss is generally equal to the difference between the fair market value of the contributed property at the time of contribution, and the adjusted tax basis of such property at the time of contribution. Such allocations are solely for federal income tax purposes and do not affect the book capital accounts or other economic or legal arrangements among the partners.

To the extent that any subsidiary partnership of ours acquires appreciated (or depreciated) properties by way of capital contributions from its partners, allocations would need to be made in a manner consistent with these requirements. Where a partner contributes cash to a partnership at a time when the partnership holds appreciated (or depreciated) property, the Treasury regulations provide for a similar allocation of these items to the other (i.e. non-contributing) partners. These rules may apply to the contribution by us to any subsidiary partnerships of the cash proceeds received in any offerings of our stock. As a result, partners, including us, in subsidiary partnerships, could be allocated greater or lesser amounts of depreciation and taxable income in respect of a partnership’s properties than would be the case if all of the partnership’s assets (including any contributed assets) had a tax basis equal to their fair market values at the time of any contributions to that partnership. This could cause us to recognize, over a period of time, taxable income in excess of cash flow from the partnership, which might adversely affect our ability to comply with the REIT distribution requirements discussed above.

Taxation of Stockholders

Taxation of Taxable Domestic Stockholders

Distributions. Provided that we qualify as a REIT, distributions made to our taxable domestic stockholders out of current or accumulated earnings and profits, and not designated as capital gain dividends, will generally be taken into account by them as ordinary income and will not be eligible for the dividends received deduction for corporations. With limited exceptions, dividends received from REITs are not eligible for taxation at the preferential income tax rates for qualified dividends received by individuals from taxable C corporations pursuant to the 2003 Act. Stockholders that are individuals, however, are taxed at the preferential rates on dividends designated by and received from REITs to the extent that the dividends are attributable to (a) income retained by the REIT in the prior taxable year on which the REIT was subject to corporate level income tax (less the amount of tax), (b) dividends received by the REIT from taxable C corporations (for example, TRSs), or (c) income in the prior taxable years from the sales of “built-in gain” property acquired by the REIT from C corporations in carryover basis transactions (less the amount of corporate tax on such income).

Distributions from us that are designated as capital gain dividends will generally be taxed to stockholders as long-term capital gains, to the extent that they do not exceed our actual net capital gain for the taxable year, without regard to the period for which the stockholder has held out common stock. A similar treatment will apply to long-term capital gains retained by us, to the extent that we elect the application of provisions of the Code that treat stockholders of a REIT as having received, for federal income tax purposes, undistributed capital gains of the REIT, while passing through to stockholders a corresponding credit for taxes paid by the REIT on such retained capital gains. Corporate stockholders may be required to treat up to 20% of some capital gain dividends as ordinary income.

Long-term capital gains are generally taxable at maximum federal rates of 15% (through 2008) in the case of stockholders who are individuals, and 35% in the case of stockholders that are corporations. Capital gains attributable to the sale of depreciable real property held for more than one year are subject to a 25% maximum federal income tax rate for taxpayers who are individuals, to the extent of previously claimed depreciation deductions.

Distributions in excess of current and accumulated earnings and profits will not be taxable to a stockholder to the extent that they do not exceed the adjusted basis of the stockholder's shares in respect of which the distributions were made, but rather, will reduce the adjusted basis of these shares. To the extent that such distributions exceed the adjusted basis of a stockholder's shares, they will be included in income as long-term capital gain, or short-term capital gain if the shares have been held for one year or less. In addition, any dividend declared by us in October, November or December of any year and payable to a stockholder of record on a specified date in any such month will be treated as both paid by us and received by the stockholder on December 31 of such year, provided that the dividend is actually paid by us before the end of January of the following calendar year.

To the extent that a REIT has available net operating losses and capital losses carried forward from prior tax years, such losses may reduce the amount of distributions that must be made in order to comply with the REIT distribution requirements. See "Taxation of the Company — Annual Distribution Requirements." Such losses, however, are not passed through to stockholders and do not offset income of stockholders from other sources, nor would they affect the character of any distributions that are actually made by a REIT, which are generally subject to tax in the hands of stockholders to the extent that the REIT has current or accumulated earnings and profits.

Dispositions of Our Stock. In general, capital gains recognized by individuals upon the sale or disposition of shares of our stock will, pursuant to the 2003 Act, be subject to a maximum federal income tax rate of 15% (from May 6, 2003 through 2008) if our stock is held for more than one year, and will be taxed at ordinary income rates (of up to 35% through 2010) if our stock is held for one year or less. Gains recognized by stockholders that are corporations are subject to federal income tax at a maximum rate of 35%, whether or not classified as long-term capital gains. Capital losses recognized by a stockholder upon the disposition of our stock held for more than one year at the time of disposition will be considered long-term capital losses, and are generally available only to offset capital gain income of the stockholder but not ordinary income (except in the case of individuals, who may offset up to $3,000 of ordinary income each year). In addition, any loss upon a sale or exchange of shares of our stock by a stockholder who has held the shares for six months or less, after applying holding period rules, will be treated as a long-term capital loss to the extent that distributions received from us were required to be treated by the stockholder as long-term capital gain.

If a stockholder recognizes a loss upon a subsequent disposition of our stock in an amount that exceeds a prescribed threshold, it is possible that the provisions of recently adopted Treasury regulations involving tax shelters could apply, to require a disclosure filing with the IRS concerning the loss generating transaction. While these regulations are directed towards "tax shelters," they are written quite broadly, and apply to transactions that would not typically be considered tax shelters. In addition, legislative proposals have been introduced in Congress, that, if enacted, would impose significant penalties for failure to comply with these requirements. You should consult your tax advisors concerning any possible disclosure obligation with respect to the receipt or disposition of our stock, or transactions that might be undertaken directly or indirectly by us. Moreover, you should be aware that we and other participants in the transactions we are involved in might be subject to disclosure or other requirements pursuant to these regulations.

Information Reporting and Backup Withholding. We will report to each of our U.S. stockholders and the IRS the amount of distributions paid during each calendar year to each such stockholder, and the amount of tax withheld, if any. Withholding generally applies if the stockholder (i) fails to furnish its social security number or other taxpayer identification number ("TIN"), (ii) furnishes an incorrect TIN, (iii) fails properly to report interest or dividends, or (iv) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is its correct number and that

it is not subject to backup withholding. The current backup withholding rate is 28% and is scheduled to be increased to 31% for the 2011 calendar year and thereafter. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax. Certain taxpayers, including, for example, corporations and financial institutions, generally are exempt from backup withholding.

Taxation of Foreign Stockholders

The following is a summary of certain United States federal income and estate tax consequences of the ownership and disposition of our stock applicable to non-U.S. holders of our stock. A "non-U.S. holder" is any person other than:

(a) a citizen or resident of the United States,

(b) a corporation or partnership created or organized in the United States or under the laws of the United States, or of any state thereof, or the District of Columbia, unless, in the case of a partnership, regulations provide otherwise,

(c) an estate, the income of which is includable in gross income for U.S. federal income tax purposes regardless of its source,

(d) a trust if a United States court is able to exercise primary supervision over the administration of such trust and one or more United States fiduciaries have the authority to control all substantial decisions of the trust, or

(e) a trust that has validly elected to be treated as a domestic trust as provided by regulations.

The discussion is based on current law and is for general information only. The discussion addresses some, but not all, aspects of United States federal income and estate taxation.

Ordinary Dividends. The portion of dividends received by non-U.S. holders payable out of our earnings and profits which are not attributable to our capital gains and which are not effectively connected with a U.S. trade or business of the non-U.S. holder will be subject to U.S. withholding tax at the rate of 30%, unless reduced by an income tax treaty.

In general, non-U.S. holders will not be considered to be engaged in a U.S. trade or business solely as a result of their ownership of our stock. In cases where the dividend income from a non-U.S. holder's investment in our stock is, or is treated as, effectively connected with the non-U.S. holder's conduct of a U.S. trade or business, the non-U.S. holder generally will be subject to U.S. tax at graduated rates, in the same manner as domestic stockholders are taxed with respect to such dividends, and may also be subject to the 30% branch profits tax in the case of a non-U.S. holder that is a corporation.

Non-Dividend Distributions. Unless our stock constitutes a U.S. real property interest, or a USRPI, distributions by us which are not dividends out of our earnings and profits will not be subject to U.S. income tax. If it cannot be determined at the time at which a distribution is made whether or not the distribution will exceed current and accumulated earnings and profits, the distribution will be subject to withholding at the rate applicable to dividends. However, the non-U.S. holder may seek a refund from the IRS of any amounts withheld if it is subsequently determined that the distribution was, in fact, in excess of our current and accumulated earnings and profits. If our stock constitutes a USRPI, as described below, distributions by us in excess of the sum of our earnings and profits plus the stockholder's basis in our stock will be taxed under the Foreign Investment in Real Property Tax Act of 1980, or FIRPTA, at the rate of tax, including any applicable capital gains rates, that would apply to a domestic stockholder of the same type (e.g., an individual or a corporation, as the case may be), and the collection of the tax will be enforced by a refundable withholding at a rate of 10% of the amount by which the distribution exceeds the stockholder's share of our earnings and profits. Consequently, although we generally intend to withhold at a rate of 30% on the entire amount of any distribution, to the extent we do not do so, the portion of any distribution not subject to withholding at a rate of 30% will be subject to withholding at a rate of 10%.

Capital Gain Dividends. Under FIRPTA, a distribution made by us to a non-U.S. holder, to the extent attributable to gains from dispositions of USRPIs held by us directly or through pass-through subsidiaries, or USRPI capital gains, will be considered effectively connected with a U.S. trade or business of the non-U.S. holder and will be subject to U.S. income tax at the rates applicable to U.S. individuals or corporations, without regard to whether the distribution is designated as a capital gain dividend. In addition, we will be required to withhold tax equal to 35% of the amount of dividends to the extent the dividends constitute USRPI capital gains. Distributions subject to FIRPTA may also be subject to a 30% branch profits tax in the hands of a non-U.S. holder that is a corporation. Capital gain dividends received by a non-U.S. holder from a REIT that are not USRPI capital gains are generally not subject to U.S. income tax, but may be subject to withholding tax.

Dispositions of Our Stock. Unless our stock constitutes a USRPI, a sale of the stock by a non-U.S. holder generally will not be subject to U.S. taxation under FIRPTA. The stock will not be treated as a USRPI if less than 50% of our assets throughout a prescribed testing period consist of interests in real property located within the United States.

Even if the foregoing test is not met, our stock nonetheless will not constitute a USRPI if we are a "domestically-controlled REIT." A domestically-controlled REIT is a REIT in which, at all times during a specified testing period, less than 50% in value of its shares is held directly or indirectly by non-U.S. holders. We believe that we are, and we expect to continue to be, a domestically-controlled REIT and, therefore, the sale of our stock should not be subject to taxation under FIRPTA. Because our stock is publicly traded, however, no assurance can be given that we will remain a domestically-controlled REIT.

In the event that we do not constitute a domestically-controlled REIT, a non-U.S. holder's sale of stock nonetheless will generally not be subject to tax under FIRPTA as a sale of a USRPI, provided that (a) the stock owned is of a class that is "regularly traded," as defined by applicable Treasury Department regulations, on an established securities market, and (b) the selling non-U.S. holder held 5% or less of our outstanding stock of that class at all times during a specified testing period.

If gain on the sale of our stock were subject to taxation under FIRPTA, the non-U.S. holder would be subject to the same treatment as a U.S. stockholder with respect to such gain, subject to applicable alternative minimum tax and a special alternative minimum tax in the case of non-resident alien individuals, and the purchaser of the stock could be required to withhold 10% of the purchase price and remit such amount to the IRS.

Gain from the sale of our stock that would not otherwise be subject to FIRPTA will nonetheless be taxable in the United States to a non-U.S. holder in two cases: (a) if the non-U.S. holder's investment in our stock is effectively connected with a U.S. trade or business conducted by such non-U.S. holder, the non-U.S. holder will be subject to the same treatment as a U.S. stockholder with respect to such gain, or (b) if the non-U.S. holder is a nonresident alien individual who was present in the United States for 183 days or more during the taxable year, the nonresident alien individual will be subject to a 30% tax on the individual's capital gain.

Estate Tax. Our stock owned or treated as owned by an individual who is not a citizen or resident (as specially defined for U.S. federal estate tax purposes) of the United States at the time of death will be includable in the individual's gross estate for U.S. federal estate tax purposes, unless an applicable estate tax treaty provides otherwise, and may therefore be subject to U.S. federal estate tax.

Taxation of Tax-Exempt Stockholders

Tax-exempt entities, including qualified employee pension and profit sharing trusts and individual retirement accounts, generally are exempt from federal income taxation. However, they are subject to taxation on their unrelated business taxable income, or UBTI. While many investments in real estate may generate UBTI, the IRS has ruled that dividend distributions from a REIT to a tax-exempt entity do not constitute UBTI. Based on that ruling, distributions from us and income from the sale of our stock should not give rise to UBTI to a tax-exempt stockholder and provided that (1) a tax-exempt stockholder has not

held our stock as "debt financed property" within the meaning of the Code (i.e. where the acquisition or holding of the property is financed through a borrowing by the tax-exempt stockholder), and (2) our stock is not otherwise used in an unrelated trade or business.

Tax-exempt stockholders that are social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts, and qualified group legal services plans exempt from federal income taxation under sections 501(c)(7), (c)(9), (c)(17) and (c)(20) of the Code, respectively, are subject to different UBTI rules, which generally will require them to characterize distributions from us as UBTI, unless such stockholders are able to properly deduct amounts set aside or placed in reserve for certain purposes so as to offset the income generated by such distributions.

If we were a "pension-held REIT", a pension trust that owns more than 10% of our stock could be required to treat a percentage of the dividends it receives from us as UBTI. We currently are not, and will continue not to be a pension-held REIT unless either (A) one pension trust owns more than 25% of the value of our stock, or (B) a group of pension trusts, each individually holding more than 10% of the value of our stock, collectively owns more than 50% of such stock. Certain restrictions on ownership and transfer of our stock should generally prevent us from becoming a pension-held REIT.

TAX-EXEMPT STOCKHOLDERS ARE URGED TO CONSULT THEIR TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF OWNING OUR STOCK.

Other Tax Considerations

Legislative or Other Actions Affecting REITs

The rules dealing with federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the Treasury Department. Changes to the Federal tax laws and interpretations of federal tax laws could adversely affect an investment in us.

The recently enacted 2003 Act reduced the maximum tax rates at which individuals are taxed on capital gains from 20% to 15% (from May 6, 2003 through 2008) and for dividends payable by taxable C corporations to individuals generally from 38.6% to 15% (from January 1, 2003 through 2008). While gains from the sale of the stock of REITs are eligible for the reduced tax rates, dividends payable by REITs are not eligible for the reduced tax rates except in limited circumstances. As a result, dividends received from REITs generally will continue to be taxed at ordinary income rates (now at a maximum of 35% through 2010). The more favorable tax rates applicable to regular corporate dividends could cause investors who are individuals to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the stock of REITs, including our common stock.

H.R. 1890 introduced into Congress in April 2003 would modify certain provisions of the Code relating to REITs. The legislation would, among other things, revise the REIT asset test by expanding the straight-debt safe harbor, modify the treatment of certain REIT distributions that are attributable to gain from sales or exchange of USRPIs and expand the REIT provisions dealing with a failure to satisfy the income or asset tests. Whether any or all of these proposals will ultimately be enacted cannot be determined at this time.

State and Local Taxes

We and our subsidiaries and stockholders may be subject to state, local or foreign taxation in various jurisdictions, including those in which we or our subsidiaries transact business, own property or reside. We own properties located in a number of jurisdictions, and may be required to file tax returns in some or all of those jurisdictions. The state, local or foreign tax treatment of us and our stockholders may not conform to the federal income tax treatment discussed above. Prospective investors should consult their tax advisors regarding the application and effect of state and local and other tax laws on an investment in our stock.

ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with an investment in us by a pension, profit sharing or other employee benefit plan subject to Title I of the Employee Retirement Income Security Act, or ERISA, or Section 4975 of the Code. THE FOLLOWING IS MERELY A SUMMARY, HOWEVER, AND SHOULD NOT BE CONSTRUED AS LEGAL ADVICE OR AS COMPLETE IN ALL RELEVANT RESPECTS. ALL INVESTORS ARE URGED TO CONSULT THEIR LEGAL ADVISORS BEFORE INVESTING ASSETS OF AN EMPLOYEE PLAN IN OUR COMPANY AND TO MAKE THEIR OWN INDEPENDENT DECISIONS.

A plan fiduciary considering an investment in the securities should consider, among other things, whether such an investment might constitute or give rise to a prohibited transaction under ERISA, the Code or any substantially similar federal, state or local law. ERISA and the Code impose restrictions on:

- employee benefit plans as defined in Section 3(3) of ERISA;
- plans described in Section 4975(e)(1) of the Code, including retirement accounts and Keogh Plans;
- entities whose underlying assets include plan assets by reason of a plan's investment in such entities; and
- persons who have certain specified relationships to a plan described as "parties in interest" under ERISA and "disqualified persons" under the Code.

Regulation Under ERISA and the Code

ERISA imposes certain duties on persons who are fiduciaries of a plan. Under ERISA, any person who exercises any authority or control over the management or disposition of a plan's assets is considered to be a fiduciary of that plan. Both ERISA and the Code prohibit certain transactions involving "plan assets" between a plan and parties in interest or disqualified persons. Violations of these rules may result in the imposition of an excise tax or penalty.

The term "plan assets" is not defined by ERISA or the Code. However, a plan's assets may be deemed to include an interest in the underlying assets of an entity if the plan acquires an "equity interest" in such an entity such as the shares. In that event, the operations of such an entity could result in a prohibited transaction under ERISA and the Code.

Regulation Issued by the Department of Labor

The Department of Labor issued a regulation that provides exceptions to this rule. Under this regulation, if a plan acquires a "publicly-offered security," the issuer of the security is not deemed to hold plan assets. A publicly-offered security is a security that:

- is freely transferable;
- is part of a class of securities that is owned by 100 or more investors independent of the issuer and of one another; and
- is either
    1. part of a class of securities registered under Section 12(b) or 12(g) of the Exchange Act, or
    2. sold to the plan as part of an offering of securities to the public pursuant to an effective registration statement under the Securities Act and the class of securities of which such security is part is registered under the Exchange Act within the requisite time.

The Shares of Our Common Stock as "Publicly-Offered Securities"

Our common stock currently meets the above criteria and it is anticipated that the shares of our common stock being offered hereby will continue to meet the criteria of publicly-offered securities. Although no assurances can be given, the underwriters expect that:

- there will be no restrictions imposed on the transfer of interests in our common stock;
- our common stock will be held by at least 100 independent investors at the conclusion of the offering; and
- our common stock being offered hereby will be sold as part of an offering pursuant to an effective registration statement under the Securities Act and then will be timely registered under the Exchange Act.

General Investment Considerations

Prospective fiduciaries of a plan (including, without limitation, an entity whose assets include plan assets, including, as applicable, an insurance company general account) considering the purchase of common stock should consult with their legal advisors concerning the impact of ERISA and the Code and the potential consequences of making an investment in these shares with respect to their specific circumstances. Each plan fiduciary should take into account, among other considerations:

- whether the plan's investment could give rise to a non-exempt prohibited transaction under Title I of ERISA or Section 4975 of the Code;
- whether the fiduciary has the authority to make the investment;
- the composition of the plan's portfolio with respect to diversification by type of asset;
- the plan's funding objectives;
- the tax effects of the investment;
- whether our assets would be considered plan assets; and
- whether, under the general fiduciary standards of investment prudence and diversification an investment in these shares is appropriate for the plan taking into account the overall investment policy of the plan and the composition of the plan's investment portfolio.

Certain employee benefit plans, such as governmental plans and certain church plans are not subject to the provisions of Title I of ERISA and Section 4975 of the Code. Accordingly, assets of such plans may be invested in the common stock without regard to the ERISA considerations described here, subject to the provisions of any other applicable federal and state law. It should be noted that any such plan that is qualified and exempt from taxation under the Code is subject to the prohibited transaction rules set forth in the Code.

UNDERWRITING

We intend to offer the shares of common stock being sold in this offering through the underwriters. Merrill Lynch, Pierce, Fenner & Smith Incorporated, Legg Mason Wood Walker, Incorporated and Raymond James & Associates, Inc. are acting as representatives of the underwriters named below. Subject to the terms and conditions described in a purchase agreement among us and the underwriters, we have agreed to sell to the underwriters, and the underwriters severally have agreed to purchase from us, the number of shares listed opposite their names below.

Underwriter	Number of Shares
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Legg Mason Wood Walker, Incorporated	
Raymond James & Associates, Inc.	
Total	13,500,000

The underwriters have agreed to purchase all of the shares sold under the purchase agreement if any of these shares are purchased. If any underwriter defaults, the purchase agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the purchase agreement may be terminated.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the purchase agreement, such as the receipt by the underwriters of officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

The representatives have advised us that the underwriters initially propose to offer the shares to the public at the public offering price on the cover page of this prospectus and to dealers at that price less a concession not in excess of $ per share. The underwriters may allow, and the dealers may reallow, a discount not in excess of $ per share to other dealers. After this offering, the public offering price, concession and discount may be changed.

The following table shows the public offering price, underwriting discount and proceeds before expenses to us. The information assumes either no exercise or full exercise by the underwriters of the overallotment option.

	Per Share	Without Option	With Option
Public offering price	$	$	$
Underwriting discount	$	$	$
Proceeds, before expenses, to us	$	$	$

The expenses of the offering, not including the underwriting discount, are estimated at approximately $4,640,625 million and are payable by us.

Overallotment Option

We have granted an option to the underwriters to purchase up to 2,025,000 additional shares at the public offering price less the underwriting discount. The underwriters may exercise this option for

30 days from the date of this prospectus solely to cover any overallotments. If the underwriters exercise this option, each will be obligated, subject to conditions contained in the purchase agreement, to purchase a number of additional shares proportionate to that underwriter's initial amount reflected in the above table.

Reserve Share Program

At our request, the underwriters have reserved for sale, at the public offering price, up to 250,000 of the shares offered hereby to be sold to certain of our officers, directors, employees, business associates and related persons. The number of shares of common stock available for sale to the general public will be reduced to the extent these persons purchase the reserved shares. Any reserved shares which are not orally confirmed for purchase within one day of the pricing of this offering will be offered by the underwriters to the general public on the same terms as the other shares offered by this prospectus.

No Sales Of Similar Securities

We, our executive officers, our directors who beneficially own shares of our common stock as of the date of this prospectus, CBC and Homburg Invest have agreed, with some exceptions, not to sell or transfer any common stock for 180 days after the date of this prospectus without first obtaining the written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated. Specifically, we and these other individuals have agreed not to directly or indirectly

- offer, pledge, sell or contract to sell any common stock,
- sell any option or contract to purchase any common stock,
- purchase any option or contract to sell any common stock,
- grant any option, right or warrant for the sale of any common stock,
- lend or otherwise dispose of or transfer any common stock,
- request or demand that we file a registration statement related to the common stock, or
- enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any common stock whether any such swap or transaction is to be settled by delivery of shares of other securities, in cash or otherwise.

This lockup provision applies to common stock and to securities convertible into or exchangeable or exercisable for or repayable with common stock. It also applies to shares of our common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition.

Stock Exchange Listing

Our common stock is currently traded on the Nasdaq SmallCap Market under the symbol "CEDR." We have been approved to list our common stock on the New York Stock Exchange, Inc., subject to official notice of issuance, under the symbol "CDR" and expect that the shares of common stock sold in this offering will trade on the NYSE. In order to meet the requirements for listing on the NYSE, the underwriters have undertaken to sell a minimum number of shares to a minimum number of beneficial owners as required by that exchange.

The public offering price will be determined through negotiations between us and the representatives. In addition to prevailing market conditions and our then existing stock price, the factors considered in determining the public offering price will be

- the valuation multiples and dividend yields of publicly traded companies that the representatives believe to be comparable to us,
- our financial information,

- the history of, and the prospects for, our company and the industry in which we compete,
- an assessment of our management, its past and present operations, and the prospects for, and timing of, our future revenues, and
- the above factors in relation to market values and various valuation measures of other companies engaged in activities similar to ours.

An active trading market for the shares may not develop. It is also possible that after the offering, the shares of our common stock will not trade in the public market at or above the public offering price.

The underwriters do not expect to sell more than 5% of the shares of our common stock in the aggregate to accounts over which they exercise discretionary authority.

Price Stabilization, Short Positions and Penalty Bids

Until the distribution of the shares is completed, SEC rules may limit underwriters and selling group members from bidding for and purchasing our common stock. However, the representatives may engage in transactions that stabilize the price of the common stock, such as bids or purchases to peg, fix or maintain that price.

If the underwriters create a short position in our common stock in connection with this offering, that is, if they sell more shares than are listed on the cover of this prospectus, the representatives may reduce that short position by purchasing shares in the open market. The representatives may also elect to reduce any short position by exercising all or part of the overallotment option described above. Purchases of our common stock to stabilize its price or to reduce a short position may cause the price of our common stock to be higher than it might be in the absence of such purchases.

The representatives may also impose a penalty bid on underwriters and selling group members. This means that if the representatives purchase shares in the open market to reduce the underwriters' short position or to stabilize the price of those shares, they may reclaim the amount of the selling concession from the underwriters and selling group members who sold those shares. The imposition of a penalty bid may also affect the price of the shares in that it discourages resales of those shares.

Neither we nor any of the underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In addition, neither we nor any of the underwriters makes any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Electronic Prospectus

Merrill Lynch will be facilitating Internet distribution for this offering to certain of its Internet subscription customers. Merrill Lynch intends to allocate a limited number of shares for sale to its online brokerage customers. An electronic prospectus is available on the Internet Web site maintained by Merrill Lynch and web sites maintained by some of the other underwriters. Other than the prospectus in electronic format, the information on the Merrill Lynch Web site is not part of this prospectus.

In connection with this offering, certain of the underwriters or securities dealers may distribute this prospectus electronically.

Other Relationships

Some of the underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us. They have received customary fees and commissions for these transactions. We will pay an advisory fee equal to .60% of the gross proceeds of the offering (including any exercise of the underwriters' overallotment option) to Merrill Lynch. It is anticipated that we will also pay Merrill Lynch $1.3 million from the proceeds of this offering with regard to an interest rate cap.

EXPERTS

The consolidated financial statements of Cedar Shopping Centers, Inc. (formerly known as "Cedar Income Fund, Ltd.") at December 31, 2002 and 2001, and for each of the three years in the period ended December 31, 2002, the statement of revenues and certain expenses of Southington '84 Associates, LP for the year ended December 31, 2002, the statement of revenues and certain expenses of Delaware 1851 Associates, LP for the year ended December 31, 2002, the combined statements of revenues and certain expenses of Associates of Huntingdon, L.P., Greater Raystown Associates LP and Lake Raystown Associates LP for the year ended December 31, 2002, the combined statement of Revenues and Expenses of Fairview Plaza Associates, L.P., Halifax Plaza Associates, LP and Newport Plaza Associates, LP for the year ended December 31, 2002, the statement of revenues and certain expenses of Pine Grove Plaza Associates, LLC for the year ended December 31, 2002, the combined statements of Revenues and Expenses of Firehouse Realty Corporation, Riverview Development Corporation, South Riverview Plaza, Inc. and Reed Development Associates, Inc. for the year ended December 31, 2002, the statement of revenues and expenses of Triangle Center Associates, LP for the three years ended December 31, 2002, 2001 and 2000, the statement of revenue and certain expense of Valley Real Estate LLC for the year ended December 31, 2002, and the combined statements of revenues and certain expenses of SPSP Corporation, Passyunk Supermarket, Inc. and Twenty Fourth Street Passyunk Partners LP for the year ended December 31, 2002, appearing in the Prospectus and Registration Statement have been audited by Ernst & Young LLP, independent auditors, as set forth in their reports thereon appearing elsewhere herein, and are included in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

LEGAL MATTERS

The validity of our common stock to be sold in this offering and certain other legal matters will be passed upon for us by Stroock & Stroock & Lavan LLP, New York, New York and for the underwriters by Sidley Austin Brown & Wood LLP, New York, New York.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the Securities and Exchange Commission a registration statement on Form S-11, including exhibits, schedules and amendments filed with this registration statement, under the Securities Act with respect to the shares of our common stock to be sold in this offering. This prospectus does not contain all of the information set forth in the registration statement and exhibits and schedules to the registration statement. For further information with respect to us and the shares of our common stock to be sold in this offering, reference is made to the registration statement, including the exhibits and schedules to the registration statement. Statements contained in this prospectus as to the contents of any contract or other document referred to in this prospectus are not necessarily complete and, where that contract is an exhibit to the registration statement, each statement is qualified in all respects by reference to the exhibit to which the reference relates. Copies of the registration statement, including the exhibits and schedules to the registration statement, may be examined without charge at the public reference room of the Securities and Exchange Commission, 450 Fifth Street, N.W. Room 1024, Washington, DC 20549. Information about the operation of the public reference room may be obtained by calling the Securities and Exchange Commission at 1-800-SEC-0300. Copies of all or a portion of the registration statement can be obtained from the public reference room of the Securities and Exchange Commission upon payment of prescribed fees. Our Securities and Exchange Commission filings, including this registration statement, are also available to you on the Securities and Exchange Commission's Web site www.sec.gov.

We are subject to the informational requirements of the Exchange Act, and in accordance with the Exchange Act have filed annual, quarterly and current reports and other information with the Securities and Exchange Commission. You may read and copy any documents filed by us at the address set forth above.

You may request copies of the filings, at no cost, by telephone at (516) 767-6492 or by mail at: Cedar Shopping Centers, Inc., 44 South Bayles Avenue, Port Washington, New York 11050, Attention: Investor Relations.

INDEX TO CONSOLIDATED FINANCIAL INFORMATION

Cedar Shopping Centers, Inc.

Pro Forma Condensed Combined Balance Sheet
As of June 30, 2003

The following unaudited Pro Forma Condensed Combined Balance Sheet is presented as if the Company had completed the offering transaction, acquired the properties and the management companies and completed the refinancing transactions all on June 30, 2003. This Pro Forma Condensed Combined Balance Sheet should be read in conjunction with the Pro Forma Condensed Combined Statement of Operations of the Company and the historical financial statements and notes thereto of the Company included in this prospectus for the six months ended June 30, 2003. The Pro Forma Condensed Combined Balance Sheet is unaudited and is not necessarily indicative of what the actual financial results would have been had the Company completed the offering transaction, acquired the properties and the management companies and completed the refinancing transactions on June 30, 2003, nor does it purport to represent the future financial position of the Company.

Description	Cedar Shopping Centers Inc. Historical (a)	Draw on the Line of Credit (b)	This Offering (b)	Acquisition of the Remaining 50% Ownership of The Point Shopping Center (c)	Acquisition of Golden Triangle Shopping Center (d)
Assets					
Real estate, net	$168,515,000	$ —	$ —	$ 1,275,998	$ 11,317,118
Cash and cash equivalents	1,117,000	13,440,000	168,750,000	(2,400,000)	(13,880,000)
		(1,000,000)	(15,187,500)		
Cash at joint ventures and restricted cash	2,818,000	—	—	—	—
Property deposits	3,438,000	—	—	—	—
Real estate tax deposits	1,015,000	—	—	—	—
Rents and other receivables, net	495,000	—	—	—	—
Prepaid expenses, net	853,000	—	—	—	—
Deferred rental income	739,000	—	—	—	—
Deferred charges, net	3,506,000	1,000,000	—	—	662,882
Total assets	$182,496,000	13,440,000	$153,562,500	$ (1,124,002)	$ (1,900,000)
Liabilities and Shareholders' Equity					
Liabilities					
Mortgage Notes Payable	$130,566,000	$ —	$ —	$ —	$ —
Line of Credit	—	13,440,000	—	—	—
Loan Payable	9,767,000	—	—	—	—
Loan payable (repayment with offering proceeds)	—	—	—	—	—
Accounts payable and accrued expenses	2,380,000	—	—	—	—
Security Deposits	427,000	—	—	—	—
Deferred Liabilities	6,581,000	—	—	—	—
Advance Rents	917,000	—	—	—	—
Total liabilities	150,638,000	13,440,000	—	—	—
Minority interest	18,915,000		—	(1,124,002)	—
Limited partner's interest in consolidated Operating Partnership	7,026,000	—	—	—	—
Series A preferred 9% convertible, redeemable Operating Partnership units	3,000,000	—	—	—	—
	10,026,000	—	—	—	—
Common stock	14,000	—	810,000	—	—
Accumulated other comprehensive loss	(276,000)	—	—	—	—
Additional paid in capital	3,179,000	—	152,752,500	—	(1,900,000)
Total shareholders' Equity	2,917,000	—	153,562,500	—	(1,900,000)
Total liabilities and shareholders' equity	$182,496,000	13,440,000	$153,562,500	$ (1,124,002)	$ (1,900,000)

Cedar Shopping Centers, Inc.
Pro Forma Condensed Combined Balance Sheet — (Continued)
As of June 30, 2003

The following unaudited Pro Forma Condensed Combined Balance Sheet is presented as if the Company had completed the offering transaction, acquired the properties and the management companies and completed the refinancing transactions all on June 30, 2003. This Pro Forma Condensed Combined Balance Sheet should be read in conjunction with the Pro Forma Condensed Combined Statement of Operations of the Company and the historical financial statements and notes thereto of the Company included in this prospectus for the six months ended June 30, 2003. The Pro Forma Condensed Combined Balance Sheet is unaudited and is not necessarily indicative of what the actual financial results would have been had the Company completed the offering transaction, acquired the properties and the management companies and completed the refinancing transactions on June 30, 2003, nor does it purport to represent the future financial position of the Company.

Description	Acquisition of Valley Plaza Shopping Center (e)	Acquisition of Pine Grove Shopping Center (f)	Acquisition of Huntingdon Plaza Shopping Center (g)	Acquisition of the Wal-Mart Shopping Center (h)	Acquisition of Swede Square (i)
Assets					
Real estate, net	$ —	$ 51,056	$ 4,598,282	$ 12,795,564	$ 177,457
Cash and cash equivalents	(3,462,000)	(2,175,000)	(2,100,000)	(3,921,250)	(8,865,200)
Cash at joint ventures and restricted cash	—	—	—	—	—
Property deposits	—	—	—	—	—
Real estate tax deposits	—	—	—	—	—
Rents and other receivables, net	—	—	—	—	—
Prepaid expenses, net	—	—	—	—	—
Deferred rental income	—	—	—	—	—
Deferred charges, net	—	—	—	—	—
Total assets	$ (3,462,000)	$ (2,123,944)	$ 2,498,282	$ 8,874,314	$ (8,687,743)
Liabilities and Shareholders' Equity					
Liabilities					
Mortgage Notes Payable	$ (3,462,000)	$ —	$ —	$ 5,443,750	$ (5,560,000)
Line of Credit	—	—	2,400,000	—	—
Loan Payable	—	—	—	2,931,250	—
Loan payable (repayment with offering proceeds)	—	—	—	(2,931,250)	—
Accounts payable and accrued expenses	—	—	—	—	—
Security Deposits	—	—	—	—	—
Deferred Liabilities	—	—	98,282	3,595,564	—
Advance Rents	—	—	—	—	—
Total liabilities	(3,462,000)	—	2,498,282	9,039,314	(5,560,000)
Minority interest	—	(2,123,944)	—	(825,000)	(3,010,543)
				825,000	
Limited partner's interest in consolidated Operating Partnership					
Series A preferred 9% convertible, redeemable Operating Partnership units	—	—	—	—	—
Common stock	—	—	—	—	—
Accumulated other comprehensive loss	—	—	—	—	—
Additional paid in capital	—	—	—	(165,000)	(117,200)
Total shareholders' Equity	—	—	—	(165,000)	(117,200)
Total liabilities and shareholders' equity	$ (3,462,000)	$ (2,123,944)	$ 2,498,282	$ 8,874,314	$ (8,687,743)

Cedar Shopping Centers, Inc.
Pro Forma Condensed Combined Balance Sheet — (Continued)
As of June 30, 2003

The following unaudited Pro Forma Condensed Combined Balance Sheet is presented as if the Company had completed the offering transactions, acquired the properties and the management companies and completed the refinancing transactions all on June 30, 2003. This Pro Forma Condensed Combined Balance Sheet should be read in conjunction with the Pro Forma Condensed Combined Statement of Operations of the Company and the historical financial statements and notes thereto of the Company included in this prospectus for the six months ended June 30, 2003. The Pro Forma Condensed Combined Balance Sheet is unaudited and is not necessarily indicative of what the actual financial results would have been had the Company completed the offering transaction, acquired the properties and the management companies and completed the refinancing transactions on June 30, 2003, nor does it purport to represent the future financial position of the Company.

Description	South Philadelphia Shopping Center Transaction (j)	Acquisition of Columbus Crossing Shopping Center (k)	Acquisition of Riverview I, II & III Shopping Centers (k)	Acquisition of Lake Raystown Shopping Center (l)
Assets				
Real estate, net	$ 42,557,110	$ 25,109,884	$ 47,502,219	$ 8,287,202
Cash and cash equivalents	(41,560,000)	(8,000,000)	(54,900,000)	(1,900,000)
Cash at joint ventures and restricted cash	—	—	—	—
Property deposits	(3,438,000)	—	—	—
Real estate tax deposits	—	—	—	—
Rents and other receivables, net	—	—	—	—
Prepaid expenses, net	—	—	—	—
Deferred rental income	—	—	—	—
Deferred charges, net	—	1,390,116	1,997,781	—
Total assets	$ (2,440,890)	$ 18,500,000	$ (5,400,000)	$ 6,387,202
Liabilities and Shareholders' Equity	$ —	$ —	$ —	$ —
Liabilities	—	—	—	—
Mortgage Notes Payable	—	17,500,000	—	—
Line of Credit	—	1,000,000	—	5,600,000
Loan Payable	—	—	1,000,000	—
Loan payable (repayment with offering proceeds)	(3,480,000)	—	(1,000,000)	—
Accounts payable and accrued expenses	—	—	—	—
Security Deposits	—	—	—	—
Deferred Liabilities	1,279,110	—	—	787,202
Advance Rents	—	—	—	—
Total liabilities	(2,200,890)	18,500,000	—	6,387,202
Minority interest	—	—	—	—
Limited partner's interest in consolidated Operating Partnership	—	—	—	—
Series A preferred 9% convertible, redeemable Operating Partnership units	—	—	—	—
Common stock	—	—	—	—
Accumulated other comprehensive loss	—	—	—	—
Additional paid in capital	(240,000)	—	(5,400,000)	—
Total shareholders' Equity	(240,000)	—	(5,400,000)	—
Total liabilities and shareholders' equity	$ (2,440,890)	$ 18,500,000	$ (5,400,000)	$ 6,387,202

Cedar Shopping Centers, Inc.
Pro Forma Condensed Combined Balance Sheet — (Continued)
As of June 30, 2003

The following unaudited Pro Forma Condensed Combined Balance Sheet is presented as if the Company had completed the offering transactions, acquired the properties and the management companies and completed the refinancing transactions all on June 30, 2003. This Pro Forma Condensed Combined Balance Sheet should be read in conjunction with the Pro Forma Condensed Combined Statement of Operations of the Company and the historical financial statements and notes thereto of the Company included in this prospectus for the six months ended June 30, 2003. The Pro Forma Condensed Combined Balance Sheet is unaudited and is not necessarily indicative of what the actual financial results would have been had the Company completed the offering transaction, acquired the properties and the management companies and completed the refinancing transactions on June 30, 2003, nor does it purport to represent the future financial position of the Company.

Description	Pay-off of Hudson Realty/ SWH Financing (m)	Acquisition of Homburg OP Units (n)	Acquisition of Cedar Bay OP Units (o)	Acquisition of Mgmt Companies (p)
Assets				
Real estate, net	$ —	$ —	$ 1,974,000	$ —
Cash and cash equivalents	(8,000,000)	(3,960,000)	(9,000,000)	(1,450,000)
	2,350,000	—	—	—
Cash at joint ventures and restricted cash	—	—	—	—
Property deposits	—	—	—	—
Real estate tax deposits	—	—	—	—
Rents and other receivables, net	—	—	—	—
Prepaid expenses, net	—	—	—	—
Deferred rental income	—	—	—	—
Deferred charges, net	(405,972)	—	—	—
Total assets	$(6,055,972)	$(3,960,000)	$(7,026,000)	$(1,450,000)
Liabilities and Shareholders' Equity	$ —	$ —	$ —	$ —
Liabilities	—	—	—	—
Mortgage Notes Payable	—	—	—	—
Line of Credit	—	—	—	
Loan Payable	2,350,000	—	—	—
Loan payable (repayment with offering proceeds)	(7,750,000)	—	—	—
Accounts payable and accrued expenses	—	—	—	(1,000,000)
Security Deposits	—	—	—	—
Deferred Liabilities	—	—	—	—
Advance Rents	—	—	—	—
Total liabilities	(5,400,000)	—	—	(1,000,000)
Minority interest	—	—	—	—
Limited partner's interest in consolidated Operating Partnership	—	—	(7,026,000)	3,444,896
Series A preferred 9% convertible, redeemable Operating Partnership units	—	(3,000,000)	—	—
	—	(3,000,000)	(7,026,000)	3,444,896
Common stock				41,600
Accumulated other comprehensive loss				—
Additional paid in capital	(655,972)	(960,000)	—	(3,936,496)
Total shareholders' Equity	(655,972)	(960,000)	—	(3,894,896)
Total liabilities and shareholders' equity	$(6,055,972)	$(3,960,000)	$(7,026,000)	$(1,450,000)

Cedar Shopping Centers, Inc.
Pro Forma Condensed Combined Balance Sheet — (Continued)
As of June 30, 2003

The following unaudited Pro Forma Condensed Combined Balance Sheet is presented as if the Company had completed the offering transaction, acquired the properties and the management companies and completed the refinancing transactions all on June 30, 2003. This Pro Forma Condensed Combined Balance Sheet should be read in conjunction with the Pro Forma Condensed Combined Statement of Operations of the Company and the historical financial statements and notes thereto of the Company included in this prospectus for the six months ended June 30, 2003. The Pro Forma Condensed Combined Balance Sheet is unaudited and is not necessarily indicative of what the actual financial results would have been had the Company completed the offering transaction, acquired the properties and the management companies and completed the refinancing transactions on June 30, 2003, nor does it purport to represent the future financial position of the Company.

Description	Refinancing of Washington Center Mortgage(q)	Pay-off Selbridge Loans Payable(r)	Purchase of interest rate cap(s)	Pro Forma June 30, 2003
Assets				
Real estate, net	$ —	$ —	$ —	$324,160,890
Cash and cash equivalents	(592,000)	(887,000)	(1,300,000)	1,117,050
		—		
Cash at joint ventures and restricted cash	—	—	—	2,818,000
Property deposits	—	—	—	—
Real estate tax deposits	—	—	—	1,015,000
Rents and other receivables, net	—	—	—	495,000
Prepaid expenses, net	—	—	—	853,000
Deferred rental income	—	—	—	739,000
Deferred charges, net	592,000	—	1,300,000	10,042,807
Total assets	$ —	$ (887,000)	$ —	$341,240,747
Liabilities and Shareholders' Equity				
Liabilities				
Mortgage Notes Payable	—	—	—	144,487,750
	—	—		
Line of Credit		—	—	22,440,000
Loan Payable	—	(887,000)	—	—
Loan payable (repayment with offering proceeds)	—	—		
Accounts payable and accrued expenses	—	—	—	1,380,000
Security Deposits	—	—	—	427,000
Deferred Liabilities	—	—	—	12,341,158
Advance Rents	—	—	—	917,000
Total liabilities	$ —	$ (887,000)	—	$181,992,908
Minority interest		—	—	12,656,511
Limited partner's interest in consolidated Operating Partnership	—	—	—	3,444,896
Series A preferred 9% convertible, redeemable Operating Partnership units	—	—	—	—
Common stock				865,600
Accumulated other comprehensive loss				(276,000)
Additional paid in capital	—	—	—	142,556,832
Total shareholders' Equity	—	—	—	143,146,432
Total liabilities and shareholders' equity	$ —	$ (887,000)	—	$341,240,747

Cedar Shopping Centers, Inc.

Notes to Pro Forma Financial Statements

Pro Forma Condensed Combined Balance Sheet

a. Reflects the Company's historical balance sheet as of June 30, 2003.

b. Reflects the Company's offering of approximately 13,500,000 shares at $12.50 per share less costs to complete the equity transaction of approximately $15,187,500 and a draw on the line of credit of $13,440,000. The Company drew $1,000,000 of the line of credit to pay its arrangement fee.

c. Reflects the acquisition of the remaining 50% interest of The Point Shopping Center through use of proceeds of approximately $2,400,000.

d. Reflects the acquisition of the Golden Triangle Shopping Center for approximately $11,980,000 (including closing costs of $600,000) through use of proceeds of approximately $2,100,000 and the assumption of a mortgage note payable of approximately $9,880,000. Simultaneously with the assumption of the mortgage the Company will pay-off the mortgage with a defeasance payment of $1,900,000. Included in real estate is an additional asset of $662,882 related to a FAS 141/142 adjustment.

e. Reflects the pay-off of the loan payable associated with Valley Plaza Shopping Center for approximately $3,462,000 of proceeds.

f. Reflects the pay-off of the limited partner's equity associated with Pine Grove Shopping Center for approximately $2,175,000 of proceeds.

g. Reflects the acquisition of Huntingdon Plaza Shopping Center for approximately $4,500,000 (including closing costs of $500,000) through use of proceeds of approximately $2,100,000 and the draw down on the line of credit in the amount of $2,400,000. Included in real estate is a liability of $98,282 related to a FAS 141/142 adjustment.

h. Reflects the acquisition of Wal-Mart Shopping Center for approximately $9,365,000 (including closing costs of $875,000) through a mortgage in the amount of $5,443,750, a loan in the amount of $2,931,250 and a limited partner contribution of $825,000. At the offering, the Company through use of proceeds will pay off the loan in the amount of $2,931,250 and the limited partner interest of $825,000, including an exit fee of $165,000. Included in real estate is a liability of $3,595,564 related to a FAS 141/142 adjustment.

i. Reflects the pay-off of the limited partner's equity associated with Swede Square for approximately $3,188,000 of proceeds and the pay-off of the mortgage with use of proceeds of approximately $5,609,000, plus a penalty of $117,200.

j. Reflects the South Philadelphia Shopping Center for approximately $41,600,000 (including closing costs of approximately $2,600,000) through use of proceeds of approximately $41,320,000. Included in real estate is a liability of $1,279,110 related to a FAS 141/142 adjustment.

k. Reflects the acquisition of Columbus Crossing Shopping Center and Riverview I, II & III Shopping Center for approximately $76,000,000 (including closing costs of $2,500,000) through use of proceeds of approximately $62,700,000 and obtaining a new mortgage note payable in the amount of $17,500,000, a draw on the line of $1,000,000, and a prepayment penalty in the amount of $5,200,000 paid in relation to paying off the then existing mortgage on the Riverview Property. Included in real estate is an additional asset of $3,387,897 related to a FAS 141/142 adjustment. The pro forma financial statements do not include a $5.2 million defeasance fee which will be recorded as interest expense on the Company's statement of operations. The intent of the accompanying pro forma statement of operations for the six month period ended June 30, 2003 and the year ended December 31, 2002 is to reflect the expected continuing impact of the pro-forma transactions, therefore the one time defeasance charge noted above has been excluded.

l. Reflects the acquisition of Lake Raystown Shopping Center for approximately $7,500,000 (including closing costs of $500,000) through use of proceeds of approximately $1,900,000 and the draw down on the line of credit in the amount of $5,600,000. Included in real estate is a liability of $787,202 related to a FAS 141/142 adjustment.

m. Reflects the obtaining of new financing of approximately $2,350,000 and then pay-off of loan payable related to Hudson Realty/ SWH financing of approximately $8,000,000 (including exit fee of $250,000), through use of proceeds.

n. Reflects the acquisition of the Series A preferred convertible redeemable partnership units for approximately $3,960,000, through use of proceeds (including a premium of 120% of liquidation value).

o. Reflects the acquisition of Cedar Bay's partnership units for approximately $9,000,000, through use of proceeds.

p. Reflects the $41,600 par value of the shares of common stock and the 346,667 units issued in connection with the termination of the management contracts with CBRA, SKR and Brentway Management, the payment of all accrued fees owed to the management companies of approximately $1,000,000 and the payment of $450,000 in advisory fees. For accounting purposes the mergers are not considered the acquisition of a "business" for the purposes of applying Financial Accounting Standards Board Statement 141 "Business Combinations." The pro forma financial statements do not include a one time $8.3 million operating expense and a $4.7 million compensation expense reflecting the issuance of common stock and/or units in the mergers and a $300,000 compensation expense to be funded by Mr. Leo Ullman related to income taxes payable by certain employees of the Company as a result of their receipt of stock in the mergers. The intent of the accompanying Pro Forma Statement of Operations for the six months ended June 30, 2003 and for the year ended December 31, 2002 is to reflect the expected continuing impact of the pro forma transactions, therefore the one time charge has been excluded.

q. Reflects the acquisition of an interest rate SWAP of LIBOR + 4.97% on the $5,863,000 mortgage for the remaining 3 years on the anticipated life of the mortgage and the subsequent buy down of the interest rate swap to LIBOR plus 2.5% related to the Washington Center Mortgage, from use of proceeds of $592,000.

r. Reflects the pay-off of a loan payable with Selbridge (an affiliate of CBC) related to the acquisition of the Red Lion Shopping Center of approximately $887,000.

s. Reflects the purchase of an interest rate cap on $40 million of the Company's floating rate debt (Libor Cap at 4 1/2% for 5 years) at a cost of approximately $1.3 million as of June 30, 2003.

Cedar Shopping Centers, Inc.

Pro Forma Condensed Combined Statement of Operations
For the six months ended June 30, 2003

The following unaudited Pro Forma Condensed Combined Statement of Operations is presented as if the Company completed the offering transaction, acquired the properties and the management companies and completed the refinancing transactions all as of January 1, 2003, and the Company qualified as a REIT, distributed 90% of its taxable income and, therefore, incurred no income tax expense during the period. This Pro Forma Condensed Combined Statement of Operations should be read in conjunction with the Pro Forma Condensed Combined Balance Sheet of the Company and the historical financial statements and notes thereto of the Company included in this prospectus for the six months ended June 30, 2003. The Pro Forma Condensed Combined Statement of Operations is unaudited and is not necessarily indicative of what the actual financial results would have been had the Company completed the offering transaction, acquired the properties and the management companies and completed the refinancing transactions all as of January 1, 2003, nor does it purport to represent the future financial position of the Company.

Description	Cedar Shopping Centers Inc. Historical (t)	Acquisition of the remaining 50% ownership of The Point Shopping Center (u)	Acquisition of Golden Triangle Shopping Center (v)
Revenues:			
Base rent	$11,203,000	$ —	$ 706,438
Interest and other	219,000	—	1,446
Total revenues	11,422,000	—	707,884
Expenses:			
Operating expenses	3,206,000	—	145,750
Real estate taxes	1,232,000	—	120,769
Administrative	1,172,000	—	—
Interest expense	4,290,000	—	—
Depreciation and amortization	1,767,000	—	—
Total operating expenses	11,667,000	—	266,519
Income (loss)	(245,000)	—	441,365
Limited partner's interest	449,000	—	—
Distribution to preferred shareholders	(21,000)	—	—
Minority interests	(422,000)	23,314	—
Net (loss) income	$ (239,000)	$ 23,314	$ 441,365
Basic and Diluted Net Income per Share	($0.02)		

Cedar Shopping Centers, Inc.
Pro Forma Condensed Combined Statement of Operations — (Continued)
For the six months ended June 30, 2003

The following unaudited Pro Forma Condensed Combined Statement of Operations is presented as if the Company completed the offering transaction, acquired the properties and the management companies and completed the refinancing transactions all as of January 1, 2003, and the Company qualified as a REIT, distributed 90% of its taxable income and, therefore, incurred no income tax expense during the period. This Pro Forma Condensed Combined Statement of Operations should be read in conjunction with the Pro Forma Condensed Combined Balance Sheet of the Company and the historical financial statements and notes thereto of the Company included in this prospectus for the six months ended June 30, 2003. The Pro Forma Condensed Combined Statement of Operations is unaudited and is not necessarily indicative of what the actual financial results would have been had the Company completed the offering transaction, acquired the properties and the management companies and completed the refinancing transactions all as of January 1, 2003, nor does it purport to represent the future financial position of the Company.

Description	Acquisition of Valley Plaza Shopping Center (w)	Acquisition of Pine Grove Shopping Center (x)	Acquisition of Huntingdon Plaza Shopping Center (y)	Acquisition of Wal-Mart Shopping Center (z)	Acquisition of Swede Square (aa)
Revenues:					
Base rent	$ 526,167	$ 284,672	$ 194,624	$ 492,934	$ 387,359
Interest and other	141	—	4,272	36,296	61,696
Total revenues	526,308	284,672	198,896	529,230	449,055
Expenses:					
Operating expenses	79,400	133,438	115,156	221,832	65,757
Real estate taxes	35,271	—	33,154	76,651	47,857
Administrative	—	—	—	—	—
Interest expense	—	(94,441)	—	—	(59,345)
Depreciation and amortization	—	(43,725)	—	—	(29,561)
Total operating expenses	114,671	(4,728)	148,310	298,483	24,708
Income (loss)	411,637	289,400	50,586	230,747	424,347
Limited partner's interest	—	—	—	—	—
Minority interests	—	—	—	—	—
Net (loss) income	$ 411,637	$ 289,400	$ 50,586	$ 230,747	$ 424,347
Basic and Diluted Net Income per Share					

Cedar Shopping Centers, Inc.
Pro Forma Condensed Combined Statement of Operations — (Continued)
For the six months ended June 30, 2003

The following unaudited Pro Forma Condensed Combined Statement of Operations is presented as if the Company completed the offering transaction, acquired the properties and the management companies and completed the refinancing transactions all as of January 1, 2003, and the Company qualified as a REIT, distributed 90% of its taxable income and, therefore, incurred no income tax expense during the period. This Pro Forma Condensed Combined Statement of Operations should be read in conjunction with the Pro Forma Condensed Combined Balance Sheet of the Company and the historical financial statements and notes thereto of the Company included in this prospectus for the six months ended June 30, 2003. The Pro Forma Condensed Combined Statement of Operations is unaudited and is not necessarily indicative of what the actual financial results would have been had the Company completed the offering transaction, acquired the properties and the management companies and completed the refinancing transactions all as of January 1, 2003, nor does it purport to represent the future financial position of the Company.

Description	South Philadelphia Shopping Center Transaction (bb)	Acquisition of the Columbus Crossing and Riverview I, II & III Shopping Centers (cc)	Acquisition of Lake Raystown Shopping Center (dd)	Pay-off of the Hudson Realty/SWH Financing (ee)	Acquisition of Halifax, Fairview and Newport Shopping Centers (ff)	Refinancing of Washington Center (gg)
Revenues:						
Base rent	$ 1,915,174	$4,082,404	$405,083	$ —	$136,585	$ —
Interest and other	357	586	718	—	29,162	—
Total revenues	1,915,531	4,082,990	405,801	—	165,747	—
Expenses:						
Operating expenses	270,093	691,769	103,177	—	34,783	—
Real estate taxes	228,646	246,305	25,389	—	16,991	—
Administrative	—	—	—	—	—	—
Interest expense	—	—	—	(384,380)	55,883	105,534
	—	—	—	—	—	(222,602)
Depreciation and amortization	—	—	—	(85,469)	28,700	98,667
Total operating expenses	498,739	938,074	128,566	(469,849)	136,357	(18,401)
Income (loss)	1,416,792	3,144,916	277,235	469,849	29,390	18,401
Limited partner's interest	—	—	—	—	(3,086)	—
Minority interests	—	—	—	—	(24,981)	—
Net (loss) income	$ 1,416,792	$3,144,916	$277,235	$ 469,849	$ 1,323	$ 18,401
Basic and Diluted Net Income per Share						

Cedar Shopping Centers, Inc.
Pro Forma Condensed Combined Statement of Operations — (Continued)
For the six months ended June 30, 2003

The following unaudited Pro Forma Condensed Combined Statement of Operations is presented as if the Company completed the offering transaction, acquired the properties and the management companies and completed the refinancing transactions all as of January 1, 2003, and the Company qualified as a REIT, distributed 90% of its taxable income and, therefore, incurred no income tax expense during the period. This Pro Forma Condensed Combined Statement of Operations should be read in conjunction with the Pro Forma Condensed Combined Balance Sheet of the Company and the historical financial statements and notes thereto of the Company included in this prospectus for the six months ended June 30, 2003. The Pro Forma Condensed Combined Statement of Operations is unaudited and is not necessarily indicative of what the actual financial results would have been had the Company completed the offering transaction, acquired the properties and the management companies and completed the refinancing transactions all as of January 1, 2003, nor does it purport to represent the future financial position of the Company.

Description	Acquisition of the Management Companies	Acquisition of the Cedar Bay Limited Partner Units (ll)	Acquisition of Homburg OP Units (mm)	Pro Forma Adjustments	Pro Forma June 30, 2003
Revenues:					
Base rent	$ —	$ —	$ —	$ 79,095(nn)	$20,117,369
	—	—	—	(296,166)(oo)	—
Interest and other	278,927(hh)	—	—	—	632,601
Total revenues	278,927	—	—	(217,071)	20,749,970
Expenses:					
Operating expenses	(550,941)(ii)	—	—	—	5,226,729
	710,515(jj)	—	—	—	—
		—	—	—	—
Real estate taxes	—	—	—	—	2,063,033
Administrative	794,000(kk)	—	—	—	1,500,000(mm)
	(466,000)(ii)	—	—	—	—
Interest expense	—	—	—	981,265(pp)	4,968,581
				296,667(qq)	
Depreciation and amortization	—	—	—	1,783,654(rr)	3,519,266
Total operating expenses	487,574	—	—	3,061,586	17,277,609
Income (loss)	(208,647)	—	—	(3,278,657)	3,472,361
Limited partner's interest	—	(445,914)	—	(71,644)(ss)	(71,644)
Distribution to preferred shareholders	—	—	21,000	—	—
Minority interests		—	—	—	(423,667)
Net (loss) income	$(208,647)	$ (445,914)	$ 21,000	$(3,350,301)	$ 2,977,050
Basic and Diluted Net Income per Share					$ 0.21(ss)

Pro Forma Condensed Combined Statement of Operations for the six months ended June 30, 2003

t. Reflects the historical operations of the Company for the six months ended June 30, 2003, as previously filed.

u. Reflects the acquisition of the remaining 50% interest in The Point Shopping Center for the six months ended June 30, 2003.

v. Reflects the operations of Golden Triangle Shopping Center for the six months ended June 30, 2003.

w. Reflects the operations of Valley Plaza Shopping Center for the six months ended June 30, 2003.

x. Reflects the operations of Pine Grove Shopping Center for the six months ended June 30, 2003, excluding amounts included in Cedar Shopping Centers, Inc. historical.

y. Reflects the operations of Huntingdon Plaza Shopping Center for the six months ended June 30, 2003.

z. Reflects the operations of Wal-Mart Shopping Center for the six months ended June 30, 2003.

aa. Reflects the operations of Swede Square for the six months ended June 30, 2003, excluding amounts included in Cedar Shopping Centers, Inc. historical.

bb. Reflects the operations of South Philadelphia Shopping Center for the six months ended June 30, 2003.

cc. Reflects the operations of Columbus Crossing Shopping Center and the Riverview I, II & III Shopping Centers for the six months ended June 30, 2003.

dd. Reflects the operations of Lake Raystown Shopping Center for the six months ended June 30, 2003.

ee. Reflects the pay-down of the Hudson Realty/ SWH loan payable for the six months ended June 30, 2003.

ff. Reflects the operations for Halifax, Fairview and Newport Shopping Centers for the period from January 1, 2003 through their respective dates of acquisitions.

gg. Reflects the acquisition and buydown of the interest rate SWAP related to the Washington Center mortgage:

	Interest Rate	Interest Expense
Original Mortgage	7.53%	$(222,602)
Interest rate SWAP after buydown	LIBOR + 2.5%	105,534
Amortization related to the fees paid for the buydown of the interest rate SWAP		98,667

hh. Reflects the management fee income associated with the continuance of the management of the joint venture properties and properties outside of Cedar Shopping Centers, Inc., as follows:

Property	Management Fees	Minority Share	Fee Income
API Red Lion	$ 69,353	80%	$ 55,824
Loyal Plaza	49,294	75%	36,971
Halifax, Newport & Fairview	44,474	70%	31,132
Shore Mall	155,000		155,000
	$ 318,121		$278,927

ii. Reflects the elimination of management, advisory fees and legal fees paid to CBRA, SKR Management and other third party management, as a result of the consummation of the mergers, as follows:

Entity	Management Fees	Cedar Shopping Centers	Legal and Advisory
Cedar Shopping Centers	$ 393,000	Legal	$ 82,000
Golden Triangle	20,161	Advisory fees	384,000
Valley Plaza	12,000		$466,000
Pine Grove	21,863		
Huntingdon Plaza	27,800		
Wal-Mart	19,109		
Swede Square	3,508		
South Philadelphia	24,000		
Lake Raystown	29,500		
	$ 550,941		

jj. Reflects the management costs incurred to operate all of the new acquisition properties.

kk. Represents additional estimated general and administrative costs expected to be incurred as a result of the mergers and the acquisition of the new properties. Components of such costs are as follows:

Description	For the Six Months Ended June 30, 2003
Employee compensation	$ 1,200,000
Other General and administrative costs	300,000
	$ 1,500,000

ll. Reflects the acquisition of CBC's partnership units.

mm. Reflects the acquisition of all of the Preferred Units.

nn. Reflects the increase in the straight line rental income associated with the acquisitions of Valley Plaza, Pine Grove, Wal-Mart, Swede Square, South Philadelphia, Golden Triangle, Lake Raystown, Huntingdon Plaza, Riverview and Columbus Crossing as follows:

Property	As acquired Straight Line Adjustment	Straight Line Adjustment as Acquired on January 1, 2003	Pro Forma Adjustment
Golden Triangle	$ 7,403	$ 2,889	$ (4,514)
Valley Plaza	9,501	21,557	12,056
Pine Grove	19,600	3,850	(15,750)
Huntingdon Plaza	1,034	1,832	798
Wal-Mart	22,579	28,512	5,933
Swede Square	6,525	8,587	2,062
South Philadelphia	119,177	141,277	22,100
Columbus Crossing and Riverview I, II & III	83,868	136,178	52,310
Lake Raystown	10,301	14,401	4,100
			$ 79,095

oo. Reflects the FAS 141/142 adjustment to rental income related to the newly acquired properties.

pp. Reflects the increase in interest expense related to the acquisition of Golden Triangle, Valley Plaza, Pine Grove, Wal-Mart, Swede Square and Columbus Crossing as follows:

Property	Principal Amount	Interest Rate	Interest Expense for the Six Months Ended June 30, 2003
Valley Plaza	$ 6,429,800	LIBOR + 2.5%*(1)*	$ 115,736
Pine Grove	5,963,000	6.24%	186,046
Wal-Mart	5,443,750	LIBOR + 2.5%*(1)*	97,988
Draw on line of credit	22,440,000	LIBOR + 2.25%*(1)*	375,870
Columbus Crossing	17,500,000	LIBOR + 1.25%*(1)*	205,625
	$57,776,550		$ 981,265

(1) — As of June 30, 2003 the LIBOR rate is 1.10%.

qq. Reflects the amortization of the interest rate cap of $130,000 and the amortization on the fees related to the line of credit of $166,667 for January 1 through June 30, 2003, which is included in interest expense.

rr. Reflects the increase in depreciation expense associated with the acquisitions of Valley Plaza, Pine Grove, Wal-Mart, Swede Square, South Philadelphia, Golden Triangle, Lake Raystown, Huntingdon Plaza, Riverview, Columbus Crossing and for Halifax, Newport and Fairview from January 1, 2003 through their respective dates of acquisition as follows:

Property	Purchase Price Adjusted FAS 141/142	Depreciable Base(1)	Depreciation Expense for the Six Months Ended June 30, 2003
Golden Triangle	$11,317,118	$ 9,053,694	$ 113,171
Halifax, Newport and Fairview *(2)*	20,471,000	16,376,800	27,246
The Point	1,275,998	1,020,798	12,760
Valley Plaza	9,784,700	7,827,750	97,847
Pine Grove	8,065,080	6,452,064	80,651
Huntingdon Plaza	4,598,282	3,678,626	45,983
Wal-Mart	12,960,564	10,368,451	109,706
Swede Square	8,060,030	6,448,023	80,600
South Philadelphia	42,557,110	34,045,688	415,571
Columbus Crossing and Riverview I, II & III	72,612,103	58,089,682	717,247
Lake Raystown	8,287,202	6,629,762	82,872
			$ 1,783,654

ss. Represents the allocation of the limited partner's interest share of income. For purposes of the shares/units outstanding, the reverse split was calculated as 1 for 6 at June 30, 2003.

(1) — The depreciable base represents 80% of the purchase price of the property.

(2) — Represents the depreciation expense for the period from January 1, 2003 through the dates of acquisition.

Cedar Shopping Centers, Inc.

Pro Forma Condensed Combined Statement of Operations
For the twelve months ended December 31, 2002

The following unaudited Pro Forma Condensed Combined Statement of Operations is presented as if the Company completed the offering transaction, acquired the properties and the management companies and completed the refinancing transactions all as of January 1, 2002, and the Company qualified as a REIT, distributed 90% of its taxable income and, therefore, incurred no income tax expense during the period. This Pro Forma Condensed Combined Statement of Operations should be read in conjunction with the Pro Forma Condensed Combined Balance Sheet of the Company and the historical financial statements and notes thereto of the Company included in this prospectus for the twelve months ended December 31, 2002. The Pro Forma Condensed Combined Statement of Operations is unaudited and is not necessarily indicative of what the actual financial results would have been had the Company completed the offering transaction, acquired the properties and the management companies and completed the refinancing transactions all as of January 1, 2002, nor does it purport to represent the future financial position of the Company.

Description	Cedar Shopping Centers Inc. Historical (tt)	Completed Transactions (uu)	Acquisition of the remaining 50% ownership of The Point Shopping Center (vv)	Acquisition of Golden Triangle Shopping Center (ww)
Revenues:				
Base rent	$12,964,000	$8,277,000	$ —	$1,280,452
Interest and other income	25,000	—	—	—
Total revenues	12,989,000	8,277,000	—	1,280,452
Expenses:				
Operating expenses	2,313,000	2,279,550	—	236,217
Real estate taxes	1,527,000	701,000	—	233,102
Administrative	2,005,000	727,000	—	—
Interest expense	6,010,000	3,024,000	—	—
Depreciation and amortization	2,546,000	1,158,000	—	—
Total operating expenses	14,401,000	7,889,550	—	469,319
Income (loss)	(1,412,000)	387,450	—	811,133
Limited partner's interest	1,152,000	(386,000)	—	—
Minority interests	(159,000)	(273,000)	(99,617)	—
Loss on sale of properties	(49,000)	49,000	—	—
Net (loss) income	$ (468,000)	$ (222,550)	$ (99,617)	$ 811,133
Basic and Diluted Net Income per Share	($0.04)			

Cedar Shopping Centers, Inc.
Pro Forma Condensed Combined Statement of Operations — (Continued)
For the twelve months ended December 31, 2002

The following unaudited Pro Forma Condensed Combined Statement of Operations is presented as if the Company completed the offering transaction, acquired the properties and the management companies and completed the refinancing transactions all as of January 1, 2002, and the Company qualified as a REIT, distributed 90% of its taxable income and, therefore, incurred no income tax expense during the period. This Pro Forma Condensed Combined Statement of Operations should be read in conjunction with the Pro Forma Condensed Combined Balance Sheet of the Company and the historical financial statements and notes thereto of the Company included in this prospectus for the twelve months ended December 31, 2002. The Pro Forma Condensed Combined Statement of Operations is unaudited and is not necessarily indicative of what the actual financial results would have been had the Company completed the offering transaction, acquired the properties and the management companies and completed the refinancing transactions all as of January 1, 2002, nor does it purport to represent the future financial position of the Company.

Description	Acquisition of Valley Plaza Shopping Center (xx)	Acquisition of Pine Grove Shopping Center (yy)	Acquisition of Huntingdon Plaza Shopping Center (zz)	Acquisition of the Wal-Mart Shopping Center (aaa)	Acquisition of Swede Square (bbb)
Revenues:					
Base rent	$ 1,141,194	$ 767,061	$ 595,886	$ 1,076,255	$1,103,604
Other income	—	—	—	—	—
Interest	401	673	—	—	—
Total revenues	1,141,595	767,734	595,886	1,076,255	1,103,604
Expenses:					
Operating expenses	144,869	201,863	228,012	308,991	147,264
Real estate taxes	69,227	16,301	66,308	145,305	203,571
Administrative	—	—	—	—	—
Interest expense	—	—	—	—	—
Depreciation and amortization	—	—	—	—	—
Total operating expenses	214,096	218,164	294,320	454,296	350,835
Income (loss)	927,499	549,570	301,566	621,959	752,769
Limited partner's interest	—	—	—	—	—
Minority interests	—	—	—	—	—
Loss on sale of properties	—	—	—	—	—
Net (loss) income	$ 927,499	$ 549,570	$ 301,566	$ 621,959	$ 752,769
Basic and Diluted Net Income per Share					

Cedar Shopping Centers, Inc.
Pro Forma Condensed Combined Statement of Operations — (Continued)
For the twelve months ended December 31, 2002

The following unaudited Pro Forma Condensed Combined Statement of Operations is presented as if the Company completed the offering transaction, acquired the properties and the management companies and completed the refinancing transactions all as of January 1, 2002, and the Company qualified as a REIT, distributed 90% of its taxable income and, therefore, incurred no income tax expense during the period. This Pro Forma Condensed Combined Statement of Operations should be read in conjunction with the Pro Forma Condensed Combined Balance Sheet of the Company and the historical financial statements and notes thereto of the Company included in this prospectus for the twelve months ended December 31, 2002. The Pro Forma Condensed Combined Statement of Operations is unaudited and is not necessarily indicative of what the actual financial results would have been had the Company completed the offering transaction, acquired the properties and the management companies and completed the refinancing transactions all as of January 1, 2002, nor does it purport to represent the future financial position of the Company.

Description	South Philadelphia Shopping Center Transaction (ccc)	Acquisition of Columbus Crossing Shopping Center (ddd)	Acquisition of Riverview I, II & III Shopping Center (ddd)	Acquisition of Lake Raystown Shopping Center (eee)	Pay-off of the Hudson Realty/SWH Financing (fff)
Revenues:					
Base rent	$ 3,085,134	$2,576,713	$5,291,659	$822,010	$ —
Other income	—	—	—	—	—
Interest	1,280	—	—	—	—
Total revenues	3,086,414	2,576,713	5,291,659	822,010	—
Expenses:					
Operating expenses	459,453	310,672	580,822	188,222	—
Real estate taxes	364,208	147,264	345,259	51,054	—
Administrative	—	—	—	—	—
Interest expense	—	—	—	—	(298,903)
Depreciation and amortization	—	—	—	—	(503,940)
Total operating expenses	823,661	457,936	926,081	239,276	(802,843)
Income (loss)	2,262,753	2,118,777	4,365,578	582,734	802,843
Limited partner's interest	—	—	—	—	—
Minority interests	—	—	—	—	—
Loss on sale of properties	—	—	—	—	—
Net (loss) income	$ 2,262,753	$2,118,777	$4,365,578	$582,734	$ 802,843
Basic and Diluted Net Income per Share					

Cedar Shopping Centers, Inc.
Pro Forma Condensed Combined Statement of Operations — (Continued)
For the twelve months ended December 31, 2002

The following unaudited Pro Forma Condensed Combined Statement of Operations is presented as if the Company completed the offering transaction, acquired the properties and the management companies and completed the refinancing transactions all as of January 1, 2002, and the Company qualified as a REIT, distributed 90% of its taxable income and, therefore, incurred no income tax expense during the period. This Pro Forma Condensed Combined Statement of Operations should be read in conjunction with the Pro Forma Condensed Combined Balance Sheet of the Company and the historical financial statements and notes thereto of the Company included in this prospectus for the twelve months ended December 31, 2002. The Pro Forma Condensed Combined Statement of Operations is unaudited and is not necessarily indicative of what the actual financial results would have been had the Company completed the offering transaction, acquired the properties and the management companies and completed the refinancing transactions all as of January 1, 2002, nor does it purport to represent the future financial position of the Company.

Description	Acquisition of the Management Companies	Acquisition of the Cedar Bay Limited Partners Units (kkk)	Refinancing of Washington Center (lll)	Pro Forma Adjustments	Pro Forma December 31, 2002
Revenues:					
Base rent	$ —	$ —	$ —	$ 211,401(mmm)	$38,600,034
	—	—	—	(592,335)(nnn)	
Interest and other income	556,676(ggg)	—	—	—	584,030
Total revenues	556,676	—	—	(380,934)	39,184,064
Expenses:					
Operating expenses	(873,709)(hhh)	—	—	—	7,946,256
	1,421,030(iii)	—	—	—	
		—	—	—	
Real estate taxes	—	—	—	—	3,869,599
Administrative	838,000(jjj)	—	—	—	3,000,000(jjj)
	(570,000)(hhh)	—	—	—	
Interest expense	—	—	211,068	1,962,529(ooo)	11,056,823
	—	—	(445,204)	593,333(ppp)	
Depreciation and amortization	—	—	197,333	3,587,636(qqq)	6,985,029
Total operating expenses	815,321	—	(36,803)	6,143,498	32,857,707
Income (loss)	(258,645)	—	36,803	(6,524,432)	6,326,357
Limited partner's interest	—	(766,000)	—	(136,176)(rrr)	(136,176)
Minority interests		—	—	—	(531,617)
Loss on sale of properties	—	—	—	—	—
Net (loss) income	$ (258,645)	$(766,000)	$ 36,803	$(6,660,608)	$ 5,658,564
Basic and Diluted Net Income per Share					$ 0.39(rrr)

Pro Forma Condensed Combined Statement of Operations for the twelve months ended December 31, 2002

tt. Reflects the historical operations of the Company for the twelve months ended December 31, 2002, as previously filed.

uu. Reflects the income statement effect of the sale of Southpoint Parkway Center as of January 1, 2002, the acquisition of Loyal Plaza, Red Lion and Camp Hill for the period from January 1, 2002 through their dates of acquisition, for the refinancing of The Point Shopping Center mortgage from January 1, 2002 through the date of refinance and for Halifax, Newport and Fairview Shopping Centers for the period from January 1, 2002 through December 31, 2002 as filed in the 8-K dated April 17, 2003.

vv. Reflects the acquisition of the remaining 50% interest in The Point Shopping Center for the year ended December 31, 2002.

ww. Reflects the operations of Golden Triangle Shopping Center for the year ended December 31, 2002.

xx. Reflects the operations of Valley Plaza Shopping Center for the year ended December 31, 2002.

yy. Reflects the operations of Pine Grove Shopping Center for the year ended December 31, 2002.

zz. Reflects the operations of Huntingdon Plaza Shopping Center for the year ended December 31, 2002.

aaa. Reflects the operations of Wal-Mart Shopping Center for the year ended December 31, 2002.

bbb. Reflects the operations of Swede Square for the year ended December 31, 2002.

ccc. Reflects the operations of South Philadelphia Shopping Center for the year ended December 31, 2002.

ddd. Reflects the operations of the Columbus Crossing Shopping Center and Riverview I, II and III Shopping Centers for the year ended December 31, 2002.

eee. Reflects the operations of Lake Raystown Shopping Center for the year ended December 31, 2002.

fff. Reflects the pay-down of the Hudson Realty/ SWH loan payable for the year ended December 31, 2002.

ggg. Reflects the management fee income associated with the continued management of the joint venture properties and properties outside of Cedar Shopping Centers, Inc., as follows:

Property	Management Fees	Minority Interest	Minority Share
API Red Lion	$ 142,258	80%	$ 113,806
Loyal Plaza	102,141	75%	76,606
Halifax, Newport & Fairview	88,948	70%	62,264
Shore Mall	304,000		304,000
	$ 637,347		$ 556,676

hhh. Reflects the elimination of management, advisory fees and legal fees paid to CBRA, SKR Management and other third party management, as a result of the consummation of the mergers and the acquisition of the properties, as follows:

Entity	Management Fees	Cedar Shopping Centers	Legal and Advisory
Cedar Shopping Centers	$ 536,000	Legal	$210,000
Golden Triangle	40,866	Advisory fees	360,000
Valley Plaza	24,000		$570,000
Pine Grove	22,016		
Huntingdon Plaza	86,000		
Wal-Mart	41,911		
Swede Square	7,016		
South Philadelphia	48,000		
Lake Raystown	67,900		
	$ 873,709		

iii. Reflects additional management costs incurred to operate all of the new acquisition properties.

jjj. Represents the estimated general and administrative costs expected to be incurred as a result of the mergers. Components of such costs are as follows:

Description	For the Twelve Months Ended December 31, 2002
Employee compensation	$ 2,400,000
Other general and administrative costs	600,000
	$ 3,000,000

kkk. Reflects the acquisition of Cedar Bay's partnership units.

lll. Reflects the acquisition and buydown of the interest rate SWAP related to the Washington Center mortgage:

	Interest Rate	Interest Expense
Original Mortgage	7.53%	$(445,204)
Interest rate SWAP after buydown	LIBOR + 2.5%	211,068
Amortization related to the fee paid for the buydown of the interest rate SWAP		197,333

mmm. Reflects the increase in the straight line rental income associated with the acquisitions of Valley Plaza, Pine Grove, Wal-Mart, Swede Square, South Philadelphia, Golden Triangle, Lake Raystown, Huntingdon Plaza, Riverview I, II & III and Columbus Crossing as follows:

Property	As acquired Straight Line Adjustment	Straight Line Adjustment as Acquired on January 1, 2002	Pro Forma Adjustment
Golden Triangle	$ 2,586	$ 13,148	$ 10,562
Valley Plaza	17,823	37,476	19,653
Pine Grove	25,323	79,133	53,810
Huntingdon Plaza	633	1,783	1,150
Wal-Mart	35,303	41,872	6,569
Swede Square	7,229	9,494	2,265
South Philadelphia	116,836	148,853	32,017
Columbus Crossing and Riverview I, II & III	183,555	262,679	79,124
Lake Raystown	13,223	19,474	6,251
			$211,401

nnn. Reflects the FAS 141/142 adjustment to rental income related to the newly acquired properties.

ooo. Reflects the increase in interest expense related to the acquisition of Golden Triangle, Valley Plaza, Pine Grove, Wal-Mart, Swede Square and Columbus Crossing as follows:

Property	Principal Amount	Interest Rate	Interest expense for the Twelve Months ended December 31, 2002
Valley Plaza	$ 6,429,800	LIBOR + 2.5%*(1)*	$ 231,473
Pine Grove	5,963,000	6.24%	372,091
Wal-Mart	5,443,750	LIBOR + 2.5%*(1)*	195,975
Draw on line of credit	22,440,000	LIBOR + 2.25%*(1)*	751,740
Columbus Crossing	17,500,000	LIBOR + 1.25%*(1)*	411,250
	$57,776,550		$ 1,962,529

(1) As of June 30, 2003 the LIBOR rate is 1.10%.

ppp. Reflects the amortization of the interest rate cap of $260,000 and the amortization of the fees related to the use of the line of credit of approximately $333,333 from January 1, 2002 through December 31, 2002, which is included in interest expense.

qqq. Reflects the increase in depreciation expense associated with the acquisitions of Valley Plaza, Pine Grove, Wal-Mart, Swede Square, South Philadelphia, Golden Triangle, Lake Raystown, Huntingdon Plaza, Riverview I, II & III, Columbus Crossing and for Halifax, Newport and Fairview from January 1, 2002 through their respective dates of acquisition as follows:

Property	Purchase Price adjusted for FAS 141/142	Depreciable Base(1)	Depreciation expense for the Twelve Months ended December 31, 2003
Golden Triangle	$11,317,118	$ 9,053,694	$ 226,342
Halifax, Newport and Fairview	20,471,000	16,376,800	74,820
The Point	1,275,998	1,020,798	25,520
Valley Plaza	9,784,700	7,827,750	195,694
Pine Grove	8,065,080	6,452,064	161,302
Huntingdon Plaza	4,598,282	3,678,626	91,966
Wal-Mart	12,960,564	10,368,451	219,412
Swede Square	8,060,030	6,448,023	161,200
South Philadelphia	42,557,110	34,045,688	831,142
Columbus Crossing and Riverview I, II & III	72,612,103	58,089,682	1,434,494
Lake Raystown	8,287,202	6,629,762	165,744
			$ 3,587,636

rrr. Represents the allocation of the limited partner's interest share of income. For purposes of the shares/units outstanding, the reverse split was calculated on a 1 for 6 basis at June 30, 2003.

(1) — The depreciable base represents 80% of the purchase price of the property.

Report of Independent Auditors

The Board of Directors and Shareholders

Cedar Shopping Centers, Inc. (formerly known as Cedar Income Fund, Ltd.)

We have audited the accompanying consolidated balance sheets of Cedar Shopping Centers, Inc. (formerly known as Cedar Income Fund, Ltd.) as of December 31, 2002 and 2001, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the 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. (formerly known as Cedar Income Fund, Ltd.) at December 31, 2002 and 2001, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

New York, NY

March 16, 2003

Cedar Shopping Centers, Inc.

(formerly known as Cedar Income Fund, Ltd.)

Consolidated Balance Sheets

	December 31, 2002	December 31, 2001
		(Audited)
Assets		
Real estate		
Land	$ 24,741,000	$10,109,000
Buildings and improvements	98,893,000	47,513,000
	123,634,000	57,622,000
Less: accumulated depreciation	(2,396,000)	(674,000)
Real estate, net	121,238,000	56,948,000
Real estate held for sale	—	4,402,000
Cash and cash equivalents	3,827,000	2,245,000
Cash at joint ventures and restricted cash	2,883,000	2,030,000
Property deposits	344,000	—
Real estate tax deposits	627,000	642,000
Rents and other receivables, net	304,000	217,000
Prepaid expenses	496,000	131,000
Deferred rental income	432,000	48,000
Deferred charges, net	2,987,000	1,687,000
Total Assets	$133,138,000	$68,350,000
Liabilities and Shareholders' Equity		
Liabilities		
Mortgage loans payable	$ 93,537,000	$46,130,000
Loans payable	7,464,000	5,980,000
Accounts payable and accrued expenses	1,767,000	876,000
Security deposits	335,000	243,000
Deferred liabilities	5,195,000	—
Prepaid rents	468,000	255,000
Total Liabilities	108,766,000	53,484,000
Minority interests	10,238,000	2,235,000
Limited partner's interest in consolidated Operating Partnership	7,889,000	8,964,000
Series A preferred 9% convertible, redeemable Operating Partnership Units	3,000,000	—
	10,889,000	8,964,000
Shareholders' Equity		
Common stock ($.01 par value, 50,000,000 shares authorized, 694,411 and 694,111 shares issued and outstanding, respectively)	7,000	7,000
Accumulated other comprehensive loss	(65,000)	—
Additional paid-in-capital	3,303,000	3,660,000
Total Shareholders' Equity	3,245,000	3,667,000
Total Liabilities and Shareholders' Equity	$133,138,000	$68,350,000
Total Shareholders' Equity in the Company and limited partner's (equity) interest in Operating Partnership and minority interests	$ 24,372,000	$14,866,000

See the accompanying notes to consolidated financial statements.

Cedar Shopping Centers, Inc.

(formerly known as Cedar Income Fund, Ltd.)

Consolidated Statements of Operations

	Years Ended December 31,		
	2002	2001	2000
Revenues			
Rents	$12,964,000	$ 4,817,000	$3,037,000
Interest	25,000	282,000	179,000
Total Revenues	12,989,000	5,099,000	3,216,000
Operating Expenses			
Operating, maintenance and management	2,313,000	1,091,000	745,000
Real estate taxes	1,527,000	494,000	308,000
General and administrative	2,005,000	731,000	635,000
Depreciation and amortization	2,546,000	991,000	622,000
Interest expense	5,523,000	1,888,000	604,000
Total Operating Expenses	13,914,000	5,195,000	2,914,000
Operating (loss) income	(925,000)	(96,000)	302,000
Minority interests	(159,000)	(44,000)	8,000
Limited partner's interest	806,000	75,000	(192,000)
Loss on impairment	—	(1,342,000)	(204,000)
Gain on sale of properties	—	1,638,000	91,000
Loss on sale of properties	(49,000)	(296,000)	—
Net (loss) income before cumulative effect adjustment	(327,000)	(65,000)	5,000
Cumulative effect of change in accounting principles, net of limited partnership share of ($15,000)	—	(6,000)	—
Net (loss) income before extraordinary items	(327,000)	(71,000)	5,000
Extraordinary items			
Early extinguishment of debt (net of limited partner's share of $346,000, $188,000 and $32,000 in 2002, 2001 and 2000 respectively)	(141,000)	(76,000)	(18,000)
Net (loss)	$ (468,000)	$ (147,000)	$ (13,000)
Net (loss) earnings per share before cumulative effect adjustment	$ (0.47)	$ (0.09)	$ 0.01
Cumulative change in accounting principle per share	—	(0.01)	—
Net (loss) earnings per share before extraordinary item	(0.47)	(0.10)	0.01
Extraordinary (loss) per share	(0.20)	(0.11)	(0.02)
Net (loss) per share	(0.67)	$ (0.21)	$ (0.01)
Dividends to shareholders	$ —	$ —	$ 268,000
Dividends to shareholders per share	$ —	$ —	$ 0.30
Average number of shares outstanding	694,000	692,000	869,000

See the accompanying notes to consolidated financial statements.

Cedar Shopping Centers, Inc.

(formerly known as Cedar Income Fund, Ltd.)

Consolidated Statements of Shareholders' Equity

	Common Stock	Additional Paid-In Capital	Undistributed Net Income	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at December 31, 1999	$ 9,000	$ 5,234,000	$ —	$ —	$ 5,243,000
Net income	—	—	(12,000)	—	(12,000)
Dividends to shareholders	—	(280,000)	12,000	—	(268,000)
Treasury stock	(2,000)	(1,146,000)	—	—	(1,148,000)
Balance at December 31, 2000	7,000	3,808,000	—	—	3,815,000
Net loss	—	(148,000)	—	—	(148,000)
Dividends to shareholders	—	—	—	—	—
Balance at December 31, 2001	7,000	3,660,000	—	—	3,667,000
Net loss	—	(468,000)	—	—	(468,000)
Unrealized loss on change of in fair value of cash flow hedge	—	—	—	(65,000)	(65,000)
Dividends to shareholders	—	—	—	—	—
Issuance of warrants	—	100,000	—	—	100,000
Conversion of O.P. Units to stock	—	11,000	—	—	11,000
Balance at December 31, 2002	$ 7,000	$ 3,303,000	$ —	$ (65,000)	$ 3,245,000

See the accompanying notes to consolidated financial statements.

Cedar Shopping Centers, Inc.

(formerly known as Cedar Income Fund, Ltd.)

Consolidated Statement of Cash Flows

	Years Ended December 31,		
	2002	2001	2000
Cash Flow From Operating Activities			
Net loss	$ (468,000)	$ (148,000)	$ (12,000)
Adjustments to reconcile net (loss) to net cash provided by operating activities:			
Cumulative effect of change in accounting principle	—	21,000	
Minority interest	159,000	44,000	8,000
Distributions to minority interest partners	(1,185,000)	(100,000)	—
Limited partner's interest in Operating Partnership	(806,000)	(75,000)	192,000
Gain (loss) on sale of properties	49,000	(1,342,000)	(91,000)
Early extinguishment of debt	487,000	264,000	—
Depreciation and amortization	2,546,000	991,000	622,000
Impairment of real estate	—	1,342,000	204,000
Straight line rent	(385,000)	(48,000)	—
Changes in operating assets and liabilities:			
(Increase) decrease in rent and other receivables	(87,000)	39,000	(144,000)
(Increase) decrease in prepaid expenses	(365,000)	(30,000)	1,000
(Increase) decrease in taxes held in escrow	15,000	(489,000)	(147,000)
Increase in accounts payable and accrued expense	891,000	206,000	305,000
(Increase) in amounts due from related parties	—	—	11,000
Security deposits collected, net	92,000	176,000	(21,000)
Increase in prepaid rents	216,000	149,000	61,000
Net cash provided by operating activities	1,159,000	1,000,000	989,000
Cash Flow From Investing Activities			
Expenditures for real estate and improvements	(44,240,000)	(14,566,000)	(3,983,000)
Decrease (increase) in joint venture and restricted cash	(836,000)	5,788,000	(7,818,000)
Increase in property deposits	(344,000)		
Payment of deferred leasing costs	(313,000)	(313,000)	(32,000)
Net proceeds from sale of properties	4,353,000	6,562,000	2,983,000
Net cash (used in) investing activities	(41,380,000)	(2,529,000)	(8,850,000)
Cash Flow from Financing Activities			
Proceeds from mortgages	32,708,000	4,484,000	10,116,000
Principal portion of scheduled mortgage payments	(617,000)	(111,000)	(1,347,000)
Contributions from minority interest partners	9,030,000	—	—
Proceeds from sale of preferred units	3,000,000	—	—
Distributions to limited partner	—	—	(511,000)
Dividends paid	—	—	(268,000)
Reacquisition of treasury stock	—	—	(1,148,000)
Deferred financing and legal costs (net)	(2,318,000)	(922,000)	(956,000)
Net cash provided by financing activities	41,803,000	3,451,000	5,886,000
Net increase (decrease) in cash and cash equivalents	1,582,000	1,922,000	(1,975,000)
Cash and cash equivalents at beginning of the period	2,245,000	323,000	2,298,000
Cash and cash equivalents	$ 3,827,000	$ 2,245,000	$ 323,000
Supplemental Disclosure of Cash Activities			
Interest paid	$ 5,144,000	$ 2,017,000	$ 604,000
Supplemental Disclosure of Non-Cash Financing Activities:			
Assumption of mortgage loans payable	$ 16,800,000	$ 28,321,000	$ 9,300,000

See the accompanying notes to consolidated financial statements.

Note 1. Organization

Cedar Shopping Centers, Inc. (formerly known as Cedar Income Fund, Ltd.)("Cedar" or the "Company"), organized in 1984 and qualified to operate as a real estate investment trust ("REIT"), focuses on the ownership, operation and redevelopment of community and neighborhood shopping centers primarily located in the Pennsylvania and New Jersey area. As of December 31, 2002, the Company owned seven properties, aggregating approximately 1.8 million square feet of rentable space. The Company's tenant mix is dominated by supermarkets and other consumer necessity or value-oriented retailers.

The Company has no employees and accordingly relies on Cedar Bay Realty Advisors, Inc. and its affiliates (collectively, "CBRA") to manage the affairs of the Company. The Company is thus referred to as an "advised" REIT. Pursuant to the terms of an Administrative and Advisory Agreement and Property Management Agreement, CBRA provides the Company with acquisition, disposition, asset, construction and property management, leasing, advisory services, loan placement, certain legal services, accounting systems, professional and support personnel and office facilities. Leo S. Ullman, the Company's Chairman and Chief Executive Officer, is also the major shareholder of CBRA. Certain of the Company's other officers are also officers and employees of CBRA. The terms of the Agreements are further discussed in Note 9.

Cedar Income Fund Partnership, L.P. (the "Operating Partnership") is the entity through which the Company conducts substantially all of its business and owns (either directly or through subsidiaries) substantially all of its assets. As of December 31, 2002, Cedar owned an approximate 29% economic interest in, and is the sole general partner of, the Operating Partnership.

The Operating Partnership also has outstanding 3,300 Units of 9% Series A Cumulative Redeemable Perpetual Preferred Units with a $1,000 par value. The Series A Preferred Units were issued during 2002 to an investor at a price of $909.09 per unit. The Units are redeemable by the Operating Partnership at any time at a redemption price equal to 120% of par value plus an amount equal to all accumulated, accrued and unpaid distributions or dividends thereon to the date of redemption. Holders of the Series A Preferred Units have the right to exchange their Units for shares of the Company's common stock at prices ranging from $3.64 to $4.09 per common share. On January 3, 2002, 552 of such Preferred Units were converted to 138,000 shares of common stock at $3.64 per share.

As used herein, the "Company" refers to Cedar Shopping Centers, Inc. (formerly known as Cedar Income Fund, Ltd.) and its subsidiaries on a consolidated basis, including the Operating Partnership or, where the context so requires, Cedar Shopping Centers, Inc. (formerly known as Cedar Income Fund, Ltd.) only.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation Policy

The financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the disclosure of contingent assets and liabilities and the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

The consolidated financial statements of the Company include the accounts and operations of the Company and the Operating Partnership. The Operating Partnership has a 50% general partnership interest in The Point Shopping Center ("The Point"), a 20% general partnership interest in the Red Lion Shopping Center ("Red Lion") and a 25% general partnership interest in the Loyal Plaza Shopping Center ("Loyal Plaza"). Since the Company has operating control over the Operating Partnership, and the Operating Partnership exercises similar control over the other entities, all of the partnerships are included in the consolidated financial statements.

Rents and Other Receivables

Management has determined that all of the Company's leases with its various tenants are operating leases. Minimum rents are recognized on a straight-line basis over the terms of the related leases net of valuation adjustments based on management's assessment of credit, collection and other business risks. The excess of rents recognized over amounts contractually due is included in deferred rents receivable on the Company's balance sheets. The leases also typically provide for tenant reimbursements of common area maintenance and other operating expenses and real estate taxes. Ancillary and other property-related income is recognized in the period earned. The Company makes estimates as to the collectibility of its accounts receivables and assesses historical bad debts, customer creditworthiness, current economic trends and changes in customer payment patterns when evaluating the adequacy of its allowance for doubtful accounts. Such estimates have a direct impact on the Company's net income.

Real Estate Investments and Real Estate Held For Sale

Real estate investments are carried at cost less accumulated depreciation. The provision for depreciation and amortization has been calculated using the straight-line method based upon the following estimated useful lives of assets:

Buildings and Improvements	40 years
Tenant Improvements	Over the life of the lease

Expenditures for maintenance, repairs, and betterments that do not materially prolong the normal useful life of an asset are charged to operations as incurred and amounted to $827,000, $435,000 and $248,000 for 2002, 2001, and 2000, respectively.

Additions and betterments that substantially extend the useful lives of the properties are capitalized. Upon sale or other disposition of assets, the cost and related accumulated depreciation and amortization are removed from the accounts and the resulting gain or loss, if any, is reflected in net income. Real estate investments include capitalized interest and other costs on development and redevelopment activities and on significant construction in progress. Capitalized costs are included in the cost of the related asset and charged to operations through depreciation over the asset's estimated useful life. Interest capitalized amounted to $0, $181,000, and $92,000, in 2002, 2001, and 2000, respectively.

In October 2001, the FASB issued Statement of Accounting Standard No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 provides accounting guidance for financial accounting and reporting for the impairment or disposal of long-lived assets. SFAS 144 supersedes SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." It also supersedes the accounting and reporting provisions of Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" related to the disposal of a segment of a business. The Company adopted SFAS 144 on January 1, 2002. The adoption of SFAS 144 has had no material affect on the operations of the Company.

Real estate investments held for sale are carried at the lower of cost or fair value less cost to sell. Depreciation and amortization are suspended during the period held for sale.

Cash Equivalents

Cash and cash equivalents consist of cash in banks and short-term investments with original maturities of less than ninety days.

Cash at Joint Ventures and Restricted Cash

Joint venture partnership agreements require, among other things, that the Company maintain separate cash accounts for the operation of the joint venture and distributions to the general and limited partners are strictly controlled. These arrangements to date have not resulted in any significant liquidity shortfalls at the Company or the partnership level, however; the Company or any combination of the joint venture partnerships could suffer a liquidity crisis while other members of the group have sufficient liquidity. Cash at joint ventures amounted to $1.2 million at December 31, 2002.

The terms of the Company's mortgage agreements require it to deposit certain replacement and other reserves with its lenders. This restricted cash is generally available for property-level capital requirements for which the reserve was established. This cash is not, however, available to fund other property-level or Company-level obligations. Restricted cash amounted to $1.7 million at December 31, 2002.

Deferred Charges

Deferred charges consist of leasing commissions incurred in leasing the Company's properties. Such charges are amortized using the straight-line method over the term of the related lease. In addition, deferred charges include costs incurred in connection with securing long-term debt, including the costs of entering into interest rate protection agreements. Such costs are amortized over the term of the related agreement.

Derivative Financial Instruments

Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"), as amended. SFAS No. 133 establishes accounting and reporting standards for derivative instruments. This accounting standard requires the Company to measure derivative instruments at fair value and to record them in the Consolidated Balance Sheet as an asset or liability, depending on the Company's rights or obligations under the applicable derivative contract. The Company's derivative investments are primarily cash flow hedges that limit the base rate of variable rate debt. For cash flow hedges the ineffective portion of a derivative's change in fair value is immediately recognized in earnings, if applicable, and the effective portion of the fair value difference of the derivative is reflected separately in shareholders' equity as accumulated other comprehensive income (loss).

The Company utilizes derivative financial instruments to reduce exposure to fluctuations in interest rates. The Company has established policies and procedures for risk assessment and the approval, reporting and monitoring of derivative financial instrument activities. The Company has not, and does not plan to enter into derivative financial instruments for trading or speculative purposes. Additionally, the Company has a policy of only entering into derivative contracts with major financial institutions. The principal derivative financial instruments used by the Company are interest rate swaps and interest rate caps.

Fair Value of Financial Instruments

Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments" ("SFAS 107"), requires the Company to disclose fair value information of all financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate fair value. The Company's financial instruments, other than debt are generally short-term in nature and contain minimal credit risk. These instruments consist of cash and cash equivalents, rents and other receivables, and accounts payable. The carrying amount of these assets and liabilities in the consolidated balance sheets are assumed to be at fair value.

The carrying amounts of cash and cash equivalents approximates their fair value. The fair value of mortgage loans payable is estimated utilizing discounted cash flow analysis, using interest rates reflective of current market conditions and the risk characteristics of the loans. The following sets forth a comparison of the fair values and carrying values of the Company's financial instruments subject to the provisions of statement of Financial Accounting Standard No. 107 ("SFAS 107"):

	2002		2001	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Cash and Cash Equivalents	$ 3,827,000	$ 3,827,000	$ 2,245,000	$ 2,245,000
Cash at Joint Ventures and Restricted Cash	$ 2,883,000	$ 2,883,000	$ 2,030,000	$ 2,030,000
Liabilities				
Mortgage Loans Payable				
The Point	$19,864,000	$ 21,800,000	$17,900,000	$17,900,000
Academy Plaza	10,558,000	11,400,000	10,684,000	10,833,000
Washington Center	5,900,000	6,000,000	5,968,000	6,290,000
Port Richmond	11,439,000	12,100,000	11,577,000	11,767,000
Red Lion	16,715,000	19,400,000	—	—
Loyal Plaza	13,814,000	14,700,000	—	—
Camp Hill	14,000,000	14,000,000	—	—
L.A. Fitness	1,247,000	1,247,000		
	$93,537,000	$100,647,000	$46,129,000	$46,790,000
Loans payable	7,464,000	7,464,000	5,980,000	5,980,000

Earnings Per Share

In accordance with Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("SFAS 128"), basic EPS is computed by dividing income available to common shareowners by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. Since the Company reported a net loss in 2002, 2001 and 2000, the diluted EPS is not presented.

Stock Option Plans and Warrants

In December 2002, the Financial Accounting Standards Board, ("FASB") issued SFAS 148, "Accounting for Stock-Based Compensation-Transition and Disclosure" ("SFAS 148"). SFAS 148 amends SFAS 123 "Accounting for Stock-Based Compensation" ("SFAS 123") to provide alternative

methods of transition for an entity that voluntarily adopts the fair value recognition method of recording stock option expense. SFAS 148 also amends the disclosure provisions of SFAS 123 and APB Opinion No. 28. "Interim Financial Reporting" to require disclosure in the summary of significant accounting policies of the effects of an entity's accounting policy with respect to stock options on reported net income and earnings per share in annual and interim financial statements.

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123") establishes financial accounting and reporting standards for stock-based employee compensation plans, including all arrangements by which employees receive shares of stock or other equity instruments of the employer or the employer incurs liabilities to employees in amounts based on the price of the employer's stock. SFAS 123 defines a fair value based method of accounting for an employee stock option or similar equity instrument and encourages all entities to adopt that method of accounting for all of their employee stock compensation plans. However, it also allows an entity to continue to measure compensation cost using the intrinsic value based method of accounting prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("Opinion No. 25"). The Company has elected to continue using Opinion No. 25 and make pro forma disclosures of net income and earnings per share as if the fair value method of accounting defined in SFAS 123 had been applied.

The Company's Shareholders approved, in 1998, an incentive stock option plan authorizing the issuance of option grants for up to 500,000 shares. During 2001, the Company granted to each of its five directors options to purchase 10,000 shares at $3.50 per share, the market value of the Company's common stock on the date of the grant. The following table sets forth, on a pro forma basis, the net loss and net loss per share as if the fair value method of accounting defined in SFAS 123 had been applied.

Pro forma Basic Net Loss Per Share

	2002	2001	2000
Net loss as reported	$468,000	$147,000	$ 13,000
Adjustment to amortize the value of options granted	17,000	8,000	—
Pro forma loss	$485,000	$155,000	$ 13,000
Outstanding shares	694,000	692,000	869,000
Pro forma basic net loss per share	$ (0.70)	$ (0.22)	$ (0.01)

The Company accounts for non-employee stock-based awards in which goods or services are the consideration received for the equity instruments issued in accordance with SFAS 123 and EITF 96-18 Accounting for Equity Instruments That are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services, based on the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable with charges taken into operations over the period goods and services are received.

The Operating Partnership, in connection with the Red Lion acquisition, issued to ARC Properties, Inc. ("ARC"), a limited partner in API Red Lion Shopping Center Associates, warrants to purchase 250,000 shares of the Operating Partnership. The warrants, with an exercise price of $4.50 per unit, are subject to adjustment for, among other things, dividend payments, stock splits and reorganizations. The Warrants expire in May 2012, and vest 83,333 units in May 2002, 83,333 units in January 2003 and 83,333 units in January 2004. Such vesting is contingent upon ARC rendering certain services to the Company throughout the vesting period.

The first 83,333 Warrants issued were capitalized as part of the Red Lion transaction using the fair value method. The accounting treatment of the subsequent issuance of Warrants will be determined by future services performed by ARC. Approximately $173,000 was charged to operations during 2002. If ARC continues to provide services to the Company pursuant to the terms of the Warrant agreement, the remaining Warrants will be accounted for over the vesting period.

Recent Accounting Pronouncements

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). FIN 45 significantly changes the current practice in the accounting for, and disclosure of, guarantees. Guarantees and indemnification agreements meeting the characteristics described in FIN 45 are required to be initially recorded as a liability at fair value. FIN 45 also requires a guarantor to make significant new disclosures for virtually all guarantees even if the likelihood of the guarantor having to make payment under the guarantee is remote. The disclosure requirements within FIN 45 are effective for financial statements for annual or interim periods ending after December 15, 2002. The initial recognition and initial measurement provisions are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The Company is currently evaluating the effects of FIN 45 on the Company's results of operations or financial condition.

In January 2003, the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"), which explains how to identify variable interest entities ("VIE") and how to assess whether to consolidate such entities. The provisions of this interpretation are immediately effective for VIE's formed after January 31, 2003. For VIEs formed prior to January 31, 2003, the provisions of this interpretation apply to the first fiscal year or interim period beginning after June 15, 2003. Management has not yet determined whether any of its consolidated entities represent variable interest entities pursuant to such interpretation. Such determination could result in a change in the Company's consolidation policy related to such entities.

Reclassifications

Certain reclassifications have been made to the prior year consolidated financial statements to conform to the classifications used in the current year.

Intangible Lease Asset/ Liability

On July 1, 2001 and January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 141 "Business Combinations," and Statement of Financial Accounting Standards No. 142 "Goodwill and Intangibles", respectively. These standards govern business combinations and asset acquisitions, and the accounting for acquired intangibles. As part of the acquisition of real estate assets, the Company determines whether an intangible asset or liability related to above or below market leases, was acquired as part of the acquisition of the real estate. As a result of adopting the standards, amounts totaling $5,117,000 have been recorded as intangible lease liabilities, relating to above and below market lease arrangements for properties acquired in 2002. The intangible assets and liabilities are recorded at their estimated fair market values at the date of acquisition, and are amortized over the remaining term of the respective lease to rental income. Such amortization amounted to $146,000 during 2002. The weighted average amortization period for the intangible lease liabilities was approximately eight years.

These intangibles will be amortized as follows:

	Intangible Lease Liability
For the year ending December 31:	
2003	$ 719,000
2004	678,000
2005	642,000
2006	577,000
2007	591,000
Thereafter	1,764,000
	$ 4,971,000

Note 3. Real Estate and Accumulated Depreciation

The following is a summary of the Company's real estate held for investment at December 31:

	2002	2001
Land	$ 24,741,000	$10,109,000
Buildings	89,514,000	39,506,000
Redevelopment and Improvements	9,379,000	8,007,000
	123,634,000	57,622,000
Accumulated depreciation	(2,396,000)	(674,000)
Net real estate held for investment	$121,238,000	$56,948,000

During 2002, the Company completed the acquisition of four properties for an aggregate purchase price of approximately $60 million. The L.A. Fitness property is a ground up development project on which the Company expects to spend an additional $5 million. Construction financing in that amount was arranged before closing the acquisition. The Camp Hill Mall acquisition is a redevelopment project on which the Company expects to spend an additional $17 to $19 million. The Company is currently exploring joint venture or other financing partnership arrangements for this redevelopment. No assurances, however, can be given that such a joint venture or other financing can be arranged. The Company also sold the Southpoint office property in Jacksonville, Florida for $4,370,000. Impairment losses of $204,000 and $1,342,000 were recorded in 2000 and 2001, respectively, and a loss on sale of $49,000 was recognized in 2002.

The following table summarizes, on an unaudited pro forma basis, the combined results of operations of the Company for the years ended December 31, 2002 and 2001 as though the 2001 acquisitions of Washington Center Shops L.P., Port Richmond Associates, LLC, Academy Stores LP, and Greentree Road Inc., (all purchased on October 6, 2001) and the 2002 acquisitions of the Red Lion Shopping Center (purchased on June 1, 2002), Loyal Plaza (purchased on July 1, 2002), and Camp Hill Mall (purchased on November 20,2002) were completed as of January 1, 2001.

	2002	2001
Proforma revenues	$19,204,000	$19,796,000
Proforma net income (loss)	$ (97,000)	$ (53,000)
Proforma net income per common share	$ (0.14)	$ (0.08)
Common shares outstanding	694,000	692,000

The following table sets forth detail with respect to the properties owned by the Company at December 31, 2002:

Property Description	Initial Cost to Company		Subsequent Cost Capitalized	Gross Amount at Which Carried December 31, 2002		
	Land	Buildings & Improvements		Land	Buildings & Improvements	Total
The Point Shopping Center Harrisburg, PA	$ 2,700,000	$10,800,000	$9,101,000	$ 2,700,000	$19,901,000	$ 22,601,000
Red Lion Shopping Center Philadelphia, PA	4,213,000	16,531,000	3,000	4,213,000	16,534,000	20,747,000
Camp Hill Mall Camp Hill, PA	4,460,000	17,857,000	—	4,460,000	17,857,000	22,317,000
Loyal Plaza Williamsport, PA	3,852,000	15,620,000	—	3,852,000	15,620,000	19,472,000
Port Richmond Village Philadelphia, PA	2,942,000	11,769,000	137,000	2,942,000	11,906,000	14,848,000
Academy Plaza Philadelphia, PA	2,406,000	9,623,000	77,000	2,406,000	9,700,000	12,106,000
Washington Center Shoppes (1) Washington Township, NJ	2,061,000	7,314,000	61,000	2,061,000	7,375,000	9,436,000
LA Fitness Property Fort Washington, PA	2,107,000	—	—	2,107,000	—	2,107,000
Totals	$24,741,000	$89,514,000	$9,379,000	$24,741,000	$98,893,000	$123,634,000

[Additional columns below]

[Continued from above table, first column(s) repeated]

Property Description	Accumulated Depreciation	Amount of Encumbrance	Date Built	Date Acquired	Depreciation Life (years)
The Point Shopping Center Harrisburg, PA	$1,004,000	$19,864,000	1972	Jul-00	10-40
Red Lion Shopping Center Philadelphia, PA	244,000	16,715,000	1971	Jun-02	10-40
Camp Hill Mall Camp Hill, PA	51,000	14,000,000	1958	Nov-02	10-40
Loyal Plaza Williamsport, PA	195,000	13,814,000	1969	Jul-02	10-40
Port Richmond Village Philadelphia, PA	370,000	11,439,000	1988	Oct-01	10-40
Academy Plaza Philadelphia, PA	303,000	10,558,000	1965	Oct-01	10-40
Washington Center Shoppes (1) Washington Township, NJ	229,000	5,900,000	1979	Oct-01	10-40
LA Fitness Property Fort Washington, PA	—	1,247,000	N/A	Dec-02	N/A
Totals	$2,396,000	$93,537,000			

(1) Includes adjacent unencumbered development parcel.

The activity in real estate and accumulated depreciation for the years ending December 31:

	2002	2001	2000
Cost			
Beginning of year real estate balance	$ 57,622,000	$28,272,000	$19,186,000
Improvement additions	1,372,000	6,055,000	2,066,000
Acquisition of The Point property	—	—	13,500,000
Acquisition of Red Lion property	20,744,000	—	—
Acquisition of Loyal Plaza property	19,472,000	—	—
Acquisition of Camp Hill property	22,317,000	—	—
Acquisition of LA Fitness development property	2,107,000	—	
Acquisition of three supermarket-anchored shopping centers	—	36,114,000	—
Reclass Southpoint to “real estate held for sale‘	—	(8,111,000)	
Impairment loss	—	—	(2,715,000)
Sale of Broadbent	—	(4,708,000)	—
Sale of Germantown	—	—	(3,765,000)
End of Year	$123,634,000	$57,622,000	$28,272,000
Accumulated depreciation			
Beginning of year accumulated balance	$ 674,000	$ 4,177,000	$ 5,191,000
Additional depreciation expense this year	1,722,000	697,000	521,000
Reclass Southpoint to “real estate held for sale”	—	(2,702,000)	
Impairment property	—	—	(661,000)
Sale of Broadbent	—	(1,498,000)	—
Sale of Germantown	—	—	(874,000)
End of Year	$ 2,396,000	$ 674,000	$ 4,177,000

Note 4. Rentals Under Operating Leases

Annual minimum future rentals due to be received under non-cancelable operating leases in effect at December 31, 2002 are as follows:

	Minimum Future Rental Income
2003	$ 12,595,000
2004	11,636,000
2005	10,574,000
2006	9,225,000
2007	8,143,000
Thereafter	51,123,000
Total	$103,296,000

Total minimum future rentals do not include contingent rentals under certain leases based upon tenant’s sales volume or contributions to real estate taxes and operating costs. Such contingent rentals amounted to $2,990,000, $811,412, and $450,470 in 2002, 2001, and 2000, respectively.

Giant Food Stores accounted for 10% of rental income in 2002 and 2001. The Giant leases are generally guaranteed by Ahold N.V., a Netherlands corporation and Giant’s ultimate parent company. Recent published reports indicate there have been accounting irregularities at certain of Ahold’s U.S. and

foreign operations, which do not necessarily include the grocery stores, or the Giant supermarket affiliates. However, a reduction in Ahold's debt ratings may adversely affect the resulting value of the Company's properties having such tenancies.

Note 5. Commitments and Contingencies

The Company is a party to several legal actions, which arose in the normal course of business. Management does not expect there to be adverse consequences from these actions that would be material to the Company's financial position or results of operations.

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 petroleum product releases at such property and may be held liable to a governmental entity or to third parties for property damage and for investigation and cleanup costs incurred by such parties in connection with 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 substances, may adversely affect the owner's ability to sell or rent such property or to borrow using such property as collateral. In connection with the ownership, operation and management of real properties, the Company is potentially liable for removal or remediation costs, as well as certain other related costs, including governmental fines and injuries to persons and property.

With the exception of the Loyal Plaza environmental matter discussed below, the Company believes that environmental studies made with respect to substantially all of its properties has not revealed environmental liabilities that would have a material adverse affect on its business, results of operations and 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 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.

There are certain environmental contamination matters that affect the Loyal Plaza property. Those matters have been extensively reviewed by EMG of Baltimore, Maryland for Lehman Brothers Bank, FSB as lenders on the property; and in a Phase I report dated January 31, 2002, prepared by Brinkerhoff Environmental Services, Inc., retained by the Company. Additional reports have been prepared for the sellers by Civil and Environmental Consultants, Inc. of Pittsburgh, Pennsylvania.

The two principal matters involved are (i) certain petroleum-impacted soil at the newly-built, free-standing Eckerd drug store building on an outparcel of the property; and (ii) a concentration of dry cleaning solvents, tetrachloroethene (PCE) and trichloroethene (TCE), at levels in excess of amounts permitted by the Pennsylvania Department of Environmental Protection (PADEP).

Under loan agreements between the seller and its lender, the sellers had maintained an escrow deposit of $450,000 for clean up and testing of environmental contamination at the site. Pursuant to the purchase agreements for the purchase of the property by Loyal Plaza Associates L.P., the seller will remain liable for all costs up to and including a satisfactory "Release of Liability" letter issued by PADEP with respect to all such contamination at the property. Pursuant to the purchase agreement, the sellers increased the environmental escrow deposit to $950,000. Further, in the event that the escrows are insufficient to cover all required testing and remediation, the sellers have undertaken to expend any and all monies required to complete such testing and remediation including monitoring, etc. without limits as to time. The Company has obtained opinion of counsel to the effect that an anticipated "Release of Liability" letter from the PADEP will operate to relieve it of any further liability for remediation of the site under

Pennsylvania environmental statutes, or for any contamination identified in reports submitted to and approved by PADEP and shall not be subject to citizens' suits or other contribution actions.

Note 6. Mortgage Loans, Other Loans Payable, and Line of Credit

Mortgage loans outstanding consist of the following:

Property Description	Original Mortgage Amount	Effective interest rate	Maturity	December 31, 2002	December 31, 2001
The Point Shopping Center Harrisburg, PA	$20,000,000	7.625%	05/29/2012	$19,864,000	$17,900,000
Red Lion Shopping Center Philadelphia, PA	16,800,000	8.860%	02/01/2010	16,715,000	N/A
Camp Hill Mall(1) Camp Hill, PA	14,000,000	4.740%	11/22/2004	14,000,000	N/A
Loyal Plaza Williamsport, PA	13,877,000	7.180%	07/11/2011	13,814,000	N/A
Port Richmond Village Philadelphia, PA	12,000,000	7.174%	04/10/2007	11,439,000	11,577,000
Academy Plaza Philadelphia, PA	11,080,000	7.275%	03/10/2013	10,558,000	10,685,000
Washington Center Shoppes Washington Township, NJ	6,192,000	7.530%	11/11/2027	5,900,000	5,968,000
LA Fitness facility(2) Fort Washington, PA	5,000,000	LIBOR+ .275 points	12/31/2007	1,247,000	N/A
Totals	$98,949,000			$93,537,000	$46,130,000

(1) The interest rate on the entire loan amount is fixed via an interest rate swap at 4.74% through November 2003 and $7 million of the loan is fixed at that same rate through maturity. The remaining $7 million portion of the loan will float at the 30-day LIBOR rate plus 195 basis points from November 2003 through maturity. The Company has agreed in connection with this loan to maintain a minimum net worth of $13,000,000 (including minority and limited partner interests) and consolidated liquid assets of at least $1,000,000.

(2) The Company obtained a $5 million LIBOR based construction loan in connection with the LA Fitness development project. The loan is due on December 31, 2007, has a two-year extension option, and carries interest at LIBOR plus 275 basis points.

The net book value of real estate pledged as collateral for mortgage loans was approximately $121 million.

Line of credit, and loans and other notes payable are as follows:

During November 2002, the Company entered into a financing agreement with SWH Funding Corp. ("SWH") for a $6 million loan. The term of the SWH loan is through November 30, 2005 and the loan carries interest at the rate of 12.5% (14% from December 1, 2004 through maturity). The loan provides for monthly principal payments of $50,000 commencing January 1, 2003, a $2 million payment (the first prepayment) on April 1, 2003, continued payments of $50,000 on the fifth through 12th months and $60,000 from the 13th through 17th months. A $3 million (the second prepayment) is due on the

18th month, and monthly principal payments of $60,000 continue from the 19th month until the loan is fully amortized. The agreement provides for an alternative amortization schedule which the Company is considering adopting. Under the alternative amortization schedule the first prepayment is not required but the monthly principal payments are increased to $150,000 per month from April 1, 2003 through and including the 12th month and $200,000 commencing in the 13th month through the 17th month. If the second prepayment (of $3 million) is not made on the 18th month, the Borrower will be required to pay $250,000 per month commencing in the 19th month until the loan is fully amortized.

The Company's financial liquidity is provided by $3.8 million in cash and cash equivalents at December 31, 2002 and by the unused balance of its $1 million bank line of credit. In March 2003 the Company entered into a secured Line of credit that will contribute to its liquidity during 2003 (see below). The Company also believes that it has sufficient flexibility to fund the required payments in connection with the SWH financing, property level capital expenditures, tenant improvements, leasing costs and mortgage and other scheduled principal payments, including the $1.4 million (based on $150,000 alternative amortization schedule) due with respect to the SWH financing in 2003. The Company's ability, however, to meet these obligations is dependent in large part on its ability to attract a joint venture partner or suitable financing for the Camp Hill redevelopment project. Based on preliminary discussions with several potential partners, the Company believes it will be successful in arranging a transaction that will allow it to withdraw a significant portion of its equity investment in Camp Hill while retaining a substantial portion of the upside potential in the redevelopment. However, no assurances can be given that such an arrangement will ultimately be finalized.

In addition to the interest and principal payments, SWH received a funding fee equal to 5% of the loan amount ($300,000) at closing and will receive an exit fee of $120,000 if the loan is paid on or prior to February 28, 2004. If the loan is repaid after February 28, 2004, SWH will receive the sum of $120,000 plus the product of (i) $30,000 and (ii) the number of months between February 2004 and the date the loan is paid in full. The loan may be repaid at any time after six months in whole or in part without penalty. In the event of default, in addition to a default interest rate of 17.5%, Borrower will also be required to pay a late charge equal to 5% of the amount overdue.

The security for repayment of the SWH financing is the Company's equity interests in Port Richmond Village, Academy Plaza, Washington Center Shoppes, and the Camp Hill Mall.

The December 31, 2001 SWH loan balance of $5,980,000 was repaid during 2002.

In connection with the acquisition of the Red Lion partnership interest from a related party, the Company agreed to pay $888,000 in three equal annual installments of $296,000 plus interest at 7.5%.

In March 2002, the Company entered into a one-year $1 million unsecured line of credit facility with North Fork Bank, Melville, New York. The line of credit bore interest at the greater of 6% or the bank's prime rate plus 1%. The line of credit was repaid on January 26, 2003. The Company entered into a secured line of credit facility effective as of March 16, 2003 for a 1-year period at the same rates as the previous facility and with a $2 million limit, provided, however, that the additional $1 million will be available only when the SWH financing has been repaid.

Scheduled principal payments of debt outstanding at December 31, 2002 are as follows:

The combined aggregate future principal payments of mortgages, notes & loans at December 31, 2002 are as follows:

Year	Mortgages Payable	Line of Credit and Loans and other Notes Payable	Total
2003	$ 933,000	$2,273,000	$ 3,206,000
2004	15,017,000	2,996,000	18,013,000
2005	1,106,000	2,195,000	3,301,000
2006	1,193,000	—	1,193,000
2007	2,448,000	—	2,448,000
Thereafter	72,840,000	—	72,840,000
	$93,537,000	$7,464,000	$101,001,000

Note 7. Interest Rate Hedges

During 2002, the Company completed one interest rate swap transaction to hedge the Company's exposure to changes in interest rates with respect to $14 million of LIBOR based variable rate debt. The swap agreement provides for a fixed all-in rate of 4.74% (includes a credit spread of 1.95%). The swap agreement extends through November 19, 2003, on $7 million of notional principal and through November 19, 2004 on the remaining $7 million.

As of December 31, 2002, unrealized losses of $224,000 representing the change in fair value of the aforementioned swaps were reflected 29% or approximately $65,000 in accumulated other comprehensive loss, a component of shareholder's equity, and 71% or approximately $159,000 is reflected in the limited partner's interest.

The Company's interest rate hedges are designated as cash flow hedges and hedge the future cash outflows on debt. Interest rate swaps that convert variable payments to fixed payments, such as those held by the Company, as well as interest rate caps, floors, collars, and forwards are cash flow hedges. The unrealized gains/losses in the fair value of these hedges are reported on the balance sheet with a corresponding adjustment to either accumulated other comprehensive income or earnings. For cash flow hedges, the ineffective portion of a derivative's change in fair value is immediately recognized in earnings.

The following table summarizes the notional value and fair value of the Company's derivative financial instrument, interest rate swap, as of December 31, 2002:

Hedge	Type	Notational Value	Interest Rate	Term	Fair Value
Interest Rate Swap	Cash Flow Hedge	$14,000,000	4.74%	11/19/2002/11/19/2003	Combined Value
Interest Rate Swap	Cash Flow Hedge	$ 7,000,000	4.74%	11/19/2003/11/19/2004	$ 224,000

Note 8. Income Taxes

The Company believes that it has operated to qualify as a REIT under the Internal Revenue Code. Qualification as a REIT involves the application of technical and complex Code provisions for which there are only limited judicial and administrative interpretations. The determination of various factual matters and circumstances not entirely within the Company's control may affect its ability to qualify as a REIT. If the Company fails to qualify as a REIT, it will be subject to federal, state and local

income tax (including any applicable alternative minimum tax) on its taxable income at regular corporate rates and would not be allowed a deduction in computing its taxable income for amounts distributed to stockholders. In addition, unless entitled to relief under certain statutory provisions, the Company will be disqualified from treatment as a REIT for the four taxable years following the year during which qualification is lost.

The issuance of common stock to any shareholder who directly or indirectly, together with the four other largest shareholders of the Company, were to own, directly or indirectly, more than 50% of the outstanding shares the Company would fail to meet the "five or fewer" test (five or fewer individual shareholders owning more than 50%) for continued REIT status. The loss of REIT status, while creating no immediate income taxes for the Company or its shareholders, would mean, among other things, that the Company would be taxed as if it were a C corporation on future net taxable income and capital gains (See Note 9). Additionally, the Company would generally be disqualified from federal income taxation as a REIT for the four taxable years following disqualification. The Company does not presently expect to have taxable income for the year ended December 31, 2003, and as such does not contemplate paying dividends during 2003.

Note 9. Related Party Transactions

The Company has no employees and accordingly relies on CBRA and its affiliates to manage the affairs of the Company. The Company is thus referred to as an "advised" REIT. Pursuant to the terms of an Administrative and Advisory Agreement (the "Advisory Agreement"), CBRA provides the Company with management, acquisition, leasing, advisory services, accounting systems, professional and support personnel and office facilities. Leo S. Ullman, the Company's Chairman and Chief Executive Officer, is also the principal stockholder of CBRA. Certain of the Company's other officers are also officers and employees of CBRA.

The Advisory Agreement may be terminated (i) for cause upon not less than sixty days' prior written notice, and (ii) by vote of at least 75% of the independent Directors at the end of the third or fourth year of its five-year term in the event gross assets fail to increase by 15% per annum.

Pursuant to the Advisory Agreement, effective as of January 1, 2002, CBRA will earn a disposition or acquisition fee, as applicable, equal to 1% of the sale/purchase price; no other fees will be payable in connection with such transactions. All accrued acquisition fees are included in accounts payable at December 31, 2002.

The following is a schedule of acquisition and disposition fees paid, accrued, or deferred by the Company to CBRA:

Property	Deferred	Paid	Accrued	Total
2002 Transactions				
Southpoint	$ —	$ 47,000	$ —	$ 47,000
Red Lion	—	—	44,000	44,000
Loyal Plaza	—	—	183,000	183,000
Camp Hill	—	—	172,000	172,000
LA Fitness	—	60,000	—	60,000
Total	$ —	$107,000	$399,000	$506,000
2001 Transactions(1)				
Broadbent	$106,000	$ 53,000	$ —	$159,000
Corporate Center	37,000	19,000	—	56,000
The three supermarket-anchored shopping centers	—	348,000	—	348,000
Totals	$143,000	$420,000	$ —	$563,000
2000 Transaction				
Germantown	$ 53,000	$ 23,000	$ —	$ 76,000

(1) During 2001 the Advisory Agreement was modified and CBRA agreed to defer certain fees and to ultimately waive such fees if the Agreement is not terminated before December 31, 2004.

The following is a schedule of management, administrative, advisory, legal, leasing and loan placement fees paid to CBRA or its affiliates.

	Years ended December 31,		
	2002	2001	2000
Management Fees(1)	$536,000	$103,000	$70,000
Construction Management(2)	$ 20,000	$180,000	$28,000
Leasing Fees(3)	$135,000	$135,000	$44,000
Administrative and Advisory(4)	$360,000	$163,000	$98,000
Legal(5)	$210,000	$182,000	$33,000
Loan Placement Fees(6)	$100,000	$100,000	$ —

(1) Management fees are calculated at 3%-4% of prospective gross revenues.

(2) Construction management fees are calculated at 5% of construction costs.

(3) Leasing fees are calculated at 4%-4.5% of a new tenants' base rent.

(4) Administrative and advisory fees are equal to 1/2 of 3/4 of 1% of the estimated current value of real estate assets of the Company plus 1/12 of 1/4 of 1% of the estimated current value of all other assets of the Company.

(5) Legal fees are paid to an affiliate of CBRA for the services provided by Stuart H. Widowski, Esq., in-house counsel.

(6) Loan placement fees are calculated at 1% of the loan cost up to a maximum of $100,000.

During May 2002, the Company completed the acquisition, from an affiliate of Cedar Bay Company ("CBC") the sole Operating Partnership limited unit holder, of a 20% sole general partnership interest in the Red Lion. The Company's general partnership interest cost $1.2 million, payable $296,000 at closing with the balance payable in three equal annual installments plus interest at 7.5%. The investment was based on a property value of $23 million including a lease for certain vacant space from the seller, subject to a $16.8 million, 8.86% first mortgage loan due February 2010. The CBC affiliate retained an 11% limited partnership interest in Red Lion. The Company also purchased in 2000 a 50% general partnership interest in The Point from another affiliate of CBC who retains a 50% limited partnership interest.

Homburg Invest USA Inc. ("Homburg USA"), a wholly-owned U.S. subsidiary of Homburg Invest Inc. (approximately 62% owned by Mr. Richard Homburg), a real estate company listed on the Toronto (Canada) Stock Exchange, and which owns 21.6% of the Company's common shares outstanding, purchased on December 24, 2002 for $3 million, 3,300 convertible preferred Operating Partnership Units at $909.09 with a liquidation value of $1,000 each and a preferred distribution rate of 9%. The Board subsequently elected Mr. Homburg a Director of the Company to serve alongside Mr. Frank Matheson who is also a Director of the Company and an officer of Homburg Invest Inc.

The issuance of common stock to Homburg USA may result in the disqualification of the Company's status as a REIT in 2003. If Mr. Richard Homburg, directly or indirectly, together with the four other largest shareholders of the Company, were to own, directly or indirectly, more than 50% of the value of the Company, it would fail to meet the "five or fewer" test (five or fewer individual shareholders owning more than 50%) for continued REIT status. The loss of REIT status, while creating no immediate income taxes for the Company or its shareholders, would mean, among other things, that the Company would be taxed as if it were a "C" corporation on future net taxable income and capital gains. Additionally, the Company would generally be disqualified for federal income tax purposes as a REIT for the four taxable years following disqualification. The Company does not presently expect to have taxable income for the year ended December 31, 2003, and as such does not contemplate paying dividends during 2003.

Note 10. Selected Quarterly Financial Data

Year	Quarter Ended 3/31	6/30	9/30	12/31	Year Ended 12/31
2002					
Revenue	$2,510,000	$2,656,000	$3,614,000	$4,184,000	$12,964,000
Net (loss)	(53,000)	(226,000)	(60,000)	(129,000)	(468,000)
Basic and diluted net loss per share	$ (0.08)	$ (0.33)	$ (0.09)	$ (0.17)	$ (0.67)
2001					
Revenue	$ 983,000	$ 966,000	$ 861,000	$2,289,000	$ 5,099,000
Net (loss) income	(9,000)	336,000	(27,000)	(448,000)	(147,000)
Basic and diluted net (loss) income per share	$ (0.01)	$ 0.49	$ (0.04)	$ (0.65)	$ (0.21)
2000					
Revenue	$ 696,000	$ 601,000	$ 966,000	$ 953,000	$ 3,216,000
Net income (loss)	64,000	(56,000)	(28,000)	7,000	(13,000)
Basic and diluted net income (loss) per share	$ 0.07	$ (0.06)	$ (0.03)	$ 0.01	$ (0.01)

Note 11. Subsequent Events

In February 2003, the Company completed the acquisition of a 30% general partnership interest in three Giant supermarket-anchored shopping centers with an aggregate gross leaseable area of approximately 190,000 sq. ft., in the Pennsylvania area.

The centers cost approximately $19 million. The Company's general partnership interest cost $1.4 million and the limited partner, who is affiliated with the limited partner in the Loyal Plaza partnership, invested $3,740,000. The balance of the purchase price was financed by three separate mortgage loans aggregating approximately $15.9 million. One loan is for ten years with a fixed rate of 5.64% and the Company entered into interest rate swaps for the entire amounts and for the seven year terms of the other two of the loans, which results in a fixed rate of 6.43%. The blended interest rate for all three loans amounts to 6.09%.

The Company entered into a secured line of credit facility effective as of March 16, 2003 for a one year period with a $2 million limit, provided, however, that $1 million will be available only when the SWH financing has been repaid. The line bares interest on the outstanding balance at the greater of 6% or the bank's prime rate plus 1%.

Cedar Shopping Centers, Inc.

Consolidated Balance Sheet

	June 30, 2003	December 31, 2002
	(Unaudited)	
Assets		
Real estate		
Land	$ 34,575,000	$ 24,741,000
Buildings and improvements	137,856,000	98,893,000
	172,431,000	123,634,000
Less accumulated depreciation	(3,916,000)	(2,396,000)
Real estate, net	168,515,000	121,238,000
Cash and cash equivalents	1,117,000	3,827,000
Cash in joint ventures and restricted cash	2,818,000	2,883,000
Property deposits and prepaid closing costs	3,438,000	344,000
Real estate tax deposits	1,015,000	627,000
Rents and other receivables, net	495,000	304,000
Prepaid expenses, net	853,000	496,000
Deferred rent receivable	739,000	432,000
Deferred charges, net	3,506,000	2,987,000
Total Assets	$182,496,000	$133,138,000
Liabilities and Shareholders' Equity		
Liabilities		
Mortgage loans payable	$130,566,000	$ 93,537,000
Loans payable	9,767,000	7,464,000
Accounts payable and accrued expenses	2,380,000	1,767,000
Security deposits	427,000	335,000
Deferred liabilities	6,581,000	5,195,000
Advance tenant payments	917,000	468,000
Total Liabilities	150,638,000	108,766,000
Minority interests	18,915,000	10,238,000
Limited partner's interest in consolidated Operating Partnership	7,026,000	7,889,000
Series A preferred 9% convertible, redeemable Operating Partnership units	3,000,000	3,000,000
	10,026,000	10,889,000
Shareholders' Equity		
Common stock ($0.01 par value, 50,000,000 shares authorized, 1,427,000 and 1,389,000 shares issued and outstanding, respectively)	14,000	14,000
Accumulated other comprehensive loss	(276,000)	(65,000)
Additional paid-in capital	3,179,000	3,296,000
Total Shareholders' Equity	2,917,000	3,245,000
Total Liabilities and Shareholders' Equity	$182,496,000	$133,138,000
Total Shareholders' Equity in the Company and limited partner's (equity) interest in Operating Partnership and minority interests	$ 31,858,000	$ 24,372,000

See the accompanying notes to the consolidated financial statements.

Cedar Shopping Centers, Inc.

Consolidated Statements of Shareholders' Equity

(Unaudited)

	Common Stock		Additional	Un-	Accumulated	Total
	Shares	$0.01 par value	Paid-In Capital	Distributed Net Income	Other Comprehensive Loss	Shareholders' Equity
Balance at December 31, 2002	$1,427,000	$14,000	$3,296,000	$ —	$ (65,000)	$3,245,000
Unrealized (loss) on change of fair value of interest rate hedge	—	—	—	—	(211,000)	(211,000)
Issuance of warrants	—	—	27,000	—	—	27,000
Issuance of stock	400	4	95,000	—	—	95,000
Conversion of OP units to stock	2,800	28	500,000	—	—	500,000
Conversion of stock to OP units	(2,800)	(28)	(500,000)	—	—	(500,000)
Net (loss)	—	—	(239,000)	—	—	(239,000)
Balance at June 30, 2003	$1,427,400	$14,004	$3,179,000	$ —	$ (276,000)	$2,917,000

See the accompanying notes to the consolidated financial statements.

Cedar Shopping Centers, Inc.

Consolidated Statement of Operations

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Revenue				
Rents	$4,608,000	$1,977,000	$ 8,744,000	$ 3,854,000
Expense recoveries	1,397,000	674,000	2,459,000	1,297,000
Interest and other	133,000	5,000	219,000	16,000
Total Revenue	6,138,000	2,656,000	11,422,000	5,167,000
Expenses				
Operating, maintenance and management	1,476,000	603,000	3,206,000	1,207,000
Real estate taxes	612,000	304,000	1,232,000	593,000
General and administrative	649,000	305,000	1,172,000	554,000
Depreciation and amortization	926,000	561,000	1,767,000	1,112,000
Interest	2,252,000	1,535,000	4,290,000	2,456,000
Repayment fee	—	269,000	—	269,000
Total Expenses	5,915,000	3,577,000	11,667,000	6,191,000
Income (loss) before minority interests, limited partner's interest, distributions, and loss on sale	223,000	(921,000)	(245,000)	(1,024,000)
Minority interests	(288,000)	187,000	(422,000)	121,000
Limited partner's interest	46,000	556,000	449,000	677,000
Distribution to preferred shareholder (net of limited partner's interest of $48,000)	(21,000)	—	(21,000)	—
Loss on sale	—	(49,000)	—	(49,000)
Net loss	$ (40,000)	$ (227,000)	$ (239,000)	$ (275,000)
Net loss per share	$ (0.02)	$ (0.16)	$ (0.15)	$ (0.20)
Weighted average number of shares outstanding	1,658,000	1,386,000	1,620,000	1,386,000

See the accompanying notes to the consolidated financial statements.

Cedar Shopping Centers, Inc.

Consolidated Statement of Cash Flows

(Unaudited)

	For the Six Months Ended	
	June 30, 2003	**June 30, 2002**
Cash Flow From Operating Activities		
Net loss	$ (239,000)	$ (275,000)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Minority interests	422,000	(121,000)
Limited partner's interest in Operating Partnership	(449,000)	(331,000)
Loss on sale of Southpoint Parkway	—	49,000
Early extinguishment of debt	—	487,000
Distribution to minority interest partners	(580,000)	(598,000)
Distributions to Operating Partnership preferred unit holder	(68,000)	—
Depreciation and amortization	1,767,000	1,112,000
Deferred rent	(307,000)	(146,000)
Market rent	(313,000)	—
Changes in operating assets and liabilities:		
Increase in rent and other receivables	(191,000)	(269,000)
Increase in prepaid expenses	(357,000)	(550,000)
(Increase) decrease in taxes held in escrow	(388,000)	137,000
Increase in accounts payable and accrued expense	613,000	207,000
Increase (decrease) in security deposits collected, net	92,000	(16,000)
Increase in advance tenant payments	449,000	182,000
Net cash provided by (used in) operating activities	451,000	(132,000)
Cash Flow From Investing Activities		
Expenditures for real estate and improvements	(47,534,000)	(954,000)
(Increase) in property deposits and advance closing costs	(3,094,000)	(250,000)
Decrease in joint venture and restricted cash	65,000	352,000
Sale of Southpoint Parkway	—	4,353,000
Acquisition of Red Lion Associates	—	(3,175,000)
Net cash (used in) provided by investing activities	(50,563,000)	326,000
Cash Flow From Financing Activities		
Proceeds from mortgage financing	37,612,000	20,000,000
Repayment of mortgage financing	—	(17,900,000)
Contributions from minority interest partners	8,836,000	4,030,000
Proceeds from line of credit and other short term borrowings	2,880,000	500,000
Repayment of line of credit and other loans payable	(577,000)	(4,925,000)
Principal portion of scheduled mortgage payments	(583,000)	(166,000)
Deferred financing and legal costs, net	(766,000)	(1,340,000)
Net cash provided by financing activities	47,402,000	199,000
Net (decrease) increase in cash and cash equivalents	(2,710,000)	393,000
Cash and cash equivalents at beginning of the period	3,827,000	2,872,000
Cash and cash equivalents	$ 1,117,000	$ 3,265,000
Supplemental Disclosure of Cash Activities		
Interest paid	$ 4,173,000	$ 1,777,000

See the accompanying notes to the consolidated financial statements.

CEDAR SHOPPING CENTERS, INC.

Notes to Consolidated Financial Statements

June 30, 2003
(Unaudited)

Note 1. Organization and Basis of Presentation

Cedar Income Fund, Ltd. has changed its name to Cedar Shopping Centers, Inc., at the same time, the name of the Operating Partnership of which the Company is the sole general partner, has been changed from Cedar Income Fund Partnership, L.P. to Cedar Shopping Centers Partnership, L.P. The Board of Directors and management determined that the change of names more accurately reflects the nature of the current operations and activities of the Company and of the Operating Partnership.

On June 25, 2003, the Company announced a 2-for-1 split of the Company's common shares. The split was effected by paying a stock dividend of one new share for each share of common stock outstanding. The stock dividend was payable July 14, 2003 to shareholders of record on July 7, 2003. All of the accompanying financial statements have been adjusted to give retroactive effect to the stock dividend.

Cedar Shopping Centers, Inc. (the "Company"), organized in 1984 and qualified to operate as a real estate investment trust ("REIT"), focuses on the ownership, operation and redevelopment of community and neighborhood shopping centers located primarily in Pennsylvania. As of June 30, 2003, the Company owned 14 properties, aggregating approximately 2,361,000 square feet of rentable space. The Company has no administrative or executive employees and accordingly relies on Cedar Bay Realty Advisors, Inc. and its affiliates (collectively, "CBRA") to manage the affairs of, and provide other services to, the Company. The terms of the agreements and other information are further discussed in Note 7.

The accompanying interim unaudited financial statements have been prepared by the Company's management pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosure normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP") may have been condensed or omitted pursuant to such rules and regulations, although management believes that the disclosures are adequate to make the information presented not misleading. The unaudited financial statements as of June 30, 2003, and for the three and six month periods ended June 30, 2003 and 2002, include, in the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary to present fairly the financial information set forth herein. The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the year ending December 31, 2003. These financial statements should be read in conjunction with the Company's audited financial statements and the notes thereto included in the Company's Form 10-K for the year ended December 31, 2002.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the disclosure of contingent assets and liabilities and the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Cedar Shopping Centers Partnership, L.P. (the "Operating Partnership") is the entity through which the Company conducts substantially all of its business and owns (either directly or through subsidiaries) substantially all of its assets. The Company owns an approximate 30% economic interest in, and is the sole general partner of, the Operating Partnership. As of June 30, 2003, the consolidated financial statements of the Company include the accounts and operations of the Company and the Operating Partnership. The Operating Partnership has a 50% general partnership interest in The Point Shopping Center ("The Point"); a 20% general partnership interest in the Red Lion Shopping Center ("Red Lion"); a 25% general partnership interest in the Loyal Plaza Shopping Center ("Loyal Plaza"); a 30% general partnership interest in the three Giant supermarket-anchored shopping centers, Fairview Plaza ("Fairview"), Halifax Plaza ("Halifax"), and Newport Plaza ("Newport"); a 15% general partnership

interest in Pine Grove Plaza Shopping Center ("Pine Grove"); and a 15% general partnership interest in the Swede Square Shopping Center ("Swede Square").

In January 2003, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 46, "Consolidation of Variable Interest Entities". The Interpretation clarifies the application of existing accounting pronouncements to certain entities in which the equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The provisions of the Interpretation are immediately effective for all variable interest entities created after January 31, 2003. The Company has evaluated the effects of the issuance of the Interpretation on the accounting for its ownership interest in its joint venture partnerships created after January 31, 2003, and has concluded that all of the Company's joint ventures should be included in the consolidated financial statements. The Company is currently in the process of evaluating the impact that this Interpretation will have on its financial statements for all joint ventures created before January 31, 2003.

On April 30, 2003, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 149 ("SFAS 149"), "Amendment of Statement 133 on Derivative Instruments and Hedging Activities". SFAS 149 amends and clarifies the accounting guidance on (1) derivative instruments (including certain derivative instruments embedded in other contracts) and (2) hedging activities that fall within the scope of SFAS No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities". SFAS 149 also amends certain other existing pronouncements, which will result in more consistent reporting of contracts that are derivatives in their entirety, or that contain embedded derivatives that warrant separate accounting. SFAS 149 is effective (1) for contracts entered into or modified after June 30, 2003, with certain exceptions, and (2) for hedging relationships designated after June 30, 2003. The guidance is to be applied prospectively. Management does not expect the adoption of SFAS 149 to have a material impact on the Company's financial condition, results of operations or cash flows.

In May 2003, the FASB issued SFAS No. 150 ("SFAS 150"), "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". This Statement, which establishes standards for the classification and measurement of certain financial instruments with characteristics of both liabilities and equity, is effective for financial instruments entered into or modified after May 31, 2003 and otherwise is effective at the beginning of the first interim period starting after June 15, 2003. It is to be implemented by reporting the cumulative effect of a change in an accounting principle for financial instruments created before the issuance date of the Statement and still existing at the beginning of the interim period of adoption. Management is evaluating the impact SFAS 150 will have on the Company's financial condition, results of operations and cash flows.

In December 2002, the FASB issued SFAS No. 148 ("SFAS 148"), "Accounting for Stock-Based Compensation-Transition and Disclosure". SFAS 148 amends SFAS No. 123 ("SFAS 123"), "Accounting for Stock-Based Compensation", to provide alternative methods of transition for an entity that voluntarily adopts the fair value recognition method of recording stock option expense. SFAS 148 also amends the disclosure provisions of SFAS 123 and Accounting Principles Board ("APB") Opinion No. 28, "Interim Financial Reporting", to require disclosure in the summary of significant accounting policies of the effects of an entity's accounting policy with respect to stock options on reported net income and earnings per share in annual and interim financial statements.

SFAS 123, as amended by SFAS 148, establishes financial accounting and reporting standards for stock-based employee compensation plans, including all arrangements by which employees receive shares of stock or other equity instruments of the employer or the employer incurs liabilities to employees in amounts based on the price of the employer's stock. SFAS 123 defines a fair value based method of accounting for an employee stock option or similar equity instrument and encourages all entities to adopt that method of accounting for all of their employee stock compensation plans. However, it also allows an

entity to continue to measure compensation cost using the intrinsic value based method of accounting prescribed by APB Opinion No. 25 ("Opinion No. 25"), "Accounting for Stock Issued to Employees". The Company has elected to continue using Opinion No. 25 and to make pro forma disclosures of net income and earnings per share as if the fair value method of accounting defined in SFAS 123 had been applied.

In May 2002, the FASB issued SFAS No. 145 ("SFAS 145"), "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections". SFAS 145 generally provided for various technical corrections to previously issued accounting pronouncements. The only impact to the Company related to SFAS 145 provided that early extinguishment of debt, including the write-off of unamortized deferred loan costs, are generally no longer considered extraordinary items. The Company has adopted the provisions of SFAS 145 and has presented all previous early write-offs of unamortized loan costs as a component of interest expense.

In 1998, the Company's shareholders approved an incentive stock option plan authorizing the issuance of option grants for up to 1,000,000 shares. During 2001, the Company granted each of its five directors then in office options to purchase 20,000 shares at $1.75 per share, the market value of the Company's common stock on the date of the grant.

The following table sets forth, on a pro forma basis, the net loss and net loss per share as if the fair value method of accounting defined in SFAS 123 had been applied:

Pro Forma Basic Net Loss Per Share

	Six Months Ended June 30,	
	2003	2002
Net loss as reported	$ 239,000	$ 275,000
Adjustment to amortize the value of options granted	8,000	8,000
Pro forma net loss	$ 247,000	$ 283,000
Outstanding shares	1,427,000	1,389,000
Pro forma basic net loss per share	$ (0.17)	$ (0.20)

During August 2003, the Company expects to file a registration statement for a public offering of its common stock. In order to refinance the Company's expansion plans and to ensure that, in the event the public stock offering is not successful. The Company has the necessary resources until it can make other long-term financing arrangements, the Company requested, and received on July 24, 2003, a non-binding term sheet from Hudson Realty Capital Corporation, an affiliate of SWH Funding Corp. ("SWH"), to refinance the existing SWH loan. Although this financing has not been finalized as of the date of this filing, it is expected to provide the Company with approximately $2.0 million in cash after payment of certain fees. The term sheet also provides for a moratorium on principal payments for the first six months after the loan is closed. The Company has also arranged with Homburg Participaties B.V., an affiliate of Mr. Richard Homburg, a director of the Company, on a best efforts basis, to syndicate the proposed Philadelphia shopping center transaction in the event the Company is unable to consummate the public share offering or otherwise arrange appropriate financing. The Company also contemplates the possibility of selling one or more of its shopping centers to generate additional liquidity if required. There can be no assurances, however, that any of these arrangements will be successfully completed.

Note 2. Supplemental Cash Flow Disclosures

During the first quarter of 2003, 276,000 shares of common stock were issued in exchange for 552 Series A cumulative redeemable preferred Operating Partnership units, and 38,000 shares of common stock were issued at $2.50 per share to vendors for services rendered. During the second quarter of 2003, the 276,000 shares issued in the first quarter were converted back to 552 Series A cumulative redeemable preferred Operating Partnership units.

Note 3. Cash in Joint Ventures and Restricted Cash

Joint venture partnership agreements require, among other things, that the Company maintain separate cash accounts for the operation of each joint venture and that distributions to the general and limited partners be strictly controlled. These arrangements to date have not resulted in any significant liquidity shortfalls at the Company or the partnership level; however, the Company or any combination of the joint venture partnerships could experience a liquidity shortage while other members of the group have sufficient liquidity. Cash in joint ventures and restricted cash amounted to approximately $2,818,000 at June 30, 2003.

Note 4. Acquisition Activity

During June 2003, the Company acquired Valley Plaza Shopping Center ("Valley Plaza") in Hagerstown, MD, a 191,000 square foot shopping center, for approximately $9.5 million. The purchase price plus certain lender fees were financed by a $6.4 million two-year interest-only senior bank loan with interest at LIBOR plus 250 basis points, and a two-year $3.4 million junior bank loan with interest at 12.5% annually. Commitment fees of $65,000 for the senior bank loan and $346,000 for the junior bank loan were included in the loan amounts. Substantially all of the net cash flow from the property is required to be applied to the outstanding principal balance of the junior loan until it is paid in full. Additionally, the Company is required to pay an exit fee of $103,000 upon repayment. Homburg Invest Inc. ("Homburg Invest"), a real estate company listed on the Toronto (Canada) Stock Exchange, is entitled to receive one-half of the commitment fees and exit fees, and 4.75% of the interest payments on the junior loan in consideration for arranging the loan, and for providing the lender with certain repayment guarantees with respect to both loans. Homburg Invest owns 21.6% of the Company's common shares outstanding. Richard Homburg, a director of the Company, owns approximately 72% of Homburg Invest.

During April and May 2003, the Company acquired a 15% general partnership interest in both Pine Grove, a 79,000 square foot shopping center in Pemberton Township, NJ, and in Swede Square, a 95,000 square foot shopping center in East Norriton, PA. The purchase prices, including closing costs, for these properties, were approximately $8.0 million and $8.6 million, respectively. Pine Grove was financed by a seven-year LIBOR-based first mortgage loan for $6.0 million, with level principal payments of $12,500 per month. The Company entered into an interest rate swap with the lender fixing the interest rate at 6.24% annually for the term of the loan. Swede Square was purchased subject to a two-year, first mortgage loan with a balance of $5.6 million and fixed interest-only payments at 7.25% annually. The loan provides for additional borrowings up to a total loan amount of $7.5 million to provide for tenant improvements and leasing commissions as vacant space is occupied. Homburg Invest (Delaware) LLC, ("Homburg Delaware") the limited partner in these transactions and an affiliate of Richard Homburg, provided approximately $2.0 million and $3.0 million of the purchase price of the Pine Grove and Swede Square acquisitions, respectively. Homburg Delaware received a 10% placement fee on this $5.0 million investment and is entitled to receive a 12% preferential return before the Company receives any distributions. The Company, in addition to its 15% general partnership interest, received an option to purchase the limited partner interest at any time, provided the limited partner has received a 15% total annualized rate of return at the time the option is exercised by the Company.

In February 2003, the Company completed the acquisition of a 30% general partnership interest in three Giant supermarket-anchored shopping centers, Fairview, Newport and Halifax, with an aggregate gross leaseable area of approximately 190,000 square foot in the Harrisburg, Pennsylvania area. The centers cost approximately $20.8 million. The Company's general partnership interest cost $1.16 million and the limited partner, who is affiliated with the limited partner in the Loyal Plaza partnership, invested $3.74 million. The terms of the partnership agreement provide that the limited partner receive a preferential return of 12.5% on its investment before the Company is entitled to receive any distributions. The balance of the purchase price was financed by three separate mortgage loans aggregating approximately $15.9 million. The first loan, for $6.1 million with a term of ten years, has a fixed rate of 5.64% annually. The Company entered into interest rate swaps for the entire amount of the first loan, and for the seven-year terms of the other two loans (approximately $ 4.3 million and $5.5 million), resulting in a fixed rate of 6.43% annually. The blended interest rate for the three loans is 6.09% annually.

Note 5. Mortgage Loans, Other Loans Payable, and Line of Credit

Mortgage loans outstanding consist of the following:

Property	Original Amount	Interest Rate	Maturity	Balance outstanding at June 30, 2003	Balance outstanding at December 31, 2002
The Point Shopping Center Harrisburg, PA	$20,000,000	7.63%	May 2012	$19,722,000	$19,864,000
Red Lion Shopping Center Philadelphia, PA	16,800,000	8.86%	Feb 2010	16,652,000	16,715,000
Camp Hill Mall Camp Hill, PA	14,000,000	4.74%(1)	Nov 2004	14,000,000	14,000,000
Loyal Plaza Williamsport, PA	13,877,000	7.18%	Jul 2011	13,745,000	13,814,000
Port Richmond Village Philadelphia, PA	11,610,000	7.17%	Apr 2007	11,366,000	11,439,000
Academy Plaza Philadelphia, PA	10,715,000	7.13%	Mar 2013	10,490,000	10,558,000
Washington Center Shoppes Washington Township, NJ	6,236,000	7.53%	Nov 2027	5,863,000	5,900,000
LA Fitness facility(2) Fort Washington, PA	5,000,000	LIBOR+2.75%	Dec 2007	1,626,000	1,247,000
Fairview Plaza New Cumberland, PA	6,080,000	5.64%	Jan 2013	6,054,000	N/A
Halifax Plaza Halifax, PA	4,265,000	6.43%	Feb 2010	4,235,000	N/A
Newport Plaza Newport, PA	5,424,000	6.43%	Feb 2010	5,398,000	N/A
Pine Grove Shopping Center Pemberton Township, NJ	6,000,000	6.24%	Apr 2010	5,963,000	N/A
Swede Square Shopping Center East Norriton, PA	5,560,000	7.25%	May 2005	5,560,000	N/A

Property	Original Amount	Interest Rate	Maturity	Balance outstanding at June 30, 2003	Balance outstanding at December 31, 2002
Valley Plaza Shopping Center	6,430,000	LIBOR+2.50%	Jun 2005	6,430,000	N/A
Hagerstown, MD	3,462,000	12.50%	Jun 2005	3,462,000	
Totals	$135,459,000			$130,566,000	$93,537,000

(1) The interest rate on the entire loan amount is fixed via an interest rate swap at 4.74% through November 2003 and $7.0 million of the loan is fixed at that same rate through maturity. The remaining $7.0 million portion of the loan will float at the 30-day LIBOR rate plus 195 basis points from November 2003 through maturity. The Company has agreed in connection with this loan to maintain a minimum net worth of $13.0 million (including minority and limited partner interests) and consolidated liquid assets of at least $1.0 million.

(2) The Company obtained a $5.0 million LIBOR-based construction loan in connection with the LA Fitness development project. The loan is due on December 31, 2007, has a two-year extension option, and carries interest at LIBOR plus 275 basis points. Construction is scheduled to be completed during 2003.

During November 2002, the Company entered into a financing agreement with SWH for a $6.0 million loan. The SWH loan matures on November 30, 2005 and carries interest at the annual rate of 12.5% through November 30, 2003 adjusting to an annual rate of 14% from December 1, 2004 through maturity. The loan provides for, commencing January 1, 2003, monthly principal payments of $50,000, through and including the 4th month, $150,000 commencing in the 5th month through and including the 12th month, $200,000 commencing in the 13th month through the 17th month and $250,000 per month commencing in the 18th month until the loan is fully paid.

In connection with the acquisition of the Red Lion partnership interest from a related party, the Company agreed to pay $888,000 in three equal annual installments of $296,000 plus interest at 7.5%. During the second quarter of 2003, the related party agreed to extend the payment of the current installment of $296,000 through September 30, 2003.

During March 2003, the Company entered into a new credit facility with North Fork Bank for a one-year period. The line of credit bears interest at the greater of 6% or the bank's prime rate plus 1%. The new credit facility has a $2.0 million limit, provided, however, that only $1.0 million will be available until the SWH financing has been repaid.

As discussed in Note 4, during the second quarter of 2003, Homburg Delaware provided the equity financing for the acquisition of Pine Grove and Swede Square, and Homburg Invest guaranteed the financing for Valley Plaza. In addition, Homburg Invest (USA) Inc. ("Homburg USA"), a wholly-owned U.S. subsidiary of Homburg Invest, provided to the Company a one-year, $1.1 million 9% interest-only loan. The loan includes a $100,000 entrance fee and requires payment of a $200,000 exit fee. The loan was used to partially fund the deposit requirements for the South Philadelphia Shopping Center (see Note 11).

During the second quarter of 2003, Selbridge Corporation, a related party, provided the Company with a $750,000 loan. The principal plus interest, calculated at an annual rate of 15%, is payable on or before October 31, 2003. The loan was used to partially fund the deposit requirements for the South Philadelphia Shopping Center (see Note 11).

Note 6. Intangible Lease Asset/ Liability

On July 1, 2001 and January 1, 2002, the Company adopted SFAS No. 141 "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangibles", respectively. As part of the acquisition of real estate assets, the fair value of the real estate acquired is allocated to the acquired tangible assets, consisting of land, building and building improvements, and identified intangible assets and liabilities, consisting of the value of above-market and below-market leases, other value of in-place leases, and value of tenant relationships, based in each case on their fair values.

The fair value of the tangible assets of an acquired property is determined by valuing the property as if it were vacant, and the "as-if-vacant" value is then allocated to land, building and building improvements based on management's determination of the relative fair values of these assets. Management determines the as-if-vacant fair value of a property using methods similar to those used by independent appraisers. Factors considered by management in performing these analyses include an estimate of carrying costs during the expected lease-up periods considering current market conditions and costs to execute similar leases. In estimating carrying costs, management includes real estate taxes, insurance and other operating expenses and estimates of lost rental revenue during the expected lease-up periods based on current market demand. Management also estimates costs to execute similar leases, including leasing commissions, legal and other related costs.

In allocating the fair value of the identified intangible assets and liabilities of an acquired property, above-market and below-market in-place lease values are recorded based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management's estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining non-cancelable term of the lease. The capitalized above-market lease values (included in deferred leasing costs in the accompanying combined balance sheet) are amortized as a reduction of rental income over the remaining non-cancelable terms of the respective leases. The capitalized below-market lease values (presented as acquired lease obligations in the accompanying combined balance sheet) are amortized as an increase to rental income over the remaining initial terms in the respective leases.

The aggregate value of other acquired intangible assets, consisting of in-place leases and tenant relationships, is measured by the excess of (i) the purchase price paid for a property after adjusting existing in-place leases to market rental rates over (ii) the estimated fair value of the property as if vacant, determined as set forth above. This aggregate value is allocated between in-place lease values and tenant relationships based on management's evaluation of the specific characteristics of each tenant's lease; however, the value of tenant relationships has not been separated from in-place lease value because such value and its consequence to amortization expense is immaterial for these particular acquisitions. Should future acquisitions of properties result in allocating material amounts to the value of tenant relationships, an amount would be separately allocated and amortized over the estimated life of the relationship. The value of in-place leases exclusive of the value of above-market and below-market in-place leases is amortized to expense over the remaining non-cancelable periods of the respective leases. If a lease were to be terminated prior to its stated expiration, all unamortized amounts relating to that lease would be written off.

As a result of adopting the standards, amounts totaling $5,117,000 and $1,062,000 have been recorded as intangible lease liabilities for properties acquired in 2002 and 2003, respectively. The intangible assets and liabilities are amortized over the remaining terms of the respective leases to rental income. Such amortization amounted to $169,000 and $143,000 during the first and second quarters of 2003, respectively, and $0 during each of the first and second quarters of 2002. The weighted average amortization period for the intangible lease liabilities was approximately eight years.

These intangibles will be amortized as follows:

For the year ending December 31:	
2003	$ 493,000
2004	818,000
2005	645,000
2006	476,000
2007	543,000
Thereafter	2,746,000
	$5,721,000

Note 7. Related Party Transactions

The Company has no administrative or executive employees and accordingly relies on CBRA and its affiliates to manage the affairs of the Company. The Company is thus referred to as an "advised" REIT. Pursuant to the terms of an Administrative and Advisory Agreement (the "Advisory Agreement"), CBRA provides the Company with management, acquisition, leasing, advisory services, accounting systems, professional and support personnel and office facilities. Leo S. Ullman, the Company's Chairman and Chief Executive Officer, is also the principal stockholder of CBRA. Certain of the Company's other officers are also officers and employees of CBRA.

The Advisory Agreement may be terminated (i) for cause upon not less than sixty days' prior written notice, and (ii) by vote of at least 75% of the Company's independent directors at the end of the third or fourth year of its five-year term in the event gross assets fail to increase by 15% per annum.

Pursuant to the Advisory Agreement, effective as of January 1, 2002, CBRA will earn a disposition or acquisition fee, as applicable, equal to 1% of the sale/purchase price of the properties; no other fees will be payable in connection with such transactions. All accrued acquisition fees are included in accounts payable at June 30, 2003.

The following is a schedule of acquisition and disposition fees paid, accrued, or deferred by the Company to CBRA for the six-month period ended June 30, 2003 and for the year ended December 31, 2002:

Property	Paid	Accrued	Total
2003 Transactions			
Three Giant supermarket-anchored shopping centers	$ —	$180,000	$180,000
Pine Grove	74,000	—	74,000
Swede Square	79,000	—	79,000
Valley Plaza	92,000	—	92,000
Totals	**$245,000**	**$180,000**	**$425,000**
2002 Transactions			
Southpoint	$ 47,000	$ —	$ 47,000
Red Lion	44,000	—	44,000
Loyal Plaza	—	183,000	183,000
Camp Hill	—	172,000	172,000
LA Fitness	60,000	—	60,000
Totals	**$151,000**	**$355,000**	**$506,000**

During 2001, the Advisory Agreement was modified and CBRA agreed to defer certain fees of $195,700 and to ultimately waive such fees if the Agreement is not terminated before December 31, 2004. These fees are not included in accrued expense at June 30, 2003.

The following is a schedule of management, administrative, advisory, legal, leasing and loan placement fees paid or accrued to CBRA or its affiliates:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Management Fees(1)	$190,000	$202,000	$393,000	$304,000
Construction Management(2)	$ 2,000	$ 20,000	$ 2,000	$ 40,000
Leasing Fees(3)	$ 17,000	$260,000	$ 17,000	$520,000
Administrative and Advisory(4)	$225,000	$180,000	$384,000	$270,000
Legal(5)	$ 24,000	$ 87,000	$ 82,000	$116,000
Loan Placement Fees(6)	$ —	$100,000	$ —	$100,000

(1) Management fees are calculated at 3%-4% of gross revenues collected.

(2) Construction management fees are calculated at 5% of construction costs.

(3) Leasing fees are calculated at 4%-4.5% of a new tenant's base rent.

(4) Monthly administrative and advisory fees are equal to 1/12 of 3/4 of 1% of the estimated current value of real estate assets of the Company plus 1/12 of 1/4 of 1% of the estimated current value of all other assets of the Company.

(5) Legal fees are paid to an affiliate of CBRA for the services provided by Stuart H. Widowski, Esq., in-house counsel.

(6) Loan placement fees are calculated at 1% of the loan cost up to a maximum of $100,000.

Homburg USA purchased on December 24, 2002, for $3 million, 3,300 convertible Series A preferred Operating Partnership units at $909.09 with a liquidation value of $1,000 each and a preferred distribution rate of 9%. After such acquisition of securities by Homburg USA, the Company's Board of Directors appointed Richard Homburg a director. Frank Matheson, another director of the Company is an officer of Homburg USA. During January 2003, 276,000 shares of common stock were issued to Homburg USA in exchange for 552 preferred Operating Partnership units.

The issuance of common stock to Homburg USA, absent curative measures, could have resulted in the disqualification of the Company's status as a REIT in 2003. If Richard Homburg, directly or indirectly, together with the four other largest shareholders of the Company, were to own, during the second half of any calendar year, more than 50% of the value of the Company, it would fail to meet the "five or fewer" test. "Five or fewer" refers to five or fewer individual shareholders owning more than 50% of the value of the REIT required for continued REIT status. The loss of REIT status, while creating no immediate income tax liability for the Company or its shareholders, would mean, among other things, that the Company would be taxed as if it were a "C" corporation on future net taxable income and capital gains. Additionally, the Company would generally be disqualified for federal income tax purposes as a REIT for the four taxable years following disqualification. In order to avoid the potential loss of REIT status, during June 2003, Mr. Homburg re-converted the 276,000 shares of common stock to Series A preferred Operating Partnership units on the same terms and with the same rights as they were originally issued. The Company believes that as of the date of this filing, it is in full compliance with the REIT provisions of the Internal Revenue Code.

During the second quarter of 2003, Homburg Delaware provided the equity financing for the acquisition of Pine Grove and Swede Square and Homburg Invest guaranteed the financing for Valley Plaza (see Note 4). In addition, Homburg USA provided to the Company a one-year $1.1 million, 9% interest only loan. The loan includes a $100,000 entrance fee and requires payment of a $200,000 exit fee. The loan was used to partially fund the deposit requirements for the South Philadelphia Shopping Center (see Note 11).

In connection with the acquisition of the Red Lion partnership interest from Silver Circle Management Corp, a party related to Cedar Bay Company, the limited partner of the Operating Partnership, the Company agreed to pay $888,000 in three equal annual installments of $296,000 plus interest at 7.5%. During the second quarter of 2003, the related party agreed to extend the payment of the current installment of $296,000 through September 30, 2003.

During the second quarter of 2003, Selbridge Corporation, also a party related to Cedar Bay Company, provided the Company with a $750,000 loan. The principal, plus interest calculated an annual rate of 15%, is payable on or before October 30, 2003. The loan was used to partially fund the deposit requirements for the South Philadelphia Shopping Center (see Note 11).

Note 8. Interest Rate Hedges

During 2002, the Company completed one interest rate swap transaction to hedge the Company's exposure to changes in interest rates with respect to $14.0 million of LIBOR-based variable rate debt. The swap agreement provides for a fixed all-in rate of 4.74% (includes a credit spread of 1.95%). The swap agreement extends through November 19, 2003 on $7.0 million of principal and through November 19, 2004 on the remaining $7.0 million of principal.

During the first quarter of 2003, the Company entered into two interest rate swaps to hedge the Company's exposure to changes in interest rates with respect to $9.8 million of LIBOR-based variable rate debt. The swap agreements provide for a fixed all-in rate of 6.43% for the seven-year term of the Halifax and Newport loans. During the second quarter of 2003, the Company entered into one swap agreement to

hedge a $6.0 million LIBOR-based variable rate loan. The agreement fixes the rate at 6.24% for the seven-year term of the loan.

As of June 30, 2003, unrealized losses of $860,000 that represent the change in fair value of the aforementioned swaps were reflected 30%, or approximately $276,000 in accumulated other comprehensive loss, a component of shareholder's equity. The remaining 70% or approximately $584,000 is reflected in the limited partner's interest.

The Company's interest rate hedges are designated as cash flow hedges and hedge the future cash outflows on debt. Interest rate swaps that convert variable payments to fixed payments, such as those held by the Company, as well as interest rate caps, floors, collars, and forwards are cash flow hedges. The unrealized gains/ losses in the fair value of these hedges are reported on the balance sheet with a corresponding adjustment to either accumulated other comprehensive income or earnings. For cash flow hedges, the ineffective portion of a derivative's change in fair value is immediately recognized in earnings.

Note 9. Earnings Per Share

In accordance with SFAS No. 128, "Earnings Per Share" ("SFAS 128"), basic earnings per share ("EPS") are computed by dividing income available to common shareholders by the weighted average number of shares of common stock outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. As the Company reported a net loss during the first and second quarters of 2003 and 2002, diluted EPS are not presented.

Note 10. Subsequent Events

The Company entered into an agreement on July 17, 2003, to purchase a 155,000 square foot shopping center in Southington, CT for approximately $8.3 million, plus closing costs.

Note 11. Commitments and Contingencies

During the second quarter of 2003, the Company entered into an agreement to enter into a lease, purchase option and loan transaction with regard to a shopping center in Philadelphia, Pennsylvania. In connection therewith, the Company made a non-refundable deposit of $3.0 million. The Company is currently seeking a joint venture partner and or other financing arrangements for this transaction, which is expected to close on or before October 31, 2003. In the event that the Company is unable to make such arrangements, the deposit would be at risk.

As discussed in Note 10, the Company also entered into an agreement on July 17, 2003, to purchase a 155,000 square foot shopping center in Southington, CT, anchored by a 94,000 square foot Wal-Mart store, for approximately $8.3 million, plus closing costs.

STATEMENTS OF REVENUES AND CERTAIN EXPENSES

Southington ’84 Associates L.P. Operating as Wal-Mart Shopping Center

For the six months ended June 30, 2003 (unaudited) and the year ended December 31, 2002

Southington '84 Associates L.P.

Statements of Revenues and Certain Expenses

For the six months ended June 30, 2003 (unaudited) and the year ended December 31, 2002

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Report of Independent Auditors

Board of Directors and Stockholders

Cedar Shopping Centers, Inc. (formerly known as Cedar Income Fund, Ltd.)

We have audited the statement of revenues and certain expenses of Southington '84 Associates L.P. ("the Partnership") which operated a property located in Southington, Connecticut, for the year ended December 31, 2002. The financial statement is the responsibility of the Partnership's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 audit provides a reasonable basis for our opinion.

The accompanying statement of revenues and certain expenses was prepared for the purpose of complying with Rule 3-14 of Regulation S-X of the Securities and Exchange Commission for inclusion in Form S-11 of Cedar Shopping Centers, Inc. (formerly known as Cedar Income Fund, Ltd.) and is not intended to be a complete presentation of the partnership's revenues and expenses.

In our opinion, the financial statement referred to above present fairly, in all material respects, the revenues and certain expenses of the Partnership as described in Note 1 for the year ended December 31, 2002, in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

New York, New York

July 15, 2003

Southington '84 Associates L.P.

Statements of Revenues and Certain Expenses

	Six Months Ended June 30, 2003	Year Ended December 31, 2002
	(Unaudited)	
Revenues		
Base rents	$ 355,401	$ 714,459
Tenant reimbursements	137,533	283,136
Other income	36,296	78,660
Total rental revenue	529,230	1,076,255
Certain expenses:		
Real estate taxes	76,651	145,305
Management fees	19,109	41,911
Property operating expenses	202,723	267,080
Total certain expenses	298,483	454,296
Revenues in excess of certain expenses	$ 230,747	$ 621,959

See accompanying notes to financial statement.

Southington ’84 Associates L.P.

Notes to Statements of Revenues and Certain Expenses

For the six months ended June 30, 2003 (unaudited) and the year ended December 31, 2002

1. Basis of Presentation

Presented herein are the statements of revenues and certain expenses related to the operation of a multi-tenant shopping center. Southington ’84 Associates L.P. (the “Partnership”) operates a community shopping center located in Southington, Connecticut (the “Property”). The Property has approximately 154,733 square feet of leasable retail space.

The statement of revenues and certain expenses for the six months ended June 30, 2003 is unaudited; however, in the opinion of management, all adjustments (consisting solely of normal recurring adjustments) necessary for a fair presentation of the statement of revenues and certain expenses for this interim period has been included. The results of interim periods are not necessarily indicative of the results to be obtained for a full fiscal year.

The accompanying financial statements have been prepared in accordance with the applicable rules and regulations of the Securities and Exchange Commission for the acquisition of real estate properties. Accordingly, the financial statements exclude certain expenses that may not be comparable to those expected to be incurred by the Partnership in the proposed future operations of the aforementioned Property. Items excluded consist of interest, depreciation and general and administrative expenses not directly related to the future operations.

2. Use of Estimates

The preparation of financial statement in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. Revenue Recognition

The Property is being leased to tenants under operating leases. Minimum rental income is generally recognized on a straight-line basis over the term of the lease. The excess of amounts so recognized over amounts due pursuant to the underlying leases amounted to approximately $23,000 (unaudited) for the six months ended June 30, 2003 and $35,300 for the year ended December 31, 2002.

4. Management Agreements

The Partnership incurs management fees based on 4% of gross collections. The management services provided by Meadows Management Corp. was terminated simultaneous to the sale of Property to Cedar in June 2002.

5. Property Operating Expenses

Property operating expenses for the year ended December 31, 2002, includes $28,923 for insurance, $6,045 for utilities, $127,351 for ground rent, $84,814 in repair and maintenance costs and $19,947 in professional and other costs.

Property operating expenses for the six months ended June 30, 2003 (unaudited) include $11,114 for insurance, $11,060 for utilities, $64,475 for ground rent, $88,469 for repairs and maintenance costs and $27,605 in professional and other costs.

6. Significant Tenants

The two most significant tenants constitute approximately 74% of rental revenue for the six months ended June 30, 2003 (unaudited) and the year ended December 31, 2002.

7. Future Minimum Rents Schedule

Future minimum lease payments to be received by Partnership as of December 31, 2002 under noncancelable operating leases are as follows:

2003	$ 730,961
2004	786,247
2005	807,258
2006	795,640
2007	791,273
Thereafter	4,207,494
Total	$8,118,873

The lease agreements generally contain provisions for reimbursement of real estate taxes and operating expenses over base year amounts, as well as fixed increases in rent.

STATEMENTS OF REVENUES AND CERTAIN EXPENSES

Delaware 1851 Associates, L.P. Operating as Columbus Crossing Shopping Center

For the six months ended June 30, 2003 (unaudited) and the year ended December 31, 2002

Delaware 1851 Associates, L.P.

Statements of Revenues and Certain Expenses

For the six months ended June 30, 2003 (unaudited) and the year ended December 31, 2002

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Report of Independent Auditors

Board of Directors and Stockholders

Cedar Shopping Centers, Inc. (formerly known as Cedar Income Fund, Ltd.)

We have audited the statement of revenues and certain expenses of Delaware 1851 Associates, L.P. (the "Partnership") which operates a property in Philadelphia, Pennsylvania, for the year ended December 31, 2002. The financial statement is the responsibility of the Partnership's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 audit provides a reasonable basis for our opinion.

The accompanying statement of revenues and certain expenses was prepared for the purpose of complying with Rule 3-14 of Regulation S-X of the Securities and Exchange Commission for inclusion in Form S-11 of Cedar Shopping Centers, Inc. (formerly known as Cedar Income Fund, Ltd.) and is not intended to be a complete presentation of the partnership's revenues and expenses.

In our opinion, the financial statement referred to above present fairly, in all material respects, the revenues and certain expenses of the Partnership as described in Note 1 for the year ended December 31, 2002, in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

New York, New York

July 15, 2003

Delaware 1851 Associates, L.P.

Statements of Revenues and Certain Expenses

	Six Months Ended June 30, 2003	Year Ended December 31, 2002
	(Unaudited)	
Revenues		
Base rents	$1,132,899	$2,216,480
Tenant reimbursements	252,595	360,233
Total rental revenue	1,385,494	2,576,713
Certain expenses:		
Real estate taxes	73,632	147,264
Property operating expenses	240,175	310,672
Total certain expenses	313,807	457,936
Revenues in excess of certain expenses	$1,071,687	$2,118,777

See accompanying notes to financial statement.

Delaware 1851 Associates, L.P.

Notes to Statements of Revenues and Certain Expenses

For the six months ended June 30, 2003 (unaudited) and the year ended December 31, 2002

1. Basis of Presentation

Presented herein are the statements of revenues and certain expenses related to the operation of a multi-tenant shopping center. Delaware 1851 Associates, L.P. (the "Partnership") operates a community shopping center located in Philadelphia, Pennsylvania ("the Property"). The Property has approximately 142,166 square feet of leasable retail space.

The statements of revenues and certain expenses for the six months ended June 30, 2003 is unaudited; however, in the opinion of management, all adjustments (consisting solely of normal recurring adjustments) necessary for a fair presentation of the statements of revenues and certain expenses for this interim period has been included. The results of interim periods are not necessarily indicative of the results to be obtained for a full fiscal year.

The accompanying financial statements have been prepared in accordance with the applicable rules and regulations of the Securities and Exchange Commission for the acquisition of real estate properties. Accordingly, the financial statements exclude certain expenses that may not be comparable to those expected to be incurred by the Partnership in the proposed future operations of the aforementioned Property. Items excluded consist of interest, depreciation and general and administrative expenses not directly related to the future operations.

2. Use of Estimates

The preparation of financial statement in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. Revenue Recognition

The Property is being leased to tenants under operating leases. Minimum rental income is generally recognized on a straight-line basis over the term of the lease. The excess of amounts so recognized over amounts due pursuant to the underlying leases amounted to approximately $36,000 (unaudited) for the six months ended June 30, 2003 and $73,293 for the year ended December 31, 2002.

4. Property Operating Expenses

Property operating expenses for the year ended December 31, 2002, includes $57,272 for insurance, $11,311 for utilities, $3,100 for business privilege taxes, $193,583 in repair and maintenance costs and $45,406 in professional and other costs.

Property operating expenses for the six months ended June 30, 2003 (unaudited) include $35,193 for insurance, $16,550 for utilities, $8,500 for business privilege taxes, $147,198 for repairs and maintenance costs and $32,734 in professional and other costs.

6. Significant Tenants

The three most significant tenants constituted approximately 76% of rental revenue in for the six months ended June 30, 2003 and the year ended December 31, 2002.

7. Future Minimum Rents Schedule

Future minimum lease payments to be received by Partnership as of December 31, under noncancelable operating leases are as follows:

2003	$ 2,159,000
2004	2,164,000
2005	2,164,000
2006	2,172,000
2007	2,138,000
Thereafter	12,874,000
Total	$23,671,000

The lease agreements generally contain provisions for reimbursement of real estate taxes and operating expenses over base year amounts, as well as fixed increases in rent.

COMBINED STATEMENTS OF REVENUES AND CERTAIN EXPENSES

Associates of Hungtingdon, L.P., Greater Raystown Associates L.P. and Lake Raystown Associates, L.P.

Operating as Huntingdon Plaza at Lake Raystown Plaza
For the six months ended June 30, 2003 (unaudited) and the year ended December 31, 2002

Associates of Huntingdon, L.P.

Greater Raystown Associates L.P.
Lake Raystown Associates L.P.

Combined Statements of Revenues and Certain Expenses

For the six months ended June 30, 2003 (unaudited) and the year ended December 31, 2002

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Report of Independent Auditors

Board of Directors and Stockholders

Cedar Shopping Centers, Inc. (formerly known as Cedar Income Fund, Ltd.)

We have audited the combined statements of revenues and certain expenses of Associates of Huntingdon L.P., Greater Raystown Associates L.P. and Lake Raystown Associates L.P. which operate shopping center properties in Philadelphia, Pennsylvania. (collectibly the "Properties"), for the year ended December 31, 2002. The financial statement is the responsibility of the Properties' management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 audit provides a reasonable basis for our opinion.

The accompanying statement of revenues and certain expenses was prepared for the purpose of complying with Rule 3-14 of Regulation S-X of the Securities and Exchange Commission for inclusion in Form S-11 of Cedar Shopping Centers, Inc. (formerly known as Cedar Income Fund, Ltd.) and is not intended to be a complete presentation of the company's revenues and expenses.

In our opinion, the financial statement referred to above present fairly, in all material respects, the revenues and certain expenses of the Properties as described in Note 1 for the year ended December 31, 2002, in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

New York, New York

July 21, 2003

Associates of Huntingdon, L.P.

Greater Raystown Associates L.P.
Lake Raystown Associates L.P.

Combined Statements of Revenues and Certain Expenses

	Six Months Ended June 30, 2003	Year Ended December 31, 2002
	(Unaudited)	
Revenues		
Base rents	$ 505,096	$1,182,697
Tenant reimbursements	94,611	228,378
Other income	4,990	6,821
Total rental revenue	604,697	1,417,896
Certain expenses:		
Real estate taxes	58,543	117,362
Property operating expenses	161,033	233,363
Management fee	57,300	153,900
Bad Debt expense	—	28,971
Total certain expenses	276,876	533,596
Revenues in excess of certain expenses	$ 327,821	$ 884,300

See accompanying notes to financial statement.

Associates of Huntingdon, L.P.

Greater Raystown Associates L.P.
Lake Raystown Associates L.P.

Notes to Combined Statements of Revenues and Certain Expenses

For the six months ended June 30, 2003 and the year ended December 31, 2002

1. Basis of Presentation

Presented herein are the statements of revenues and certain expenses related to the operation of four multi-tenant shopping centers (collectibly the "Properties"). Associates of Huntingdon, L.P. ("Huntingdon") and Greater Raystown Associates L.P. and Lake Raystown Associates L.P. ("Lake Raystown") operate community shopping centers in Philadelphia, Pennsylvania with approximately 102,000, 75,000 and 9,300 square feet of leasable retail space, respectively.

The statements of revenues and certain expenses for the six months ended June 30, 2003 is unaudited; however, in the opinion of management, all adjustments (consisting solely of normal recurring adjustments) necessary for a fair presentation of the statements of revenues and certain expenses for this interim period has been included. The results of interim periods are not necessarily indicative of the results to be obtained for a full fiscal year.

The accompanying financial statements have been prepared in accordance with the applicable rules and regulations of the Securities and Exchange Commission for the acquisition of real estate properties. Accordingly, the financial statements exclude certain expenses that may not be comparable to those expected to be incurred by the Properties in the proposed future operations of the aforementioned properties. Items excluded consist of interest, depreciation and general and administrative expenses not directly related to the future operations.

2. Use of Estimates

The preparation of financial statement in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. Revenue Recognition

The Properties are being leased to tenants under operating leases. Minimum rental income is generally recognized on a straight-line basis over the term of the lease. The excess of amounts so recognized over amounts due pursuant to the underlying leases amounted to approximately $11,000 (unaudited) for the six months ended June 30, 2003, and $14,000 for the year ended December 31, 2002.

4. Management Agreements

H.L. Libby Corporation earns management fees, based on 10% of gross collections (as defined) and labor fee of $750 per month. The management services provided by the affiliate are terminable upon ninety days' notice.

5. Property Operating Expenses

Property operating expenses for the year ended December 31, 2002, includes $63,059 for insurance, $56,030 for utilities, $216,934 in repair and maintenance costs and $14,931 in professional and other costs.

Property operating expenses for the six months ended June 30, 2003 (unaudited) include $24,466 for insurance, $51,495 for utilities, $83,209 for repairs and maintenance costs and $1,863 in professional and other costs.

6. Significant Tenants

The seven most significant tenants constituted approximately 75% of rental revenue for the six months ended June 30, 2003 and the year ended December 31, 2002.

7. Future Minimum Rents Schedule

Future minimum lease payments to be received by Properties as of December 31, 2002 under noncancelable operating leases are as follows:

2003	$ 995,000
2004	1,042,000
2005	966,000
2006	831,000
2007	752,000
Thereafter	3,221,000
Total	$7,807,000

The lease agreements generally contain provisions for reimbursement of real estate taxes and operating expenses over base year amounts, as well as fixed increases in rent and percentage rent.

Combining Statement of Revenues and Certain Expenses

For the six months ended June 30, 2003

	Huntingdon	Greater Raystown	Lake Raystown	Total
Base rents	$166,107	$277,555	$61,434	$505,096
Tenant reimbursements	28,517	66,094	—	94,611
Other income	4,272	718	—	4,990
Total rental revenue	198,896	344,367	61,434	604,697
Certain expenses:				
Real estate taxes	33,154	21,211	4,178	58,543
Property operating expenses	87,356	57,622	16,055	161,033
Management fee	27,800	29,500	—	57,300
Bad Debt expense	—	—	—	—
Total certain expenses	148,310	108,333	20,233	276,876
Revenues in excess of certain expenses	$ 50,586	$236,034	$41,201	$327,821

Combining Statement of Revenues and Certain Expenses

For the year ended December 31, 2002

	Huntingdon	Greater Raystown	Lake Raystown	Total
Revenues				
Base rents	$499,998	$560,497	$122,202	$1,182,697
Tenant reimbursements	91,696	136,682	—	228,378
Other income	4,192	2,629	—	6,821
Total rental revenue	595,886	699,808	122,202	1,417,896
Certain expenses:				
Real estate taxes	66,308	42,697	8,357	117,362
Property operating expenses	120,869	88,660	23,834	233,363
Management fee	86,000	67,900	—	153,900
Bad Debt expense	21,143	7,828	—	28,971
Total certain expenses	294,320	207,085	32,191	533,596
Revenues in excess of certain expenses	$301,566	$492,723	$ 90,011	$ 884,300

COMBINED STATEMENTS OF REVENUES AND CERTAIN EXPENSES

Fairview Plaza Associates, LP, Halifax Plaza Associates, LP and Newport Plaza Associates, LP

Operating as Fairview Plaza Shopping Center, Halifax Plaza Shopping Center and Newport Plaza Shopping Center, respectively
For the year ended December 31, 2002

Fairview Plaza Associates, LP

Halifax Plaza Associates, LP
Newport Plaza Associates, LP

Combined Statements of Revenues and Certain Expenses For the year ended December 31, 2002

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Report of Independent Auditors

Board of Directors and Stockholders

Cedar Shopping Centers, Inc. (formerly known as Cedar Income Fund, Ltd.)

We have audited the combined statements of revenues and certain expenses of Fairview Plaza Associates, LP ("Fairview"), Halifax Plaza Associates, LP ("Halifax") and Newport Plaza Associates LP ("Newport"). Fairview operates a property located in Fairview Township, Pennsylvania. Halifax operates a property located in Halifax Township, Pennsylvania. Newport operates a property located in Howe Township, Pennsylvania. These aforementioned properties (the "Properties"), for the year ended December 31, 2002. The financial statement is the responsibility of the Properties' management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 audit provides a reasonable basis for our opinion.

The accompanying statement of revenues and certain expenses was prepared for the purpose of complying with Rule 3-14 of Regulation S-X of the Securities and Exchange Commission for inclusion in Form S-11 of Cedar Shopping Centers, Inc. (formerly known as Cedar Income Fund, Ltd.) and is not intended to be a complete presentation of the company's revenues and expenses.

In our opinion, the financial statement referred to above present fairly, in all material respects, the revenues and certain expenses of the Company as described in Note 1 for the year ended December 31, 2002, in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

New York, New York
July 11, 2003

Fairview Plaza Associates, LP

Halifax Plaza Associates, LP
Newport Plaza Associates, LP

Combined Statements of Revenues and Certain Expenses

For the year ended December 31, 2002

Base rents	$1,949,392
Tenant reimbursements	430,918
Other income	5,006
Total rental revenue	2,385,316
Certain expenses:	
Real estate taxes	158,488
Property operating expenses	402,694
Total certain expenses	561,182
Revenues in excess of certain expenses	$1,824,134

See accompanying notes to combined financial statement.

Fairview Plaza Associates, LP

Halifax Plaza Associates, LP
Newport Plaza Associates, LP

Notes to the Combined Statements of Revenues and Certain Expenses

For the year ended December 31, 2002

1. Basis of Presentation

Presented herein are the statements of revenues and certain expenses related to the operation of three multi-tenant shopping center (collectively the "Properties"). Fairview Plaza Associates, LP ("Fairview") owned and operated as a multi-tenant shopping center located in Fairview Township, Pennsylvania ("Fairview Property"). Fairview Property has approximately 69,579 square feet of leasable retail space. Cedar Shopping Centers, Inc. (formerly known as Cedar Income Fund, Ltd.) ("Cedar"), on January 10, 2003 purchased Fairview Property for approximately $8.4 million. Halifax Plaza Associates, LP ("Halifax") owned and operated a multi-tenant shopping center located in Halifax Township, Pennsylvania ("Halifax Property"). Halifax Property has approximately 54,150 square feet of leasable retail space. Cedar purchased Halifax Property for approximately $5.5 million on February 6, 2003. Newport Plaza Associates, LP ("Newport") owned and operated a multi-tenant shopping center located in Howe Township, Pennsylvania ("Newport Property"). Newport Property has approximately 66,789 square feet of leasable retail space. Cedar purchased Newport Property for approximately $6.7 million on February 6, 2003.

The accompanying financial statement have been prepared in accordance with the applicable rules and regulations of the Securities and Exchange Commission for the acquisition of real estate properties. Accordingly, the financial statements exclude certain expenses that may not be comparable to those expected to be incurred by the Properties in the proposed future operations of the aforementioned Properties. Items excluded consist of interest, depreciation and general and administrative expenses not directly related to the future operations.

2. Use of Estimates

The preparation of financial statement in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. Revenue Recognition

The Properties are being leased to tenants under operating leases. Minimum rental income is generally recognized on a straight-line basis over the term of the lease. The excess of amounts so recognized over amounts due pursuant to the underlying leases amounted to approximately $158,023, for the year ended December 31, 2002.

4. Property Operating Expenses

Property operating expenses for the year ended December 31, 2002, includes $30,099 for insurance, $100,944 for utilities, $149,305 in repair and maintenance costs, and $122,346 in professional and other costs.

5. Significant Tenants

The most significant common tenant of the Properties constitutes approximately 63.2% of the combined rental revenue for the year ended December 31, 2002.

6. Future Minimum Rents Schedule

Future minimum lease payments to be received by the Properties as of December 31, 2002 under noncancelable operating leases are as follows:

2003	$ 1,801,937
2004	1,781,393
2005	1,680,805
2006	1,592,911
2007	1,526,233
Thereafter	16,328,062
Total	$24,711,341

The lease agreements generally contain provisions for reimbursement of real estate taxes and operating expenses over base year amounts, as well as fixed increases in rent.

Combining Statement of Revenues and Certain Expenses

For the year ended December 31, 2002

	Fairview	Halifax	Newport	Total
Revenue:				
Base rents	793,900	577,145	578,347	1,949,392
Tenant reimbursements	99,038	157,497	174,383	430,918
Other income	4,974	16	16	5,006
Total Revenue	897,912	734,658	752,746	2,385,316
Certain expenses:				
Real estate taxes	40,878	57,282	60,328	158,488
Property operating expenses	114,470	140,986	147,238	402,694
Total Certain Expenses	155,348	198,268	207,566	561,182
Revenue in Excess of Certain Expenses	742,564	536,390	545,180	1,824,134

STATEMENTS OF REVENUES AND CERTAIN EXPENSES

Pine Grove Plaza Associates, LLC

Operating as Pine Grove Shopping Center
For the six months ended June 30, 2003 (unaudited) and the year ended December 31, 2002

Pine Grove Plaza Associates, LLC

Statements of Revenues and Certain Expenses

For the six months ended June 30, 2003 (unaudited) and the year ended December 31, 2002

Contents

Report of Independent Auditors

Board of Directors and Stockholders

Cedar Shopping Centers, Inc. (formerly known as Cedar Income Fund, Ltd.)

We have audited the statements of revenues and certain expenses of Pine Grove Plaza Associates, LLC ("the Company"), which operates a property located in Brown Hills, New Jersey, for the year ended December 31, 2002. The financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 audit provides a reasonable basis for our opinion.

The accompanying statement of revenues and certain expenses was prepared for the purpose of complying with Rule 3-14 of Regulation S-X of the Securities and Exchange Commission for inclusion in Form S-11 of Cedar Shopping Centers, Inc. (formerly known as Cedar Income Fund, Ltd.) and is not intended to be a complete presentation of the company's revenues and expenses.

In our opinion, the financial statement referred to above present fairly, in all material respects, the revenues and certain expenses of the Company as described in Note 1 for the year ended December 31, 2002, in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

New York, New York
July 17, 2003

Pine Grove Plaza Associates, LLC

Statements of Revenues and Certain Expenses

	Six Months Ended June 30, 2003	Year Ended December 31, 2002
	(Unaudited)	
Revenues		
Base rents	$ 403,604	$ 552,349
Tenant reimbursements	103,776	214,186
Other income	277	1,199
Total rental revenue	507,657	767,734
Certain expenses:		
Real estate taxes	15,480	16,301
Management fees	21,863	22,016
Property operating expenses	153,241	172,745
Bad debt expense	—	7,102
Total certain expenses	190,584	218,164
Revenues in excess of certain expenses	$ 317,073	$ 549,570

See accompanying notes to financial statement.

Pine Grove Plaza Associates, LLC

Notes to Statements of Revenues and Certain Expenses

For the six months ended June 30, 2003 (unaudited) and December 31, 2002

1. Basis of Presentation

Presented herein are the statements of revenues and certain expenses related to the operation of a multi-tenant shopping center. Pine Grove Plaza Associates, LLC (the "Company") operates a community shopping center called the Pine Grove Shopping Center, located in Pemberton, New Jersey (the "Property"). The Property has approximately 79,000 square feet of leasable retail space. Cedar Shopping Centers, Inc. (formerly known as Cedar Income Fund, Ltd.) ("Cedar"), on April 2, 2003 purchased the Property for approximately $8.00 million.

The statements of revenues and certain expenses for the six months ended June 30, 2003 is unaudited; however, in the opinion of management, all adjustments (consisting solely of normal recurring adjustments) necessary for a fair presentation of the statements of revenues and certain expenses for this interim period has been included. The results of interim periods are not necessarily indicative of the results to be obtained for a full fiscal year.

The accompanying financial statements have been prepared in accordance with the applicable rules and regulations of the Securities and Exchange Commission for the acquisition of real estate properties. Accordingly, the financial statements exclude certain expenses that may not be comparable to those expected to be incurred by the Company in the proposed future operations of the aforementioned Property. Items excluded consist of interest, depreciation and general and administrative expenses not directly related to the future operations.

2. Use of Estimates

The preparation of financial statement in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. Revenue Recognition

The Property is being leased to tenants under operating leases. Minimum rental income is generally recognized on a straight-line basis over the term of the lease. The excess of amounts so recognized over amounts due pursuant to the underlying leases amounted to approximately $19,600 (unaudited) for the six months ended June 30, 2003 and $25,300, for the year ended December 31, 2002.

4. Management Agreements

J. Lowe Property Management Inc., earns management fees based on 4% of gross collections, as defined. The management services were terminated simultaneous to the sale of Property to Cedar on April 2, 2003.

5. Property Operating Expenses

Property operating expenses for the year ended December 31, 2002, includes $21,332 for insurance, $18,233 for utilities,$108,369 in repair and maintenance costs and $24,811 in professional and other costs.

Property operating expenses for the six months ended June 30, 2003 (unaudited) include $15,967 for insurance, $13,674 for utilities, $119,587 for repairs and maintenance costs, $4,013 in professional and other costs.

6. Significant Tenants

The five most significant tenants constitute approximately 66% and 70% of rental revenue for the six months ended June 30, 2003 (unaudited) and the year ended December 31, 2002, respectively.

7. Future Minimum Rents Schedule

Future minimum lease payments to be received by Company as of December 31, 2002 under noncancelable operating leases are as follows:

2003	$ 807,200
2004	809,000
2005	820,000
2006	815,100
2007	374,000
Thereafter	2,809,839
Total	$6,435,139

The lease agreements generally contain provisions for reimbursement of real estate taxes and operating expenses over base year amounts, as well as fixed increases in rent.

COMBINED STATEMENTS OF REVENUES AND CERTAIN EXPENSES

Firehouse Realty Corporation, Riverview Development Corporation,

Reed Development Associates, Inc. and South Riverview Plaza Inc.
Operating as River View I, II and III
For the six months ended June 30, 2003 (unaudited) and the year ended December 31, 2002

Firehouse Realty Corporation

Riverview Development Corporation
South Riverview Plaza, Inc.
Reed Development Associates, Inc.

Combined Statements of Revenues and Certain Expenses

For the six months ended June 30, 2003 (unaudited) and the year ended December 31, 2002

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Report of Independent Auditors

Board of Directors and Stockholders

Cedar Shopping Centers, Inc. (formerly known as Cedar Income Fund, Ltd.)

We have audited the combined statements of revenues and certain expenses of Firehouse Realty Corporation, Riverview Development Corporation, South Riverview Plaza, Inc. and Reed Development Associates, Inc. which operate shopping center properties in Philadelphia, Pennsylvania. (collectibly the "Properties"), for the year ended December 31, 2002. The financial statement is the responsibility of the Properties' management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 audit provides a reasonable basis for our opinion.

The accompanying statement of revenues and certain expenses was prepared for the purpose of complying with Rule 3-14 of Regulation S-X of the Securities and Exchange Commission for inclusion in Form S-11 of Cedar Shopping Centers, Inc. (formerly known as Cedar Income Fund, Ltd.) and is not intended to be a complete presentation of the company's revenues and expenses.

In our opinion, the financial statement referred to above present fairly, in all material respects, the revenues and certain expenses of the Properties as described in Note 1 for the year ended December 31, 2002, in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

New York, New York

July 17, 2003

Firehouse Realty Corporation

Riverview Development Corporation
South Riverview Plaza Inc.
Reed Development Associates, Inc.

Combined Statements of Revenues and Certain Expenses

	Six Months Ended June 30, 2003	Year Ended December 31, 2002
	(Unaudited)	
Revenues		
Base rents	$2,150,656	$4,366,014
Tenant reimbursements	546,254	918,668
Other income	586	6,977
Total rental revenue	2,697,496	5,291,659
Certain expenses:		
Real estate taxes	172,673	345,259
Property operating expenses	451,594	580,822
Total certain expenses	624,267	926,081
Revenues in excess of certain expenses	$2,073,229	$4,365,578

See accompanying notes to financial statement.

Firehouse Realty Corporation

Riverview Development Corporation
South Riverview Plaza, Inc.
Reed Development Associates, Inc.

Notes to Combined Statements of Revenues and Certain Expenses

December 31, 2002

1. Basis of Presentation

Presented herein are the statements of revenues and certain expenses related to the operation of four multi-tenant shopping centers (collectibly the "Properties"). Firehouse Realty Corp ("Firehouse"), Riverview Development Corporation ("Riverview"), South Riverview Plaza, Inc. ("South Riverview") and Reed Development Associates, Inc. ("Reed") operate community shopping centers in Philadelphia, Pennsylvania with approximately 7,300, 82,424, 46,748 and 110,300 square feet of leasable retail space, respectively.

The statements of revenues and certain expenses for the six months ended June 30, 2003 is unaudited; however, in the opinion of management, all adjustments (consisting solely of normal recurring adjustments) necessary for a fair presentation of the statements of revenues and certain expenses for this interim period has been included. The results of interim periods are not necessarily indicative of the results to be obtained for a full fiscal year.

The accompanying financial statements have been prepared in accordance with the applicable rules and regulations of the Securities and Exchange Commission for the acquisition of real estate properties. Accordingly, the financial statements exclude certain expenses that may not be comparable to those expected to be incurred by the Company in the proposed future operations of the aforementioned property. Items excluded consist of interest, depreciation and general and administrative expenses not directly related to the future operations.

2. Use of Estimates

The preparation of financial statement in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. Revenue Recognition

The Property is being leased to tenants under operating leases. Minimum rental income is generally recognized on a straight-line basis over the term of the lease. The excess of amounts so recognized over amounts due pursuant to the underlying leases amounted to approximately $47,000 (unaudited) for the six months ended June 30, 2003 and $110,000 for the year ended December 31, 2002.

4. Property Operating Expenses

Property operating expenses for the year ended December 31, 2002, includes $164,849 for insurance, $53,785 for utilities, $14,200 for business privilege taxes, $334,273 in repair and maintenance costs and $13,715 in professional and other costs.

Property operating expenses for the six months ended June 30, 2003 (unaudited) include $98,505 for insurance, $31,705 for utilities, $14,000 for business privilege taxes, $292,102 for repairs and maintenance costs and $15,282 in professional and other costs.

5. Significant Tenants

The ten most significant tenants constituted approximately 76% of rental revenue for the three months ended June 30, 2003 and the year ended December 31, 2002.

6. Future Minimum Rents Schedule

Future minimum lease payments to be received by Partnership as of December 31, under noncancelable operating leases are as follows:

2003	$ 4,050,000
2004	3,645,000
2005	2,840,000
2006	2,247,000
2007	1,994,000
Thereafter	18,540,000
Total	$33,316,000

The lease agreements generally contain provisions for reimbursement of real estate taxes and operating expenses over base year amounts, as well as fixed increases in rent.

Combining Statement of Revenues and Certain Expenses

For the six months ended June 30, 2003

	South Riverview	Riverview	Firehouse	Reed	Total
Revenues					
Base rents	$513,819	$718,795	$106,850	$ 811,192	$2,150,656
Tenant reimbursements	96,321	180,804	—	269,129	546,254
Other income	37	289	1	259	586
Total rental revenue	610,177	899,888	106,851	1,080,580	2,697,496
Certain expenses:					
Real estate taxes	30,152	62,475	3,600	76,446	172,673
Property operating expenses	107,022	145,458	10,379	188,735	451,594
Total certain expenses	137,174	207,933	13,979	265,181	624,267
Revenues in excess of certain expenses	$473,003	$691,955	$ 92,872	$ 815,399	$2,073,229

Combining Statement of Revenues and Certain Expenses

For the year ended December 31, 2002

	South Riverview	Riverview	Firehouse	Reed	Total
Revenues					
Base rents	$1,044,865	$1,473,415	$208,308	$1,639,426	$4,366,014
Tenant reimbursements	170,287	276,819	7,315	464,247	918,668
Other income	165	5,785	164	863	6,977
Total rental revenue	1,215,317	1,756,019	215,787	2,104,536	5,291,659
Certain expenses:					
Real estate taxes	60,215	124,951	7,200	152,893	345,259
Property operating expenses	139,650	169,225	16,884	255,063	580,822
Total certain expenses	199,865	294,176	24,084	407,956	926,081
Revenues in excess of certain expenses	$1,015,452	$1,461,843	$191,703	$1,696,580	$4,365,578

STATEMENTS OF REVENUES AND CERTAIN EXPENSES

Triangle Center Associates, L.P.

Operating as Golden Triangle Shopping Center
For the six months ended June 30, 2003 (unaudited) and the years ended December 31, 2002, 2001 and 2000

Triangle Center Associates, L.P.

Statements of Revenues and Certain Expenses

For the six months ended June 30, 2003 (unaudited)
and the years ended December 31, 2002, 2001 and 2000

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Report of Independent Auditors

Board of Directors and Stockholders

Cedar Shopping Centers, Inc. (formerly known as Cedar Income Fund, Ltd.)

We have audited the statements of revenues and certain expenses of Triangle Center Associates, L.P. (the "Property") located in Lancaster, Pennsylvania, which has been acquired by Cedar Shopping Centers, Inc., as described in Note 1, for the years ended December 31, 2002, 2001 and 2000. The financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits 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.

The accompanying statements of revenues and certain expenses were prepared for the purpose of complying with Rule 3-14 of Regulation S-X of the Securities and Exchange Commission for inclusion in Form S-11 of Cedar Shopping Centers, Inc. (formerly known as Cedar Income Fund, Ltd.) and are not intended to be a complete presentation of the company's revenues and expenses.

In our opinion, the financial statements referred to above present fairly, in all material respects, the revenues and certain expenses of the Company as described in Note 1 for the years ended December 31, 2002, 2001 and 2000, in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

New York, New York

July 11, 2003

Triangle Center Associates, L.P.

Statements of Revenues and Certain Expenses

	Six Months Ended June 30, 2003	Years Ended December 31, 2002	2001	2000
	(Unaudited)			
Revenues				
Base rents	$ 561,780	$1,070,441	$1,642,522	$1,598,522
Tenant reimbursements	144,658	206,806	324,928	335,410
Other income	1,446	3,205	3,559	11,096
Total rental revenue	707,884	1,280,452	1,971,009	1,945,028
Certain expenses:				
Real estate taxes	120,769	233,102	260,751	219,757
Management fees	20,161	40,886	62,065	55,720
Property operating expenses	125,589	195,331	207,398	225,900
Bad debt expense	—	—	74,726	—
Total certain expenses	266,519	469,319	604,940	501,377
Revenues in excess of certain expenses	$ 441,365	$ 811,133	$1,366,069	$1,443,651

See accompanying notes to financial statement.

Triangle Center Associates, LP

Notes to Statements of Revenues and Certain Expenses

For the six months ended June 30, 2003 (unaudited) and the years ended December 31, 2002, 2001 and 2000

1. Basis of Presentation

Presented herein are the statements of revenues and certain expenses related to the operation of a multi-tenant shopping center. Triangle Center Associates, L.P. operates a community shopping center ("Triangle") located in Lancaster, Pennsylvania. Triangle has approximately 222,000 square feet of leasable retail space.

The statements of revenues and certain expenses for the six months ended June 30, 2003 is unaudited; however, in the opinion of management, all adjustments (consisting solely of normal recurring adjustments) necessary for a fair presentation of the statements of revenues and certain expenses for this interim period has been included. The results of interim periods are not necessarily indicative of the results to be obtained for a full fiscal year.

The accompanying financial statements have been prepared in accordance with the applicable rules and regulations of the Securities and Exchange Commission for the acquisition of real estate properties. Accordingly, the financial statements exclude certain expenses that may not be comparable to those expected to be incurred by the Company in the proposed future operations of the aforementioned property. Items excluded consist of interest, depreciation and general and administrative expenses not directly related to the future operations.

2. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. Revenue Recognition

Triangle is being leased to tenants under operating leases. Minimum rental income is generally recognized on a straight-line basis over the term of the lease. The excess of amounts so recognized over amounts due pursuant to the underlying leases amounted to approximately $7,400 (unaudited) for the six months ended June 30, 2003, $2,500, ($10,700) and ($6,200) for the years ended December 31, 2002, 2001 and 2000, respectively.

4. Management Agreements

Triangle incurs management fees, based on 3% of gross collections (as defined). The management services provided by the affiliate are terminable upon ninety days' notice.

5. Property Operating Expenses

Property operating expenses for the years ended December 31, 2002, 2001 and 2000, respectively include $40,210, $26,501 and $21,830 for insurance, $41,829, $38,106 and $34,471 for utilities, $50,805, $55,765 and $58,565 in repair and maintenance costs, $30,396, $40,381 and $65,414 in professional and other, $32,091, $46,645 and $45,620 for payroll (maintenance).

Property operating expenses for the six months ended June 30, 2003 (unaudited) include $20,161 for insurance, $29,881 for utilities, $43,780 for repairs and maintenance costs, $18,446 for professional and other and $13,321 for payroll (maintenance).

6. Significant Tenants

The three most significant tenants constitute approximately 49%, 32%, and 33% of rental revenue in 2002, 2001 and 2000, respectively.

7. Future Minimum Rents Schedule

Future minimum lease payments to be received by Triangle as of December 31, under noncancelable operating leases are as follows:

2003	$ 915,253
2004	822,132
2005	566,419
2006	341,815
2007	294,764
Thereafter	1,164,197
Total	$4,104,580

The lease agreements generally contain provisions for reimbursement of real estate taxes and operating expenses over base year amounts, as well as fixed increases in rent.

STATEMENTS OF REVENUES AND CERTAIN EXPENSES

Valley Real Estate, LLC

Operating as Valley Plaza Shopping Center
For the six months ended June 30, 2003 (unaudited) and the year ended December 31, 2002

Valley Real Estate LLC

Statements of Revenues and Certain Expenses

For the six months ended June 30, 2003 (unaudited) and the year ended December 31, 2002

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Report of Independent Auditors

Board of Directors and Stockholders

Cedar Shopping Centers, Inc. (formerly known as Cedar Income Fund, Ltd.)

We have audited the statements of revenues and certain expenses of Valley Real Estate LLC ("the Company"), which operates a property located in Hagerstown, Maryland, for the year ended December 31, 2002. The financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 audit provides a reasonable basis for our opinion.

The accompanying statement of revenues and certain expenses was prepared for the purpose of complying with Rule 3-14 of Regulation S-X of the Securities and Exchange Commission for inclusion in Form S-11 of Cedar Shopping Centers, Inc. (formerly known as Cedar Income Fund, Ltd.) and is not intended to be a complete presentation of the company's revenues and expenses.

In our opinion, the financial statement referred to above present fairly, in all material respects, the revenues and certain expenses of the Company as described in Note 1 for the year ended December 31, 2002, in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

New York, New York

July 11, 2003

Valley Real Estate, LLC

Statements of Revenues and Certain Expenses

	Six Months Ended June 30, 2003	Year Ended December 31, 2002
	(Unaudited)	
Revenues		
Base rents	$ 422,395	$ 843,610
Tenant reimbursements	103,772	297,584
Other income	141	401
Total rental revenue	526,308	1,141,595
Certain expenses:		
Real estate taxes	35,271	69,227
Management fees	12,000	24,000
Property operating expenses	67,400	117,269
Bad debt expense	—	3,600
Total certain expenses	114,671	214,096
Revenues in excess of certain expenses	$ 411,637	$ 927,499

See accompanying notes to financial statement.

Valley Real Estate, LLC

Notes to Statements of Revenues and Certain Expenses

For the six months ended June 30, 2003 (unaudited) and the year ended December 31, 2002

1. Basis of Presentation

Presented herein are the statements of revenues and certain expenses related to the operation of a multi-tenant shopping center. Valley Real Estate, LLC (the "Company") operates a community shopping center located in Hagerstown Maryland (the "Property"). The Property has approximately 191,200 square feet of leasable retail space. Cedar Shopping Centers, Inc. (formerly known as Cedar Income Fund, Ltd.) ("Cedar"), on June 27, 2003 purchased the Property for approximately $9.5 million.

The statements of revenues and certain expenses for the six months ended June 30, 2003 is unaudited; however, in the opinion of management, all adjustments (consisting solely of normal recurring adjustments) necessary for a fair presentation of the statements of revenues and certain expenses for this interim period have been included. The results of interim periods are not necessarily indicative of the results to be obtained for a full fiscal year.

The accompanying financial statements have been prepared in accordance with the applicable rules and regulations of the Securities and Exchange Commission for the acquisition of real estate properties. Accordingly, the financial statements exclude certain expenses that may not be comparable to those expected to be incurred by the Company in the proposed future operations of the aforementioned Property. Items excluded consist of interest, depreciation and general and administrative expenses not directly related to the future operations.

2. Use of Estimates

The preparation of financial statement in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. Revenue Recognition

The Property is being leased to tenants under operating leases. Minimum rental income is generally recognized on a straight-line basis over the term of the lease. The excess of amounts so recognized over amounts due pursuant to the underlying leases amounted to approximately $9,500 (unaudited) for the six months ended June 30, 2003 and $17,800 for the year ended December 31, 2002.

4. Management Agreements

Paragon Management Group LLC and Kline Scott Visco Commercial Real Estate Inc. earn management fees amounting to $1,000 a month each or $12,000 a year each. The management services were terminated simultaneous to the sale of the Property to Cedar on June 27, 2003.

5. Property Operating Expenses

Property operating expenses for the year ended December 31, 2002, includes $17,034 for insurance, $6,144 for utilities, $43,692 in repair and maintenance costs and $50,399 in professional and other costs.

Property operating expenses for the six months ended June 30, 2003 (unaudited) include $6,645 for insurance, $4,662 for utilities, $45,710 for repairs and maintenance costs and $10,383 in professional and other costs.

6. Significant Tenants

The five most significant tenants constitute approximately 89% of rental revenue for the six months ended June 30, 2003 (unaudited) and the year ended December 31, 2002.

7. Future Minimum Rents Schedule

Future minimum lease payments to be received by Company as of December 31, 2002 under noncancelable operating leases are as follows:

2003	$ 825,787
2004	768,687
2005	557,557
2006	556,633
2007	556,633
Thereafter	1,759,230
Total	$5,024,527

The lease agreements generally contain provisions for reimbursement of real estate taxes and operating expenses over base year amounts, as well as well as fixed increases in rent and percentage rent.

COMBINED STATEMENTS OF REVENUES AND CERTAIN EXPENSES

SPSP Corporation, Passyunk Supermarket, Inc. and Twenty Fourth Street Passyunk Partners, L.P.

Operating as the South Philadelphia Shopping Center
For the six months ended June 30, 2003 (unaudited) and the year ended December 31, 2002

SPSP Corporation

Passyunk Supermarket, Inc.
Twenty Fourth Street Passyunk Partners, L.P.

Combined Statements of Revenues and Certain Expenses

For the six months ended June 30, 2003 (unaudited) and the year ended December 31, 2002

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Report of Independent Auditors

Board of Directors and Stockholders

Cedar Shopping Centers, Inc. (formerly known as Cedar Income Fund, Ltd.)

We have audited the combined statements of revenues and certain expenses of SPSP Corporation, Passyunk Supermarket, Inc. and Twenty Fourth Street Passyunk Partners, L.P. (collectibly the "Owners") which operate a shopping center property in South Philadelphia, Pennsylvania, for the year ended December 31, 2002. The financial statement is the responsibility of the Owners' management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 audit provides a reasonable basis for our opinion.

The accompanying statement of revenues and certain expenses was prepared for the purpose of complying with Rule 3-14 of Regulation S-X of the Securities and Exchange Commission for inclusion in Form S-11 of Cedar Shopping Centers, Inc. (formerly known as Cedar Income Fund, Ltd.) and is not intended to be a complete presentation of the company's revenues and expenses.

In our opinion, the financial statement referred to above present fairly, in all material respects, the revenues and certain expenses of the Owners as described in Note 1 for the year ended December 31, 2002, in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purposes of forming an opinion on the combined statement of revenues and certain expenses taken as a whole. The supplemental combining statement of revenues and certain expenses is presented for the purposes of additional analysis and is not a required part of the combined statement of revenues and certain expenses. Such information has been subject to the auditing procedures applied in our audit of the combined statement of revenues and certain expenses, and, in our opinion, is fairly stated in all material respects in relation to the combined statement of revenues and certain expenses taken as a whole.

/s/ ERNST & YOUNG LLP

New York, New York
July 31, 2003

SPSP Corporation

Passyunk Supermarket, Inc.
Twenty Fourth Street Passyunk Partners, L.P.

Combined Statements of Revenues and Certain Expenses

	Six Months Ended June 30, 2003 (Unaudited)	Year Ended December 31, 2002
Revenues		
Base rents	$1,557,581	$2,622,420
Tenant reimbursements	357,593	462,714
Other income	357	1,280
Total rental revenue	1,915,531	3,086,414
Certain expenses:		
Real estate taxes	228,646	364,208
Property operating expenses	246,093	411,453
Management fee	24,000	48,000
Total certain expenses	498,739	823,661
Revenues in excess of certain expenses	$1,416,792	$2,262,753

See accompanying notes to financial statement.

SPSP Corporation

Passyunk Supermarket, Inc.
Twenty Fourth Street Passyunk Partners, L.P.

Notes to Combined Statements of Revenues and Certain Expenses

For the six months ended June 30, 2003 (unaudited) and the year ended December 31, 2002

1. Basis of Presentation

Presented herein are the statements of revenues and certain expenses related to the operation of a multi-tenant shopping center (the "Property"). SPSP Corporation, Passyunk Supermarket, Inc. and Twenty Fourth Street Passyunk Partners, L.P. (collectibly the "Owners") operate a community shopping center in South Philadelphia, Pennsylvania with approximately 309,000 square feet of leasable retail space, respectively.

The statements of revenues and certain expenses for the six months ended June 30, 2003 is unaudited; however, in the opinion of management, all adjustments (consisting solely of normal recurring adjustments) necessary for a fair presentation of the statements of revenues and certain expenses for this interim period has been included. The results of interim periods are not necessarily indicative of the results to be obtained for a full fiscal year.

The accompanying financial statements have been prepared in accordance with the applicable rules and regulations of the Securities and Exchange Commission for the acquisition of real estate properties. Accordingly, the financial statements exclude certain expenses that may not be comparable to those expected to be incurred by the Company in the proposed future operations of the aforementioned property. Items excluded consist of interest, depreciation and general and administrative expenses not directly related to the future operations.

2. Use of Estimates

The preparation of financial statement in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. Revenue Recognition

The Properties are being leased to tenants under operating leases. Minimum rental income is generally recognized on a straight-line basis over the term of the lease. The excess of amounts so recognized over amounts due pursuant to the underlying leases amounted to approximately $119,000 (unaudited) for the 6 months ended June 30, 2003, and $117,000 for the year ended December 31, 2002.

4. Management Agreements

Equity Properties, Inc. earns management fee equal to $4,000 per month. The management services are terminable upon thirty days' notice.

5. Property Operating Expenses

Property operating expenses for the year ended December 31, 2002, includes $100,138 for insurance, $119,857 for utilities, $25,226 for business privilege taxes, $162,183 in repair and maintenance costs and $4,049 in professional and other costs.

Property operating expenses for the six months ended June 30, 2003 (unaudited) include $70,273 for insurance, $41,925 for utilities, $130,492 for repairs and maintenance costs and $3,403 in professional and other costs.

6. Significant Tenants

The four most significant tenants constituted approximately 60% of rental revenue for the three months ended June 30, 2003 (unaudited) and the year ended December 31, 2002.

7. Future Minimum Rents Schedule

Future minimum lease payments to be received by Owners as of December 31, 2002 under noncancelable operating leases are as follows:

2003	$ 3,084,000
2004	3,274,000
2005	3,235,000
2006	3,089,000
2007	2,923,000
Thereafter	23,468,000
Total	$39,073,000

The lease agreements generally contain provisions for reimbursement of real estate taxes and operating expenses over base year amounts, as well as fixed increases in rent.

Combining Statement of Revenues and Certain Expenses

For the six months ended June 30, 2003

	SPSP	Passyunk Supermarket	Twenty Fourth Street	Total
Revenues				
Base rents	$1,133,975	$ 156,572	$ 267,034	$1,557,581
Tenant reimbursements	214,526	83,576	59,491	357,593
Other income	357	—	—	357
Total rental revenue	1,348,858	240,148	326,525	1,915,531
Certain expenses:				
Real estate taxes	172,319	32,765	23,562	228,646
Property operating expenses	181,135	28,886	36,072	246,093
Management fee	24,000	—	—	
Total certain expenses	377,454	61,651	59,634	498,739
Revenues in excess of certain expenses	$ 971,404	$ 178,497	$ 266,891	$1,416,792

Combining Statement of Revenues and Certain Expenses

For the year ended December 31, 2002

	SPSP	Passyunk Supermarket	Twenty Fourth Street	Total
Revenues				
Base rents	$2,417,577	$ 57,705	$ 147,138	$2,622,420
Tenant reimbursements	398,463	19,895	44,356	462,714
Other income	1,180	56	44	1,280
Total rental revenue	2,817,220	77,656	191,538	3,086,414
Certain expenses:				
Real estate taxes	279,574	37,490	47,144	364,208
Property operating expenses	307,649	36,943	66,861	411,453
Management Fee	48,000	—	—	
Total certain expenses	635,223	74,433	114,005	823,661
Revenues in excess of certain expenses	$2,181,997	$ 3,223	$ 77,533	$2,262,753


[Map of Northeast]

13,500,000 Shares

Cedar Shopping Centers, Inc.

Common Stock

PROSPECTUS

Merrill Lynch & Co.

Legg Mason Wood Walker
Incorporated
Raymond James

October , 2003

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 31. ***Other Expenses of Issuance and Distribution***

The following table itemizes the expenses incurred by us in connection with the issuance and registration of the securities being registered hereunder. All amounts shown are estimates except the Securities and Exchange Commission registration fee.

SEC Registration Fee	$ 15,700
NYSE Listing Fee	150,000
NASD filling fee	19,245
Printing and Engraving Expenses	250,000
Legal Fees and Expenses (other than Blue Sky)	750,000
Accounting and Fees and Expenses	750,000
Blue Sky Fees and Expenses	5,000
Transfer Agent and registrar fees	5,000
Total	$1,944,945

Item 32. ***Sales to Special Parties***

None

Item 33. ***Recent Sales of Unregistered Securities***

The following is a summary of the sales during the past three years by us of common stock that was not registered under the Securities Act of 1933.

Investor	Date	Consideration	Number of Shares
Milt Ciplet	1/3/03	*	10,000
Johannes van de Pol	1/3/03	*	6,000
John P. Fasciano	1/3/03	*	20,000
Homburg Invest USA Inc.	1/3/03	**	276,000

* For Services Rendered

** Conversion of Preferred Units

In addition, we issued an aggregate of 100,000 stock options to directors pursuant to our stock option plan.

All of the foregoing securities were issued in reliance on the exemption from registration under Section 4(2) of the Securities Act of 1933.

Item 34. ***Indemnification of Directors and Officers***

Our charter contains a provision permitted under the MGCL giving us the power to eliminate, with limited exceptions, each director's and officer's personal liability for monetary damages for breach of any duty as a director or officer. In addition, to the maximum extent permitted under the MGCL, our bylaws require us to indemnify our directors and officers and pay or reimburse reasonable expenses in advance of final disposition of a proceeding if such director or officer is made a party to the proceeding by reason of his or her service in that capacity. These rights are contract rights fully enforceable by each beneficiary of those rights, and are in addition to, and not exclusive of, any other right to indemnification. Furthermore, our officers and directors are indemnified against specified liabilities by the underwriters, and the underwriters are indemnified against certain liabilities by us, under the purchase agreements relating to this offering. See "Underwriting."

Item 35. ***Treatment of Proceeds from Stock Being Registered***

None

Item 36. ***Financial Statements and Exhibits***

(A) *Financial Statements.* See Index to Consolidated Financial Statements and the related notes thereto.

(B) *Exhibits.* The following exhibits are filed as part of, or incorporated by reference into, this registration statement on Form S-11:

Exhibits

Item	Title or Description
*1.1	Form of Underwriting Agreement among Cedar Shopping Centers, Inc. (the "Company"), and the underwriters named therein.
*3.1	Articles of Incorporation of the Company.
*3.2	Articles of Amendment of Articles of Incorporation of the Company.
*3.3	By-laws of the Company, as amended.
*3.4	Agreement of Limited Partnership for Cedar Shopping Centers Partnership, L.P.
*3.5	Amendment No. 1 to Agreement of Limited Partnership of Cedar Shopping Centers Partnership, L.P.
*5.1	Opinion of Stroock & Stroock & Lavan LLP with respect to the legality of the shares being registered.
*8.1	Opinion of Stroock & Stroock & Lavan LLP regarding certain federal income tax matters.
10.1	Administrative and Advisory Agreement dated April 2, 1998 between Cedar Bay Realty Advisors, Inc. and the Company. Incorporated by reference to Exhibit 10.1 of Form 10-K for the year ended 1998.
10.2	Management Agreement dated April 2, 1998 between Brentway Management LLC and the Company. Incorporated by reference to Exhibit 10.2 of Form 10-K for the year ended 1998.
10.3	Assignment of Administrative and Advisory Agreement dated April 30, 1999, between Cedar Shopping Centers, Inc. and Cedar Shopping Centers Partnership, L.P.; Amendment of Administrative and Advisory Agreement dated August 21, 2000, between Cedar Shopping Centers Partnership, L.P. and Cedar Bay Realty Advisors, Inc.; Second Amendment of Administrative and Advisory Agreement dated August 21, 2000, between Cedar Shopping Centers Partnership, L.P. and Cedar Bay Realty Advisors, Inc.; and Third Amendment of the Administrative and Advisory Agreement dated as of January 1, 2002 between Cedar Shopping Centers Partnership, L.P. and Cedar Bay Realty Advisors, Inc. Incorporated by reference to Exhibit 10.3 of Form 10-K for the year ended 2001.
10.4	Standstill Agreement between Homburg Invest Inc., Richard Homburg and the Company dated January 18, 2002. Incorporated by reference to Exhibit 10.4 of Form 10-K for the year ended 2001.
10.5	Real Estate Purchase and Sale Agreement regarding the sale of Southpoint Parkway, Jacksonville, Florida, by and between Cedar Shopping Centers Partnership, L.P. and Southpoint Parkway Center, L.C. dated February 1, 2002, incorporated by reference to Exhibit 10.1 to Form 8-K filed June 10, 2002; and Addendum Number One to Real Estate Purchase and Sale Agreement by and between Cedar Shopping Centers Partnership, L.P. and Southpoint Parkway Center, L.C. Incorporated by reference to Exhibit 10.2 of Form 8-K filed on June 20, 2002.
10.6	Subscription Agreement by and between Cedar Shopping Centers, Inc. and Homburg Invest USA Inc., dated as of December 18, 2002. Incorporated by reference to Exhibit 10.1 of Form 8-K filed on January 7, 2003.
10.7	Property Management Agreement by and between API Red Lion Shopping Center Associates and SKR Management Corp., dated as of January 1,1995. Incorporated by reference to Exhibit 10.1 of Form 8-K filed on June 13, 2002.

Item	Title or Description
10.8	Assignment of Property Management Agreement by and between SKR Management Corp. and Brentway Management LLC, dated as of January 1,1996. Incorporated by reference to Exhibit 10.2 of Form 8-K filed on June 13, 2002.
10.9	Standstill Agreement by and between Robert J. Ambrosi and ARC Properties, Inc. and Cedar Shopping Centers, Inc., dated May 31, 2002. Incorporated by reference to Exhibit 10.3 of Form 8-K filed on June 13, 2002.
10.10	Purchase and Sale Agreement by and between Silver Circle Management Corp. and Leo S. Ullman and Philadelphia Cedar-RL, LLC, dated as of February 6, 2002. Incorporated by reference to Exhibit 10.4 of Form 8-K filed on June 13, 2002.
10.11	Indemnity Agreement by Cedar-RL, LLC to and for the benefit of Leo S. Ullman, dated as of May 31, 2002. Incorporated by reference to Exhibit 10.5 of Form 8-K filed on June 13, 2002.
10.12	Promissory Note from Cedar-RL, LLC to Silver Circle Management Corp., dated as of May 31, 2002. Incorporated by reference to Exhibit 10.6 of Form 8-K filed on June 13, 2002.
10.13	Subordinate Pledge and Security Agreement by Cedar-RL, LLC and Silver Circle Management Corp., dated as of May 31, 2002. Incorporated by reference to Exhibit 10.7 of Form 8-K filed on June 13, 2002.
10.14	Compensation Agreement between Cedar Shopping Centers, Inc., Cedar Shopping Centers Partnership, L.P., SKR Management Corp., Cedar Bay Realty Advisors, Inc., Brentway Management LLC, Leo S. Ullman and ARC Properties, Inc., dated May 31, 2002. Incorporated by reference to Exhibit 10.8 of Form 8-K filed on June 13, 2002.
10.15	Amended and Restated Limited Partnership Agreement of API Red Lion Shopping Center Associates, L.P., a New York Limited Partnership among Cedar-RL, LLC and Silver Circle Management Corp. and Philadelphia ARC-Cedar, LLC, dated as of May 31, 2002. Incorporated by reference to Exhibit 11.11 of Form 8-K filed on June 13, 2002.
10.16	Warrant by Cedar Shopping Centers Partnership, L.P. to ARC Properties, Inc., dated as of May 31, 2002. Incorporated by reference to Exhibit 10.12 of Form 8-K filed on June 13, 2002.
10.17	Property Management Agreement by and between The Point Associates, L.P. and SKR Management Corp., dated as of December 1, 1994. Incorporated by reference to Exhibit 10.17 of Form 8-K filed on June 13, 2002.
10.18	Assignment of Property Management Agreement by and between SKR Management Corp. and Brentway Management LLC, dated as of January 1, 1996. Incorporated by reference to Exhibit 10.18 of Form 8-K filed on June 13, 2002.
10.19	Agreement to Purchase Real Estate by and between Loyal Plaza Venture, L.P. and Cedar Shopping Centers Partnership, L.P. dated January 7, 2002; First Amendment to Agreement to Purchase Real Estate by and between Loyal Plaza Venture, L.P. and Cedar Shopping Centers Partnership, L.P. dated February 22, 2002; Second Amendment to Agreement to Purchase Real Estate by and between Loyal Plaza Venture, L.P. and Cedar Shopping Centers Partnership, L.P. dated February 24, 2002; Third Amendment to Agreement to Purchase Real Estate between Loyal Plaza Venture, L.P. and Cedar Shopping Centers Partnership, L.P. dated March 1, 2002; Fourth Amendment to Agreement to Purchase Real Estate by and between Loyal Plaza Venture, L.P. and Cedar Shopping Centers Partnership, L.P. dated March 8, 2002; Fifth Amendment to Agreement to Purchase Real Estate by and between Loyal Plaza Venture, L.P. and Cedar Shopping Centers Partnership, L.P. dated March 13, 2002; Sixth Amendment to Agreement to Purchase Real Estate by and between Loyal Plaza Venture, L.P. and Cedar Shopping Centers Partnership, L.P. dated March 15, 2002; and Seventh Amendment to Agreement to Purchase Real Estate by and between Loyal Plaza Venture, L.P. and Cedar Shopping Centers Partnership, L.P. dated March 22, 2002 (collectively, the "Purchase Contract"). Incorporated by reference to Exhibit 10.1 of Form 8-K filed on July 17, 2002.
10.20	Agreement to Assign Agreement between Cedar Shopping Centers Partnership, L.P. as Assignor to Loyal Plaza Associates, L.P. as Assignee, made by and between Assignor and Loyal Plaza Venture, L.P. dated June , 2002. Incorporated by reference to Exhibit 10.2 of Form 8-K filed on July 17, 2002.

Item	Title or Description
10.21	Limited Partnership Agreement of Loyal Plaza Associates, L.P. between CIF-Loyal Plaza Associates, L.P. and Kimco Preferred Investor IV Trust dated June 28, 2002. Incorporated by reference to Exhibit 10.3 of Form 8-K filed on July 17, 2002.
10.22	Limited Partnership Agreement of CIF-Loyal Plaza Associates, L.P. by and among CIF-Loyal Plaza Associates, L.P. and Cedar Shopping Centers Partnership, L.P. dated as of June 28, 2002. Incorporated by reference to Exhibit 10.4 of Form 8-K filed on July 17, 2002.
10.23	Open-End Mortgage and Security Agreement in the amount of $14.0 million (Original Mortgage) by Loyal Plaza Venture, L.P. (Borrower) and Glimcher Loyal Plaza Tenant, L.P. (Tenant) (collectively referred to as Mortgagor) to Lehman Brothers Bank, FSB (Lender) dated May 31, 2001. Incorporated by reference to Exhibit 10.5 of Form 8-K filed on July 17, 2002.
10.24	Loan Assumption and Modification Agreement by and among Loyal Plaza Associates, L.P. (Assuming Borrower), Cedar Shopping Centers, Inc. (Assuming Principal), Loyal Plaza Venture, L.P. (Original Borrower), Glimcher Properties Limited Partnership (Glimcher) and Glimcher Loyal Plaza Tenant, L.P. (Tenant), in favor of LaSalle Bank National Association (Trustee) and LB-UBS Commercial Mortgage Trust 2001-C3 (Lender) dated as of July 2, 2002. Incorporated by reference to Exhibit 10.6 of Form 8-K filed on July 17, 2002.
10.25	Property Management Agreement [Loyal Plaza] by and between Loyal Plaza Associates, L.P. and Brentway Management LLC dated as of June , 2002. Incorporated by reference to Exhibit 10.11 of Form 8-K filed on July 17, 2002.
10.26	Post Closing Agreement regarding the Assumption by Loyal Plaza Associates, L.P. (Assuming Borrower) of that certain Loan evidenced by that certain Note dated May 31, 2001 payable by Loyal Plaza Venture, L.P. (Original Borrower) to Lehman Brothers Bank, FSB (Original Lender) as secured by that certain Open-End Mortgage and Security Agreement of even date to Glimcher Loyal Plaza Tenant, L.P. (Mortgage) currently held and owned by LaSalle Bank National Association (Trustee) of LB-UBS Commercial Trust 2001-C3 (Lender) dated July 2, 2002. Incorporated by reference to Exhibit 10.13 of Form 8-K filed on July 17, 2002.
10.27	Agreement of Purchase and Sale between Connecticut General Life Insurance Company and Cedar Shopping Centers Partnership, L.P., dated August 12, 2002. Incorporated by reference to Exhibit 10.1 of Form 8-K filed on December 9, 2002.
10.28	First Amendment to Agreement of Purchase and Sale between Connecticut General Life Insurance Company and Cedar Shopping Centers Partnership, L.P., dated September 12, 2002. Incorporated by reference to Exhibit 10.2 of Form 8-K filed on December 9, 2002.
10.29	Second Amendment to Agreement of Purchase and Sale between Connecticut General Life Insurance Company and Cedar Shopping Centers Partnership, L.P., dated as of October 31, 2002. Incorporated by reference to Exhibit 10.3 of Form 8-K filed on December 9, 2002.
10.30	Third Amendment to Agreement of Purchase and Sale between Connecticut General Life Insurance Company and Cedar Shopping Centers Partnership, L.P., dated as of November 15, 2002. Incorporated by reference to Exhibit 10.4 of Form 8-K filed on December 9, 2002.
10.31	Assignment and Assumption of Contract of sale between Cedar Shopping Centers Partnership, L.P. and Cedar-Camp Hill, LLC dated as of November , 2002. Incorporated by reference to Exhibit 10.5 of Form 8-K filed on December 9, 2002.
10.32	Limited Liability Company Agreement of Cedar-Camp Hill, LLC by Cedar Shopping Centers Partnership, L.P., effective as of November 1, 2002. Incorporated by reference to Exhibit 10.6 of Form 8-K filed on December 9, 2002.
10.33	Property Management Agreement by and between Cedar-Camp Hill, LLC and Brentway Management LLC dated as of , 2002. Incorporated by reference to Exhibit 10.7 of Form 8-K filed on December 9, 2002.
10.34	Loan Agreement by and between SWH Funding Corp. and Cedar Shopping Centers Partnership, L.P., dated as of November , 2002. Incorporated by reference to Exhibit 10.9 of Form 8-K filed on December 9, 2002.

Item	Title or Description
10.35	Loan Agreement by and between Cedar-Camp Hill, LLC and Citizens Bank of Pennsylvania, executed on November 14, 2002. Incorporated by reference to Exhibit 10.10 of Form 8-K filed on December 9, 2002.
10.36	Open-End Mortgage and Security Agreement between Cedar Camp Hill, LLC, Cedar Bay Realty Advisors, Inc. and Citizens Bank of Pennsylvania, executed on November 14, 2002. Incorporated by reference to Exhibit 10.11 of Form 8-K filed on December 9, 2002.
10.37	Pledge and Security Agreement by Cedar Shopping Centers Partnership, L.P. and SWH Funding Corp. regarding that certain Loan Agreement; dated as of November 22, 2002. Incorporated by reference to Exhibit 10.22 of Form 8-K filed on December 9, 2002.
10.38	Intercreditor Recognition Agreement among Citizens Bank of Pennsylvania, SWH Funding Corp., Cedar-Camp Hill, LLC and Cedar Shopping Centers Partnership, L.P., dated as of November 22, 2002. Incorporated by reference to Exhibit 10.26 of Form 8-K filed on December 9, 2002.
*10.39	Employment agreement between Cedar Shopping centers, Inc. and Leo S. Ullman, dated as of October 1, 2003.
*10.40	Employment agreement between Cedar Shopping Centers, Inc. and Brenda J. Walker, dated as of October 1, 2003.
*10.41	Employment agreement between Cedar Shopping Centers, Inc. and Thomas J. O'Keeffe, dated as of October 1, 2003.
*10.42	Employment agreement between Cedar Shopping Centers, Inc. and Thomas B. Richey, dated as of October 1, 2003.
*10.43	Employment agreement between Cedar Shopping Centers, Inc. and Stuart H. Widowski, dated as of October 1, 2003.
*10.44	Contribution Agreement dated October 2, 2003 by and among Firehouse Realty Corp., Reed Development Associates, Inc., South River View Plaza, Inc., River View Development Corp., Riverview Commons, Inc. and CSC-Riverview LLC.
*10.45	Recapitalization Agreement dated October 2, 2003 by and among Delaware 1851 Associates, LP, Indenture of Trust of Bart Blatstein dated as of June 9, 1998, Irrevocable Indenture of Trust of Barton Blatstein dated July 13, 1999, Welsh-Square, Inc. and CSC-Columbus LLC.
*10.46	Agreement to enter into Net Lease dated April 23, 2003 between SPSP Corporation, Passyunk Supermarket, Inc., Twenty Fourth Street Passyunk Partners, L.P., and Cedar-South Philadelphia I, LLC.
*21.1	List of Subsidiaries of the Registrant.
*23.1	Consent of Ernst & Young LLP
*23.2	Consent of Stroock & Stroock & Lavan LLP (included in Exhibits 5.1 and 8.1).
*23.3	Consent of Roger M. Widmann to be named as a nominee as a director.
24.1	Power of Attorney (previously filed).

* Filed herewith.

Item 37. ***Undertakings***

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance under Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4), or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and this offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

The undersigned registrant hereby further undertakes to provide to the underwriter at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

Insofar as indemnification of liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-11 and has duly caused this amendment to the registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Port Washington, State of New York, on October 14, 2003.

CEDAR SHOPPING CENTERS, INC.

By: /s/ LEO S. ULLMAN

Leo S. Ullman
Chairman of the Board of Directors and President

POWER OF ATTORNEY

Pursuant to the requirements of the Securities Act of 1933, this amendment to the Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ LEO S. ULLMAN Leo S. Ullman	Chairman of the Board of Directors and President (Principal Executive Officer)	October 14, 2003
* Brenda J. Walker	Vice President and Director	October 14, 2003
* Thomas J. O'Keeffe	Chief Financial Officer	October 14, 2003
* Ann Maneri	Controller (Principal Accounting Officer)	October 14, 2003
* James J. Burns	Director	October 14, 2003
Richard Homburg	Director	
* J. A. M. H. der Kinderen	Director	October 14, 2003

Signature	Title	Date
	Director	
Frank W. Matheson		
*	Director	October 14, 2003
Everett B. Miller, III		
*By: /s/ LEO S. ULLMAN		
Leo S. Ullman Attorney-in-fact		

EXHIBIT INDEX

Item	Title or Description
*1.1	Form of Underwriting Agreement among Cedar Shopping Centers, Inc. (the "Company"), and the underwriters named therein.
*3.1	Articles of Incorporation of the Company.
*3.2	Articles of Amendment of Articles of Incorporation of the Company.
*3.3	By-laws of the Company, as amended.
*3.4	Agreement of Limited Partnership for Cedar Shopping Centers Partnership, L.P.
*3.5	Amendment No. 1 to Agreement of Limited Partnership of Cedar Shopping Centers Partnership, L.P.
*5.1	Opinion of Stroock & Stroock & Lavan LLP with respect to the legality of the shares being registered.
*8.1	Opinion of Stroock & Stroock & Lavan LLP regarding certain federal income tax matters.
10.1	Administrative and Advisory Agreement dated April 2, 1998 between Cedar Bay Realty Advisors, Inc. and the Company. Incorporated by reference to Exhibit 10.1 of Form 10-K for the year ended 1998.
10.2	Management Agreement dated April 2, 1998 between Brentway Management LLC and the Company. Incorporated by reference to Exhibit 10.2 of Form 10-K for the year ended 1998.
10.3	Assignment of Administrative and Advisory Agreement dated April 30, 1999, between Cedar Shopping Centers, Inc. and Cedar Shopping Centers Partnership, L.P.; Amendment of Administrative and Advisory Agreement dated August 21, 2000, between Cedar Shopping Centers Partnership, L.P. and Cedar Bay Realty Advisors, Inc.; Second Amendment of Administrative and Advisory Agreement dated August 21, 2000, between Cedar Shopping Centers Partnership, L.P. and Cedar Bay Realty Advisors, Inc.; and Third Amendment of the Administrative and Advisory Agreement dated as of January 1, 2002 between Cedar Shopping Centers Partnership, L.P. and Cedar Bay Realty Advisors, Inc. Incorporated by reference to Exhibit 10.3 of Form 10-K for the year ended 2001.
10.4	Standstill Agreement between Homburg Invest Inc., Richard Homburg and the Company dated January 18, 2002. Incorporated by reference to Exhibit 10.4 of Form 10-K for the year ended 2001.
10.5	Real Estate Purchase and Sale Agreement regarding the sale of Southpoint Parkway, Jacksonville, Florida, by and between Cedar Shopping Centers Partnership, L.P. and Southpoint Parkway Center, L.C. dated February 1, 2002, incorporated by reference to Exhibit 10.1 to Form 8-K filed June 10, 2002; and Addendum Number One to Real Estate Purchase and Sale Agreement by and between Cedar Shopping Centers Partnership, L.P. and Southpoint Parkway Center, L.C. Incorporated by reference to Exhibit 10.2 of Form 8-K filed on June 20, 2002.
10.6	Subscription Agreement by and between Cedar Shopping Centers, Inc. and Homburg Invest USA Inc., dated as of December 18, 2002. Incorporated by reference to Exhibit 10.1 of Form 8-K filed on January 7, 2003.
10.7	Property Management Agreement by and between API Red Lion Shopping Center Associates and SKR Management Corp., dated as of January 1,1995. Incorporated by reference to Exhibit 10.1 of Form 8-K filed on June 13, 2002.
10.8	Assignment of Property Management Agreement by and between SKR Management Corp. and Brentway Management LLC, dated as of January 1,1996. Incorporated by reference to Exhibit 10.2 of Form 8-K filed on June 13, 2002.
10.9	Standstill Agreement by and between Robert J. Ambrosi and ARC Properties, Inc. and Cedar Shopping Centers, Inc., dated May 31, 2002. Incorporated by reference to Exhibit 10.3 of Form 8-K filed on June 13, 2002.
10.10	Purchase and Sale Agreement by and between Silver Circle Management Corp. and Leo S. Ullman and Philadelphia Cedar-RL, LLC, dated as of February 6, 2002. Incorporated by reference to Exhibit 10.4 of Form 8-K filed on June 13, 2002.

Item	Title or Description
10.11	Indemnity Agreement by Cedar-RL, LLC to and for the benefit of Leo S. Ullman, dated as of May 31, 2002. Incorporated by reference to Exhibit 10.5 of Form 8-K filed on June 13, 2002.
10.12	Promissory Note from Cedar-RL, LLC to Silver Circle Management Corp., dated as of May 31, 2002. Incorporated by reference to Exhibit 10.6 of Form 8-K filed on June 13, 2002.
10.13	Subordinate Pledge and Security Agreement by Cedar-RL, LLC and Silver Circle Management Corp., dated as of May 31, 2002. Incorporated by reference to Exhibit 10.7 of Form 8-K filed on June 13, 2002.
10.14	Compensation Agreement between Cedar Shopping Centers, Inc., Cedar Shopping Centers Partnership, L.P., SKR Management Corp., Cedar Bay Realty Advisors, Inc., Brentway Management LLC, Leo S. Ullman and ARC Properties, Inc., dated May 31, 2002. Incorporated by reference to Exhibit 10.8 of Form 8-K filed on June 13, 2002.
10.15	Amended and Restated Limited Partnership Agreement of API Red Lion Shopping Center Associates, L.P., a New York Limited Partnership among Cedar-RL, LLC and Silver Circle Management Corp. and Philadelphia ARC-Cedar, LLC, dated as of May 31, 2002. Incorporated by reference to Exhibit 11.11 of Form 8-K filed on June 13, 2002.
10.16	Warrant by Cedar Shopping Centers Partnership, L.P. to ARC Properties, Inc., dated as of May 31, 2002. Incorporated by reference to Exhibit 10.12 of Form 8-K filed on June 13, 2002.
10.17	Property Management Agreement by and between The Point Associates, L.P. and SKR Management Corp., dated as of December 1, 1994. Incorporated by reference to Exhibit 10.17 of Form 8-K filed on June 13, 2002.
10.18	Assignment of Property Management Agreement by and between SKR Management Corp. and Brentway Management LLC, dated as of January 1, 1996. Incorporated by reference to Exhibit 10.18 of Form 8-K filed on June 13, 2002.
10.19	Agreement to Purchase Real Estate by and between Loyal Plaza Venture, L.P. and Cedar Shopping Centers Partnership, L.P. dated January 7, 2002; First Amendment to Agreement to Purchase Real Estate by and between Loyal Plaza Venture, L.P. and Cedar Shopping Centers Partnership, L.P. dated February 22, 2002; Second Amendment to Agreement to Purchase Real Estate by and between Loyal Plaza Venture, L.P. and Cedar Shopping Centers Partnership, L.P. dated February 24, 2002; Third Amendment to Agreement to Purchase Real Estate between Loyal Plaza Venture, L.P. and Cedar Shopping Centers Partnership, L.P. dated March 1, 2002; Fourth Amendment to Agreement to Purchase Real Estate by and between Loyal Plaza Venture, L.P. and Cedar Shopping Centers Partnership, L.P. dated March 8, 2002; Fifth Amendment to Agreement to Purchase Real Estate by and between Loyal Plaza Venture, L.P. and Cedar Shopping Centers Partnership, L.P. dated March 13, 2002; Sixth Amendment to Agreement to Purchase Real Estate by and between Loyal Plaza Venture, L.P. and Cedar Shopping Centers Partnership, L.P. dated March 15, 2002; and Seventh Amendment to Agreement to Purchase Real Estate by and between Loyal Plaza Venture, L.P. and Cedar Shopping Centers Partnership, L.P. dated March 22, 2002 (collectively, the "Purchase Contract"). Incorporated by reference to Exhibit 10.1 of Form 8-K filed on July 17, 2002.
10.20	Agreement to Assign Agreement between Cedar Shopping Centers Partnership, L.P. as Assignor to Loyal Plaza Associates, L.P. as Assignee, made by and between Assignor and Loyal Plaza Venture, L.P. dated June , 2002. Incorporated by reference to Exhibit 10.2 of Form 8-K filed on July 17, 2002.
10.21	Limited Partnership Agreement of Loyal Plaza Associates, L.P. between CIF-Loyal Plaza Associates, L.P. and Kimco Preferred Investor IV Trust dated June 28, 2002. Incorporated by reference to Exhibit 10.3 of Form 8-K filed on July 17, 2002.
10.22	Limited Partnership Agreement of CIF-Loyal Plaza Associates, L.P. by and among CIF-Loyal Plaza Associates, L.P. and Cedar Shopping Centers Partnership, L.P. dated as of June 28, 2002. Incorporated by reference to Exhibit 10.4 of Form 8-K filed on July 17, 2002.

Item	Title or Description
10.23	Open-End Mortgage and Security Agreement in the amount of $14.0 million (Original Mortgage) by Loyal Plaza Venture, L.P. (Borrower) and Glimcher Loyal Plaza Tenant, L.P. (Tenant) (collectively referred to as Mortgagor) to Lehman Brothers Bank, FSB (Lender) dated May 31, 2001. Incorporated by reference to Exhibit 10.5 of Form 8-K filed on July 17, 2002.
10.24	Loan Assumption and Modification Agreement by and among Loyal Plaza Associates, L.P. (Assuming Borrower), Cedar Shopping Centers, Inc. (Assuming Principal), Loyal Plaza Venture, L.P. (Original Borrower), Glimcher Properties Limited Partnership (Glimcher) and Glimcher Loyal Plaza Tenant, L.P. (Tenant), in favor of LaSalle Bank National Association (Trustee) and LB-UBS Commercial Mortgage Trust 2001-C3 (Lender) dated as of July 2, 2002. Incorporated by reference to Exhibit 10.6 of Form 8-K filed on July 17, 2002.
10.25	Property Management Agreement [Loyal Plaza] by and between Loyal Plaza Associates, L.P. and Brentway Management LLC dated as of June , 2002. Incorporated by reference to Exhibit 10.11 of Form 8-K filed on July 17, 2002.
10.26	Post Closing Agreement regarding the Assumption by Loyal Plaza Associates, L.P. (Assuming Borrower) of that certain Loan evidenced by that certain Note dated May 31, 2001 payable by Loyal Plaza Venture, L.P. (Original Borrower) to Lehman Brothers Bank, FSB (Original Lender) as secured by that certain Open-End Mortgage and Security Agreement of even date to Glimcher Loyal Plaza Tenant, L.P. (Mortgage) currently held and owned by LaSalle Bank National Association (Trustee) of LB-UBS Commercial Trust 2001-C3 (Lender) dated July 2, 2002. Incorporated by reference to Exhibit 10.13 of Form 8-K filed on July 17, 2002.
10.27	Agreement of Purchase and Sale between Connecticut General Life Insurance Company and Cedar Shopping Centers Partnership, L.P., dated August 12, 2002. Incorporated by reference to Exhibit 10.1 of Form 8-K filed on December 9, 2002.
10.28	First Amendment to Agreement of Purchase and Sale between Connecticut General Life Insurance Company and Cedar Shopping Centers Partnership, L.P., dated September 12, 2002. Incorporated by reference to Exhibit 10.2 of Form 8-K filed on December 9, 2002.
10.29	Second Amendment to Agreement of Purchase and Sale between Connecticut General Life Insurance Company and Cedar Shopping Centers Partnership, L.P., dated as of October 31, 2002. Incorporated by reference to Exhibit 10.3 of Form 8-K filed on December 9, 2002.
10.30	Third Amendment to Agreement of Purchase and Sale between Connecticut General Life Insurance Company and Cedar Shopping Centers Partnership, L.P., dated as of November 15, 2002. Incorporated by reference to Exhibit 10.4 of Form 8-K filed on December 9, 2002.
10.31	Assignment and Assumption of Contract of sale between Cedar Shopping Centers Partnership, L.P. and Cedar-Camp Hill, LLC dated as of November , 2002. Incorporated by reference to Exhibit 10.5 of Form 8-K filed on December 9, 2002.
10.32	Limited Liability Company Agreement of Cedar-Camp Hill, LLC by Cedar Shopping Centers Partnership, L.P., effective as of November 1, 2002. Incorporated by reference to Exhibit 10.6 of Form 8-K filed on December 9, 2002.
10.33	Property Management Agreement by and between Cedar-Camp Hill, LLC and Brentway Management LLC dated as of , 2002. Incorporated by reference to Exhibit 10.7 of Form 8-K filed on December 9, 2002.
10.34	Loan Agreement by and between SWH Funding Corp. and Cedar Shopping Centers Partnership, L.P., dated as of November , 2002. Incorporated by reference to Exhibit 10.9 of Form 8-K filed on December 9, 2002.
10.35	Loan Agreement by and between Cedar-Camp Hill, LLC and Citizens Bank of Pennsylvania, executed on November 14, 2002. Incorporated by reference to Exhibit 10.10
10.36	Open-End Mortgage and Security Agreement between Cedar Camp Hill, LLC, Cedar Bay Realty Advisors, Inc. and Citizens Bank of Pennsylvania, executed on November 14, 2002. Incorporated by reference to Exhibit 10.11 of Form 8-K filed on December 9, 2002.

Item	Title or Description
10.37	Pledge and Security Agreement by Cedar Shopping Centers Partnership, L.P. and SWH Funding Corp. regarding that certain Loan Agreement; dated as of November 22, 2002. Incorporated by reference to Exhibit 10.22 of Form 8-K filed on December 9, 2002.
10.38	Intercreditor Recognition Agreement among Citizens Bank of Pennsylvania, SWH Funding Corp., Cedar-Camp Hill, LLC and Cedar Shopping Centers Partnership, L.P., dated as of November 22, 2002. Incorporated by reference to Exhibit 10.26 of Form 8-K filed on December 9, 2002.
*10.39	Employment agreement between Cedar Shopping centers, Inc. and Leo S. Ullman, dated as of October 1, 2003.
*10.40	Employment agreement between Cedar Shopping Centers, Inc. and Brenda J. Walker, dated as of October 1, 2003.
*10.41	Employment agreement between Cedar Shopping Centers, Inc. and Thomas J. O'Keeffe, dated as of October 1, 2003.
*10.42	Employment agreement between Cedar Shopping Centers, Inc. and Thomas B. Richey, dated as of October 1, 2003.
*10.43	Employment agreement between Cedar Shopping Centers, Inc. and Stuart H. Widowski, dated as of October 1, 2003.
*10.44	Contribution Agreement dated October 2, 2003 by and among Firehouse Realty Corp., Reed Development Associates, Inc., South River View Plaza, Inc., River View Development Corp., Riverview Commons, Inc. and CSC-Riverview LLC.
*10.45	Recapitalization Agreement dated October 2, 2003 by and among Delaware 1851 Associates, LP, Indenture of Trust of Bart Blatstein dated as of June 9, 1998, Irrevocable Indenture of Trust of Barton Blatstein dated July 13, 1999, Welsh-Square, Inc. and CSC-Columbus LLC.
*10.46	Agreement to enter into Net Lease dated April 23, 2003 between SPSP Corporation, Passyunk Supermarket, Inc., Twenty Fourth Street Passyunk Partners, L.P., and Cedar-South Philadelphia I, LLC.
*21.1	List of Subsidiaries of the Registrant.
*23.1	Consent of Ernst & Young LLP
*23.2	Consent of Stroock & Stroock & Lavan LLP (included in Exhibits 5.1 and 8.1).
*23.3	Consent of Roger M. Widmann to be named as a nominee as a director.
24.1	Power of Attorney (previously filed).

* Filed herewith.

Exhibit 1.1

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CEDAR SHOPPING CENTERS, INC.
(a Maryland corporation)

Shares of Common Stock

PURCHASE AGREEMENT

Dated: October __, 2003

==========

CEDAR SHOPPING CENTERS, INC.
(a Maryland corporation)

Shares of Common Stock

(Par Value $.01 Per Share)

PURCHASE AGREEMENT

October __, 2003

MERRILL LYNCH & CO.
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
[Name(s) of Co-Representative(s)
as Representative(s) of the several Underwriters]
c/o Merrill Lynch & Co.
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
4 World Financial Center
New York, New York 10080

Ladies and Gentlemen:

Cedar Shopping Centers, Inc., a Maryland corporation (the "Company"), Cedar Shopping Centers Partnership, L.P., a Delaware limited partnership (the "Operating Partnership"), and Cedar Bay Company, a New York general partnership ("CBC"), confirm their respective agreements with Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") and each of the other Underwriters named in Schedule A hereto (collectively, the "Underwriters," which term shall also include any underwriter substituted as hereinafter provided in Section 10 hereof), for whom Merrill Lynch and _____ are acting as representative(s) (in such capacity, the "Representative(s)"), with respect to the issue and sale by the Company and the purchase by the Underwriters, acting severally and not jointly, of the respective numbers of shares of Common Stock, par value $.01 per share, of the Company ("Common Stock") set forth in said Schedule A, and with respect to the grant by the Company to the Underwriters, acting severally and not jointly, of the option described in Section 2(b) hereof to purchase all or any part of additional shares of Common Stock to cover overallotments, if any. The aforesaid ___ shares of Common Stock (the "Initial Securities") to be purchased by the Underwriters and all or any part of the ___ shares of Common Stock subject to the option described in Section 2(b) hereof (the "Option Securities") are hereinafter called, collectively, the "Securities."

The Company understands that the Underwriters propose to make a public offering of the Securities as soon as the Representative(s) deem(s) advisable after this Agreement has been executed and delivered.

The Company has filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-11 (No. 333-108091), including the related preliminary prospectus or prospectuses, covering the registration of the Securities under the Securities Act of 1933, as amended (the "1933 Act"). Promptly after execution and delivery of this Agreement, the Company will prepare and file a prospectus in accordance with the provisions of Rule 430A ("Rule 430A") of the rules and regulations of the Commission under the 1933 Act (the "1933 Act Regulations") and paragraph (b) of Rule 424 ("Rule 424(b)") of the 1933 Act Regulations. The information included in such prospectus that was omitted from such registration statement at the time it became effective but that is deemed to be part of such registration statement at the time it became effective pursuant to paragraph (b) of Rule 430A is referred to as "Rule 430A Information." Each prospectus used before such registration statement became effective, and any prospectus that omitted the Rule 430A Information, that was used after such effectiveness and prior to the execution and delivery of this Agreement, is herein called a "preliminary prospectus." Such registration statement, including the exhibits and any schedules thereto, at the time it became effective, and including the Rule 430A Information, is herein called the "Registration Statement." Any registration statement filed pursuant to Rule 462(b) of the 1933 Act Regulations is herein referred to as the "Rule 462(b)

Registration Statement," and after such filing the term "Registration Statement" shall include the Rule 462(b) Registration Statement. The final prospectus in the form first furnished to the Underwriters for use in connection with the offering of the Securities is herein called the "Prospectus." For purposes of this Agreement, all references to the Registration Statement, any preliminary prospectus, the Prospectus or any amendment or supplement to any of the foregoing shall be deemed to include the copy filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval system ("EDGAR").

The Company is the sole general partner of the Operating Partnership. The Company owns all of its assets, and conducts substantially all of its business, through the Operating Partnership and its subsidiaries.

SECTION 1. Representations and Warranties.

(a) Representations and Warranties by the Company and the Operating Partnership. Each of the Company and the Operating Partnership represents and warrants to each Underwriter as of the date hereof, as of the Closing Time referred to in Section 2(c) hereof, and as of each Date of Delivery (if any) referred to in Section 2(b) hereof, and agrees with each Underwriter, as follows:

(i) Compliance with Registration Requirements. Each of the Registration Statement, any Rule 462(b) Registration Statement and any post-effective amendment thereto has become effective under the 1933 Act and no stop order suspending the effectiveness of the Registration Statement, any Rule 462(b) Registration Statement or any post-effective amendment thereto has been issued under the 1933 Act and no proceedings for that purpose have been instituted or are pending or, to the knowledge of the Company, are contemplated by the Commission, and any request on the part of the Commission for additional information has been complied with.

At the respective times the Registration Statement, any Rule 462(b) Registration Statement and any post-effective amendments thereto became effective and at the Closing Time (and, if any Option Securities are purchased, at the Date of Delivery), the Registration Statement, the Rule 462(b) Registration Statement and any amendments and supplements thereto complied and will comply in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations and did not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. Neither the Prospectus nor any amendments or supplements thereto, at the time the Prospectus or any such amendment or supplement was issued and at the Closing Time (and, if any Option Securities are purchased, at the Date of Delivery), included or will include an untrue statement of a material fact or omitted or will omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The representations and warranties in this subsection shall not apply to statements in or omissions from the Registration Statement or Prospectus made in reliance upon and in conformity with written information furnished to the Company by any Underwriter through Merrill Lynch expressly for use in the Registration Statement (or any amendment thereto) or the Prospectus (or any amendment or supplement thereto).

Each preliminary prospectus and the prospectus filed as part of the Registration Statement as originally filed or as part of any amendment thereto complied when so filed in all material respects with the 1933 Act Regulations and each preliminary prospectus and the Prospectus delivered to the Underwriters for use in connection with this offering was identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(ii) Independent Accountants. The accountants who certified the financial statements and supporting schedules included in the Registration Statement are independent public accountants as required by the 1933 Act and the 1933 Act Regulations.

(iii) Financial Statements. The financial statements included in the Registration Statement and the Prospectus, together with the related schedules and notes, present fairly the financial position of the Company and its consolidated subsidiaries at the dates indicated and the statement of operations, stockholders' equity and cash flows of the Company and its consolidated subsidiaries for the periods specified; said financial statements have been prepared in conformity with generally accepted accounting principles ("GAAP") applied on a consistent basis throughout the periods involved. The supporting schedules included in the Registration Statement present fairly in accordance with GAAP the information required to be stated therein. The selected financial data and the summary financial information included in the Prospectus present fairly the information shown therein and have been compiled on a basis consistent with that of the audited financial statements included in the Registration Statement. In addition, the pro forma financial statements

and the related notes thereto included in the Registration Statement and the Prospectus present fairly the information shown therein, have been prepared in accordance with the Commission's rules and guidelines with respect to pro

forma financial statements and have been properly compiled on the bases described therein, and the assumptions used in preparing the pro forma and as adjusted financial information included in the Registration Statement and the Prospectus provide a reasonable basis for presenting the significant effects directly attributable to the transactions or events described therein, the related pro forma and as adjusted adjustments give appropriate effect to those assumptions, and the pro forma and as adjusted columns therein reflect the proper application of those adjustments to the corresponding historical financial statement amounts. All historical financial statements and information and all pro forma financial statements and information relating to the Company or any entity acquired or to be acquired by the Company required by the 1933 Act, the 1933 Act Regulations, the 1934 Act and the 1934 Act Regulations are included in the Registration Statement and Prospectus. The statistical and market-related data included in the Registration Statement and the Prospectus are based on or derived from sources which the Company reasonably and in good faith believes are reliable and accurate, and such data agrees with the sources from which they are derived.

(iv) Related-Party Transactions. No relationship, direct or indirect, exists between or among any of the Company or any affiliate of the Company, on the one hand, and any director, officer, stockholder, customer or supplier of the Company or any affiliate of the Company, on the other hand, which is required by the 1933 Act, the 1934 Act, the 1933 Act Regulations or the 1934 Act Regulations to be described in the Registration Statement or the Prospectus which is not so described or is not described as required. There are no outstanding loans, advances (except normal advances for business expenses in the ordinary course of business) or guarantees of indebtedness by the Company to or for the benefit of any of the officers or directors of the Company or any of their respective family members, except as disclosed in the Registration Statement and the Prospectus.

(v) Internal Controls. The Company and its subsidiaries maintain a system of internal accounting and other controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets, (iii) access to assets is permitted only in accordance with management's general or specific authorization, and (iv) the recorded accounting for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(vi) No Material Adverse Change in Business. Since the respective dates as of which information is given in the Registration Statement and the Prospectus, except as otherwise stated therein, (A) there has been no material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business (a "Material Adverse Effect"), (B) no casualty loss or condemnation or other adverse event with respect to any of the interests held directly or indirectly in any of the real properties or real property interests, including, without limitation, any interest or participation, direct or indirect, in any mortgage obligation

owned, directly or indirectly, by the Company, any of its subsidiaries or any Joint Venture (as defined below) (the "Properties") has occurred which would be material with respect to the Company and its subsidiaries considered as one enterprise, (C) there have been no transactions entered into by the Company or any of its subsidiaries, other than those in the ordinary course of business, which are material with respect to the Company and its subsidiaries considered as one enterprise, (D) there has been no dividend or distribution of any kind declared, paid or made by the Company on any class of its capital stock since August 18, 2000, and there has been no increase in long-term debt or decrease in the capital of the Company or any of its subsidiaries.

(vii) Good Standing of the Company. The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the State of Maryland and has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus and to enter into and perform its obligations under this Agreement; and the Company is duly qualified as a foreign corporation to transact business and is in good standing in each other

jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not result in a Material Adverse Effect.

(viii) Good Standing of Subsidiaries. Each "significant subsidiary" of the Company (as such term is defined in Rule 1-02 of Regulation S-X) (each a "Subsidiary" and, collectively, the "Subsidiaries") has been duly organized and is validly existing as a corporation, partnership or limited liability company in good standing under the laws of its respective jurisdiction of organization, has power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus and is duly qualified as a foreign corporation, partnership or limited liability company to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not result in a Material Adverse Effect; except as otherwise disclosed in the Registration Statement, all of the issued and outstanding capital stock of each such Subsidiary has been duly authorized and validly issued, is fully paid and non-assessable and is owned by the Company, directly or through subsidiaries, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity; none of the outstanding shares of capital stock of any Subsidiary was issued in violation of the preemptive or similar rights of any securityholder of such Subsidiary. The only subsidiaries of the Company are (a) the subsidiaries listed on Exhibit 21.1 to the Registration Statement and (b) certain other subsidiaries which, considered in the aggregate as a single Subsidiary, do not constitute a "significant subsidiary" as defined in Rule 1-02 of Regulation S-X. The Company is the sole general partner of the Operating Partnership and holds such number and/or percentage of units of limited partnership interest in the Operating Partnership ("Units") as disclosed in the Prospectus as of the dates set forth therein. The Agreement of Limited Partnership of the Operating Partnership, dated as of June __, 1998 (the "Operating Partnership Agreement"), is in full force and effect.

(ix) Joint Ventures. All of the joint ventures in which the Company or any subsidiary owns an interest of greater than five percent and that are currently conducting business (the "Joint Ventures") are listed on Schedule D hereto. The Company's (or subsidiary's, as the case may be) ownership interest in such Joint Venture is as set forth on Schedule D. To the knowledge of the Company and the Operating Partnership, each of the Joint Ventures possesses such certificates, authorizations or permits issued by the appropriate state, federal or foreign regulatory agencies or bodies necessary to conduct the business now being conducted by it, as described in the Prospectus, and none of the Joint Ventures has received notice of any proceedings relating to the revocation or modification of any such certificate, authority or permit which singly or in the aggregate, if the subject of an unfavorable ruling or decision, would have a Material Adverse Effect.

(x) Merger of Advisers. The merger of both Cedar Bay Realty Advisors, Inc. and SKR Management Corp. with and into the Company (the "Company Mergers"), and the merger of Brentway Management LLC, with and into the Operating Partnership (the "Operating Partnership Merger," and together with the Company Mergers, the "Mergers"), have been duly authorized by the Company, for itself and as general partner of the Operating Partnership, and approved by all necessary corporate and partnership action, including approval of the stockholders of the Company. Each of the agreements listed on Exhibit E hereto pursuant to which the Mergers were consummated have been duly authorized, executed and delivered by the parties thereto, and each constitutes a valid and binding agreement enforceable in accordance with its terms, except to the extent that enforcement thereof may be limited by bankruptcy, insolvency, reorganization or other laws affecting enforcement of creditors' rights or by general equitable principles. There are no other agreements pursuant to which the Mergers were consummated that are not set forth on Schedule E hereto. All consents, approvals and authorizations necessary for the consummation of the Mergers were obtained, except where the failure to obtain would not, singly or in the aggregate, have a Material Adverse Effect.

(xi) Pending Acquisitions and Other Transactions. Each of the property or other transactions described under the section "Business and Properties - Pending Transactions" (collectively, the "Pending Acquisitions") in the Prospectus have been duly authorized by the Company, for itself and as general partner of the Operating Partnership, and approved by all necessary corporate and partnership action. Each of the agreements listed on Exhibit F hereto pursuant to which the Pending Acquisitions shall be consummated have been duly authorized, executed and delivered by the Company, the Operating Partnership and their subsidiaries, as applicable, and each constitutes a valid and binding agreement enforceable in accordance with its terms, except to the extent

that enforcement thereof may be limited by bankruptcy, insolvency, reorganization or other laws affecting enforcement of creditors' rights or by general equitable principles. All consents, approvals and authorizations necessary for the consummation of the Pending Acquisitions have been obtained, except where the failure to obtain would not, singly or in the aggregate, have a material adverse effect on the consummation of any of the Pending Acquisitions.

(xii) Capitalization. The authorized, issued and outstanding capital stock of the Company is as set forth in the Prospectus in the column entitled "Actual" under the

caption "Capitalization" (except for subsequent issuances, if any, pursuant to this Agreement, pursuant to reservations, agreements or employee benefit plans referred to in the Prospectus or pursuant to the exercise of convertible securities or options referred to in the Prospectus). The shares of issued and outstanding capital stock of the Company have been duly authorized and validly issued and are fully paid and non-assessable; none of the outstanding shares of capital stock of the Company was issued in violation of the preemptive or other similar rights of any securityholder of the Company.

(xiii) Authorization of Units. All issued and outstanding Units have been duly authorized and are validly issued, fully paid and non-assessable and have been offered and sold or exchanged by the Operating Partnership in compliance with all applicable laws (including, without limitation, federal and state securities laws). Except for any outstanding convertible preferred units, there are no Units reserved for any purpose and there are no outstanding securities convertible into or exchangeable for any Units and no outstanding options, rights (preemptive or otherwise) or warrants to purchase or to subscribe for Units.

(xiv) Authorization of Agreement. This Agreement has been duly authorized, executed and delivered by each of the Company and the Operating Partnership.

(xv) Authorization and Description of Securities. The Securities have been duly authorized for issuance and sale to the Underwriters pursuant to this Agreement and, when issued and delivered by the Company pursuant to this Agreement against payment of the consideration set forth herein, will be validly issued and fully paid and non-assessable; the Common Stock conforms to all statements relating thereto contained in the Prospectus and such description conforms to the rights set forth in the instruments defining the same; the certificate evidencing the Securities will be in substantially the form filed as an exhibit to the Registration Statement and the form of stock certificate evidencing the Securities will comply with all applicable legal requirements, with all applicable requirements of the Company's charter and by-laws and with the requirements of the Nasdaq Stock Market, Inc. and the New York Stock Exchange, Inc. ("NYSE"); no holder of the Securities will be subject to personal liability by reason of being such a holder; and the issuance of the Securities is not subject to the preemptive or other similar rights of any securityholder of the Company.

(xvi) Absence of Defaults and Conflicts. Neither the Company nor any of its subsidiaries is in violation of its charter, by-laws or operating agreement or in default in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, lease or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which it or any of them may be bound, or to which any of the property or assets of the Company or any subsidiary is subject (collectively, "Agreements and Instruments") except for such defaults that would not result in a Material Adverse Effect; and the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated herein and in the Registration Statement (including the issuance and sale of the Securities and the use of the proceeds from the sale of the Securities as described in the Prospectus under the caption "Use of Proceeds")

and compliance by the Company with its obligations hereunder have been duly authorized by all necessary corporate action and do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default or Repayment Event (as defined below) under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any subsidiary pursuant to, the Agreements and Instruments (except for such conflicts, breaches, defaults or Repayment Events or liens, charges or encumbrances that would not result in a Material Adverse Effect), nor will such action result in any violation of the provisions of the charter, by-laws or operating agreement of the Company or any subsidiary or any

applicable law, statute, rule, regulation, judgment, order, writ or decree of any government, government instrumentality or court, domestic or foreign, having jurisdiction over the Company or any subsidiary or any of their assets, properties or operations. As used herein, a "Repayment Event" means any event or condition which gives the holder of any note, debenture or other evidence of indebtedness (or any person acting on such holder's behalf) the right to require the repurchase, redemption or repayment of all or a portion of such indebtedness by the Company or any subsidiary.

(xvii) Absence of Labor Dispute. No labor dispute with the employees of the Company or any subsidiary exists or, to the knowledge of either the Company or the Operating Partnership, is imminent, and neither the Company nor the Operating Partnership is aware of any existing or imminent labor disturbance by the employees of any of its or any subsidiary's principal suppliers, manufacturers, customers or contractors, which, in either case, would result in a Material Adverse Effect.

(xviii) Absence of Proceedings. There is no action, suit, proceeding, inquiry or investigation before or brought by any court or governmental agency or body, domestic or foreign, now pending, or, to the knowledge of either the Company or the Operating Partnership, threatened, against or affecting the Company or any subsidiary, which is required to be disclosed in the Registration Statement (other than as disclosed therein), or which might result in a Material Adverse Effect, or which might materially and adversely affect the properties or assets thereof or the consummation of the transactions contemplated in this Agreement or the performance by the Company of its obligations hereunder; the aggregate of all pending legal or governmental proceedings to which the Company or any subsidiary is a party or of which any of their respective property or assets is the subject which are not described in the Registration Statement, including ordinary routine litigation incidental to the business, could not result in a Material Adverse Effect.

(xix) Accuracy of Exhibits. There are no contracts or documents which are required to be described in the Registration Statement or the Prospectus or to be filed as exhibits thereto which have not been so described and filed as required.

(xx) REIT Qualification. Commencing with its taxable year ended December 31, 1986, the Company has been organized and operated in conformity with the requirements for qualification and taxation as a real estate investment trust (a "REIT") under the Internal Revenue Code of 1954, and commencing with its taxable year ended December 31, 1987, the Company has been, and upon the sale of the Securities, the

Company will continue to be, organized and operated in conformity with the requirements for qualification and taxation as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"), and the Company's proposed method of operation as described in the Prospectus will enable it to continue to meet the requirements for qualification and taxation as a REIT under the Code, and no actions have been taken (or not taken which are required to be taken) which would cause such qualification to be lost.

(xxi) Possession of Intellectual Property. The Company and its subsidiaries own or possess, or can acquire on reasonable terms, adequate patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks, trade names or other intellectual property (collectively, "Intellectual Property") necessary to carry on the business now operated by them, and neither the Company nor any of its subsidiaries has received any notice or is otherwise aware of any infringement of or conflict with asserted rights of others with respect to any Intellectual Property or of any facts or circumstances which would render any Intellectual Property invalid or inadequate to protect the interest of the Company or any of its subsidiaries therein, and which infringement or conflict (if the subject of any unfavorable decision, ruling or finding) or invalidity or inadequacy, singly or in the aggregate, would result in a Material Adverse Effect.

(xxii) Absence of Further Requirements. No filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any court or governmental authority or agency is necessary or required for the performance by the Company of its obligations hereunder, in connection with the offering, issuance or sale of the Securities hereunder or the consummation of the transactions contemplated by this Agreement, except such as have been already obtained or as may be required under the 1933 Act or the 1933 Act Regulations or state securities laws.

(xxiii) Other Fees. Except as disclosed in the Registration Statement and the Prospectus, there are no contracts, agreements or

understandings between the Company and any person that would give rise to a valid claim against the Company or any Underwriter for a brokerage commission, finder's fee or other like payment in connection with the transactions contemplated by this Agreement, the Registration Statement and the Prospectus or, to the knowledge of the Company or the Operating Partnership, any arrangements, agreements, understandings, payments or issuance with respect to the Company or any of its officers, directors, shareholders, partners, employees, Subsidiaries or affiliates that may affect the Underwriters' compensation as determined by the NASD.

(xxiv) Absence of Manipulation. Neither the Company nor any affiliate of the Company has taken, nor will the Company or any affiliate take, directly or indirectly, any action which is designed to or which has constituted or which would be expected to cause or result in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities.

(xxv) Possession of Licenses and Permits. The Company and its subsidiaries possess such permits, licenses, approvals, consents and other authorizations (collectively,

"Governmental Licenses") issued by the appropriate federal, state, local or foreign regulatory agencies or bodies necessary to conduct the business now operated by them, except where the failure so to possess would not, singly or in the aggregate, result in a Material Adverse Effect; the Company and its subsidiaries are in compliance with the terms and conditions of all such Governmental Licenses, except where the failure so to comply would not, singly or in the aggregate, result in a Material Adverse Effect; all of the Governmental Licenses are valid and in full force and effect, except when the invalidity of such Governmental Licenses or the failure of such Governmental Licenses to be in full force and effect would not, singly or in the aggregate, result in a Material Adverse Effect; and neither the Company nor any of its subsidiaries has received any notice of proceedings relating to the revocation or modification of any such Governmental Licenses which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would result in a Material Adverse Effect.

(xxvi) Title to Property. (A) The Company, each of its subsidiaries and any joint ventures in which the Company or any subsidiary owns an interest, as the case may be, have good and marketable fee simple title or leasehold title, as the case may be, to all real property owned or leased, as applicable, by the Company or its subsidiaries or the applicable joint venture, respectively, and good title to all other properties owned by them, and any improvements thereon and all other assets that are required for the operation of such properties in the manner in which they currently are operated, free and clear of all liens, encumbrances, claims, security interests and defects, except such as are Permitted Encumbrances (as defined below); (B) all material liens, charges, encumbrances, claims or restrictions on or affecting any of the Properties and the assets of any of the Company or its subsidiaries or any joint venture in which the Company or any of its subsidiaries owns an interest that are required to be disclosed in the Prospectus are disclosed therein; (C) each of the Properties complies with all applicable codes, laws and regulations (including, without limitation, building and zoning codes, laws and regulations and laws relating to access to the Properties), except if and to the extent disclosed in the Prospectus and except for such failures to comply that would not in the aggregate have a Material Adverse Effect; (D) there are in effect for the assets of the Company and its subsidiaries or any joint venture in which the Company or any of its subsidiaries owns an interest, insurance policies covering the risks and in amounts that are commercially reasonable for the types of assets owned by them and that are consistent with the types and amounts of insurance typically maintained by prudent owners of properties similar to such assets in the markets in which such assets are located, and neither the Company nor any subsidiary or any joint venture in which the Company or any subsidiary owns an interest has received from any insurance company notice of any material defects or deficiencies affecting the insurability of any such assets or any notices of cancellation or intent to cancel any such policies; and (E) neither the Company nor the Operating Partnership has any knowledge of any pending or threatened, litigation, moratorium, condemnation proceedings, zoning change, or other similar proceeding or action that could in any manner affect the size of, use of, improvements on, construction on, access to or availability of utilities or other necessary services to the Properties, except such proceedings or actions that would not have a Material Adverse Effect. All of the leases and subleases material to the business of the Company and its subsidiaries considered as one enterprise, and under which the Company or any subsidiary holds

Properties described in the Prospectus, are in full force and effect, and neither the Company nor any subsidiary has received any notice of any

material claim of any sort that has been asserted by anyone adverse to the rights of the Company or any subsidiary under any of the leases or subleases mentioned above, or affecting or questioning the rights of the Company or any subsidiary of the continued possession of the leased or subleased premises under any such lease or sublease. The Company and each of its subsidiaries, as the case may be, have obtained title insurance on the fee interests and leasehold interests in each of the Properties in an amount at least equal to the greater of (A) the mortgage indebtedness on each such Property or (B) the purchase price paid for each such Property (in the case of any Property having been acquired by the Operating Partnership via an exchange of Units for ownership interests in the entity holding such property, the "purchase price" of such Property being deemed to be the sum of (i) the per-share price of the Common Shares of the Company on the date such interests were exchanged for Units multiplied by the number of Units exchanged for such interests in the entity holding such Property and (ii) the amount of any assumed indebtedness secured by such Property). "Permitted Encumbrance" shall mean (a) liens on Properties securing any of the Company, any subsidiary or joint venture obligations, (b) other liens which are expressly described in the Prospectus and (c) customary easements and encumbrances and other exceptions to title which do not materially impair the operation, development or use of the Properties for the purposes intended therefor as contemplated in the Prospectus.

(xxvii) Investment Company Act. The Company is not required, and upon the issuance and sale of the Securities as herein contemplated and the application of the net proceeds therefrom as described in the Prospectus will not be required, to register as an "investment company" under the Investment Company Act of 1940, as amended (the "1940 Act").

(xxviii) Environmental Laws. Except as described in the Registration Statement and except as would not, singly or in the aggregate, result in a Material Adverse Effect, (A) neither the Company nor any of its subsidiaries is in violation of any federal, state, local or foreign statute, law, rule, regulation, ordinance, code, policy or rule of common law or any judicial or administrative interpretation thereof, including any judicial or administrative order, consent, decree or judgment, relating to pollution or protection of human health, the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata) or wildlife, including, without limitation, laws and regulations relating to the release or threatened release of chemicals, pollutants, contaminants, wastes, toxic substances, hazardous substances, petroleum or petroleum products, asbestos-containing materials or mold (collectively, "Hazardous Materials") or to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials (collectively, "Environmental Laws"), (B) the Company and its subsidiaries have all permits, authorizations and approvals required under any applicable Environmental Laws and are each in compliance with their requirements, (C) there are no pending or threatened administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation, investigation or proceedings relating to any Environmental Law against the Company or any of its subsidiaries and (D) there are no events or circumstances that would reasonably

be expected to form the basis of an order for clean-up or remediation, or an action, suit or proceeding by any private party or governmental body or agency, against or affecting the Company or any of its subsidiaries relating to Hazardous Materials or any Environmental Laws. None of the environmental consultants which prepared environmental and asbestos inspection reports with respect to the Properties was employed for such purpose on a contingent basis or has any substantial interest in the Company or any subsidiary and none of them nor any of their directors, officers or employees is connected with the Company or any subsidiary as a promoter, selling agent, trustee, director, officer or employee.

(xxix) Tax Returns. The Company and each of its subsidiaries, as the case may be, have filed all federal, state, local and foreign income tax returns which have been required to be filed (except in any case in which an extension has been granted or the failure to so file would not result in a Material Adverse Effect) and have paid all taxes required to be paid and any other assessment, fine or penalty levied against it, to the extent that any of the foregoing is due and payable, except, in all cases, for any such tax, assessment, fine or penalty that is being contested in good faith.

(xxx) Absence of Regulation M Violation. Neither the Company nor any subsidiary, nor any of their respective trustees, directors, officers, affiliates, members or controlling persons, has taken or will take, directly or indirectly, any action resulting in a violation of Regulation M under the 1934 Act, or designed to cause or result in, or that has constituted or that reasonably might be expected to constitute, the stabilization or manipulation of the price of any security of the Company

to facilitate the sale or resale of the Securities.

(xxxi) Registration Rights. There are no persons with registration rights or other similar rights to have any securities registered pursuant to the Registration Statement or otherwise registered by the Company under the 1933 Act.

(xxxii) Patriot Act. The Company will apply the net proceeds received from the offering as provided in the section captioned "Use of Proceeds" in the Prospectus and, to the best of the Company's and the Operating Partnership's knowledge, none of the proceeds received from the offering will be used to further any action in violation or contravention of the U.S.A. Patriot Act or otherwise violate or contravene the rules, regulations or policies of the U.S. Office of Foreign Assets Control ("OFAC").

(b) Officer's Certificates. Any certificate signed by any officer of the Company or any of its subsidiaries delivered to the Representative(s) or to counsel for the Underwriters shall be deemed a representation and warranty by the Company to each Underwriter as to the matters covered thereby.

SECTION 2. Sale and Delivery to Underwriters; Closing.

(a) Initial Securities. On the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Company agrees to sell to each Underwriter, severally and not jointly, and each Underwriter, severally and not jointly, agrees to

purchase from the Company, at the price per share set forth in Schedule B, the number of Initial Securities set forth in Schedule A opposite the name of such Underwriter, plus any additional number of Initial Securities which such Underwriter may become obligated to purchase pursuant to the provisions of Section 10 hereof.

(b) Option Securities. In addition, on the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Company hereby grants an option to the Underwriters, severally and not jointly, to purchase up to an additional _____ shares of Common Stock at the price per share set forth in Schedule B, less an amount per share equal to any dividends or distributions declared by the Company and payable on the Initial Securities but not payable on the Option Securities. The option hereby granted will expire 30 days after the date hereof and may be exercised in whole or in part from time to time only for the purpose of covering overallotments which may be made in connection with the offering and distribution of the Initial Securities upon notice by Merrill Lynch to the Company setting forth the number of Option Securities as to which the several Underwriters are then exercising the option and the time and date of payment and delivery for such Option Securities. Any such time and date of delivery (a "Date of Delivery") shall be determined by Merrill Lynch, but shall not be later than seven full business days after the exercise of said option, nor in any event prior to the Closing Time, as hereinafter defined. If the option is exercised as to all or any portion of the Option Securities, each of the Underwriters, acting severally and not jointly, will purchase that proportion of the total number of Option Securities then being purchased which the number of Initial Securities set forth in Schedule A opposite the name of such Underwriter bears to the total number of Initial Securities, subject in each case to such adjustments as Merrill Lynch in its discretion shall make to eliminate any sales or purchases of fractional shares.

(c) Payment. Payment of the purchase price for, and delivery of certificates for, the Initial Securities shall be made at the offices of Sidley Austin Brown & Wood llp, or at such other place as shall be agreed upon by the Representative(s) and the Company, at 9:00 A.M. (Eastern time) on the third business day after the date hereof (unless postponed in accordance with the provisions of Section 10), or such other time not later than ten business days after such date as shall be agreed upon by the Representative(s) and the Company (such time and date of payment and delivery being herein called "Closing Time").

In addition, in the event that any or all of the Option Securities are purchased by the Underwriters, payment of the purchase price for, and delivery of certificates for, such Option Securities shall be made at the above-mentioned offices, or at such other place as shall be agreed upon by the Representative(s) and the Company, on each Date of Delivery as specified in the notice from the Representative(s) to the Company.

Payment shall be made to the Company by wire transfer of immediately available funds to a bank account designated by the Company, against delivery to the Representative(s) for the respective accounts of the Underwriters of certificates for the Securities to be purchased by them. It is understood that each Underwriter has authorized the Representative(s), for its account, to accept delivery of, receipt for, and make payment of the purchase price for, the Initial Securities and the Option Securities, if any, which it has agreed to purchase. Merrill Lynch, individually and not as representative of the

Underwriters, may (but shall not be obligated to) make payment of the purchase price for the Initial Securities or the Option Securities, if any, to be purchased by

any Underwriter whose funds have not been received by the Closing Time or the relevant Date of Delivery, as the case may be, but such payment shall not relieve such Underwriter from its obligations hereunder.

(d) Denominations; Registration. Certificates for the Initial Securities and the Option Securities, if any, shall be in such denominations and registered in such names as the Representative(s) may request in writing at least one full business day before the Closing Time or the relevant Date of Delivery, as the case may be. The certificates for the Initial Securities and the Option Securities, if any, will be made available for examination and packaging by the Representative(s) in The City of New York not later than 10:00 A.M. (Eastern time) on the business day prior to the Closing Time or the relevant Date of Delivery, as the case may be.

SECTION 3. Covenants of the Company and the Operating Partnership. Each of the Company and the Operating Partnership covenants with each Underwriter as follows:

(a) Compliance with Securities Regulations and Commission Requests. The Company, subject to Section 3(b), will comply with the requirements of Rule 430A and will notify the Representative(s) immediately, and confirm the notice in writing, (i) when any post-effective amendment to the Registration Statement shall become effective, or any supplement to the Prospectus or any amended Prospectus shall have been filed, (ii) of the receipt of any comments from the Commission, (iii) of any request by the Commission for any amendment to the Registration Statement or any amendment or supplement to the Prospectus or for additional information, and (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or of any order preventing or suspending the use of any preliminary prospectus, or of the suspension of the qualification of the Securities for offering or sale in any jurisdiction, or of the initiation or threatening of any proceedings for any of such purposes. The Company will promptly effect the filings necessary pursuant to Rule 424(b) and will take such steps as it deems necessary to ascertain promptly whether the form of prospectus transmitted for filing under Rule 424(b) was received for filing by the Commission and, in the event that it was not, it will promptly file such prospectus. The Company will make every reasonable effort to prevent the issuance of any stop order and, if any stop order is issued, to obtain the lifting thereof at the earliest possible moment.

(b) Filing of Amendments. The Company will give the Representative(s) notice of its intention to file or prepare any amendment to the Registration Statement (including any filing under Rule 462(b)) or any amendment, supplement or revision to either the prospectus included in the Registration Statement at the time it became effective or to the Prospectus, will furnish the Representative(s) with copies of any such documents a reasonable amount of time prior to such proposed filing or use, as the case may be, and will not file or use any such document to which the Representative(s) or counsel for the Underwriters shall object.

(c) Delivery of Registration Statements. The Company has furnished or will deliver to the Representative(s) and counsel for the Underwriters, without charge, signed copies of the Registration Statement as originally filed and of each amendment thereto (including exhibits filed therewith or incorporated by reference therein) and signed copies of all consents and certificates of experts, and will also deliver to the Representative(s), without charge, a conformed copy of the Registration Statement as originally filed and of each amendment thereto (without

exhibits) for each of the Underwriters. The copies of the Registration Statement and each amendment thereto furnished to the Underwriters will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(d) Delivery of Prospectuses. The Company has delivered to each Underwriter, without charge, as many copies of each preliminary prospectus as such Underwriter reasonably requested, and the Company hereby consents to the use of such copies for purposes permitted by the 1933 Act. The Company will furnish to each Underwriter, without charge, during the period when the Prospectus is required to be delivered under the 1933 Act, such number of copies of the Prospectus (as amended or supplemented) as such Underwriter may reasonably request. The Prospectus and any amendments or supplements thereto furnished to the Underwriters will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(e) Continued Compliance with Securities Laws. The Company will comply with the 1933 Act and the 1933 Act Regulations so as to permit the completion of

the distribution of the Securities as contemplated in this Agreement and in the Prospectus. If at any time when a prospectus is required by the 1933 Act to be delivered in connection with sales of the Securities, any event shall occur or condition shall exist as a result of which it is necessary, in the opinion of counsel for the Underwriters or for the Company, to amend the Registration Statement or amend or supplement the Prospectus in order that the Prospectus will not include any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, or if it shall be necessary, in the opinion of such counsel, at any such time to amend the Registration Statement or amend or supplement the Prospectus in order to comply with the requirements of the 1933 Act or the 1933 Act Regulations, the Company will promptly prepare and file with the Commission, subject to Section 3(b), such amendment or supplement as may be necessary to correct such statement or omission or to make the Registration Statement or the Prospectus comply with such requirements, and the Company will furnish to the Underwriters such number of copies of such amendment or supplement as the Underwriters may reasonably request.

(f) Blue Sky Qualifications. The Company will use its best efforts, in cooperation with the Underwriters, to qualify the Securities for offering and sale under the applicable securities laws of such states and other jurisdictions (domestic or foreign) as the Representative(s) may designate and to maintain such qualifications in effect for a period of not less than one year from the later of the effective date of the Registration Statement and any Rule 462(b) Registration Statement; provided, however, that the Company shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation or as a dealer in securities in any jurisdiction in which it is not so qualified or to subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise so subject.

(g) Rule 158. The Company will timely file such reports pursuant to the Securities Exchange Act of 1934 (the "1934 Act") as are necessary in order to make generally available to its securityholders as soon as practicable an earnings statement for the purposes of, and to provide the benefits contemplated by, the last paragraph of Section 11(a) of the 1933 Act.

(h) Use of Proceeds. The Company will use the net proceeds received by it from the sale of the Securities in the manner specified in the Prospectus under "Use of Proceeds."

(i) Listing. The Company will use its best efforts to effect the listing of the Common Stock (including the Securities) on the New York Stock Exchange.

(j) Restriction on Sale of Securities. During a period of 180 days from the date of the Prospectus, the Company will not, without the prior written consent of Merrill Lynch, (i) directly or indirectly, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of any share of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock or file any registration statement under the 1933 Act with respect to any of the foregoing or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Common Stock, whether any such swap or transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise. The foregoing sentence shall not apply to (A) the Securities to be sold hereunder, (B) any shares of Common Stock issued by the Company upon the exercise of an option or warrant or the conversion of a security outstanding on the date hereof and referred to in the Prospectus, (C) any shares of Common Stock issued or options to purchase Common Stock granted pursuant to existing employee benefit plans of the Company referred to in the Prospectus or (D) any shares of Common Stock issued pursuant to any non-employee director stock plan or dividend reinvestment plan.

(k) Reporting Requirements. The Company, during the period when the Prospectus is required to be delivered under the 1933 Act, will file all documents required to be filed with the Commission pursuant to the 1934 Act within the time periods required by the 1934 Act and the rules and regulations of the Commission thereunder.

(l) REIT Qualification. The Company will use its best efforts to continue to meet the requirement to qualify as a "real estate investment trust" under the Code for each of its taxable years for so long as the board of directors deems it in the best interests of the Company's stockholders to remain so qualified.

SECTION 4. Payment of Expenses.

(a) Expenses. The Company and the Operating Partnership will pay all expenses incident to the performance of their obligations under this Agreement, including (i) the preparation, printing and filing of the Registration Statement (including financial statements and exhibits) as originally filed and of each amendment thereto, (ii) the preparation, printing and delivery to the

Underwriters of this Agreement, any Agreement among Underwriters and such other documents as may be required in connection with the offering, purchase, sale, issuance or delivery of the Securities, (iii) the preparation, issuance and delivery of the certificates for the Securities to the Underwriters, including any stock or other transfer taxes and any stamp or other duties payable upon the sale, issuance or delivery of the Securities to the Underwriters, (iv) the fees and disbursements of the Company's counsel, accountants and other advisors, (v) the qualification of the Securities under securities laws in accordance with the provisions of Section 3(f) hereof,

including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection therewith and in connection with the preparation of the Blue Sky Survey and any supplement thereto, (vi) the printing and delivery to the Underwriters of copies of each preliminary prospectus and of the Prospectus and any amendments or supplements thereto, (vii) the preparation, printing and delivery to the Underwriters of copies of the Blue Sky Survey and any supplement thereto, (viii) the fees and expenses of any transfer agent or registrar for the Securities, (ix) the costs and expenses of the Company relating to investor presentations on any "road show" undertaken in connection with the marketing of the Securities, including without limitation, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show presentations, travel and lodging expenses of the representatives and officers of the Company and any such consultants, and the cost of aircraft and other transportation chartered in connection with the road show, (x) the filing fees incident to, and the reasonable fees and disbursements of counsel to the Underwriters in connection with, the review by the National Association of Securities Dealers, Inc. (the "NASD") of the terms of the sale of the Securities and (xi) the fees and expenses incurred in connection with the listing of the Securities on the New York Stock Exchange.

(b) Termination of Agreement. If this Agreement is terminated by the Representative(s) in accordance with the provisions of Section 5 or Section 9(a)(i) or (iii) (with respect to the first clause only) hereof, the Company shall reimburse the Underwriters for all of their out-of-pocket expenses, including the reasonable fees and disbursements of counsel for the Underwriters.

SECTION 5. Conditions of Underwriters' Obligations. The obligations of the several Underwriters hereunder are subject to the accuracy of the representations and warranties of the Company and the Operating Partnership contained in Section 1 hereof or in certificates of any officer of the Company or any subsidiary of the Company delivered pursuant to the provisions hereof, to the performance by the Company and the Operating Partnership of their respective covenants and other obligations hereunder, and to the following further conditions:

(a) Effectiveness of Registration Statement. The Registration Statement, including any Rule 462(b) Registration Statement, has become effective and at Closing Time no stop order suspending the effectiveness of the Registration Statement shall have been issued under the 1933 Act or proceedings therefor initiated or threatened by the Commission, and any request on the part of the Commission for additional information shall have been complied with to the reasonable satisfaction of counsel to the Underwriters. A prospectus containing the Rule 430A Information shall have been filed with the Commission in accordance with Rule 424(b) (or a post-effective amendment providing such information shall have been filed and declared effective in accordance with the requirements of Rule 430A).

(b) Opinion of Counsel for Company. At Closing Time, the Representative(s) shall have received the favorable opinion, dated as of Closing Time, of Stroock & Stroock & Lavan, counsel for the Company, in form and substance satisfactory to counsel for the Underwriters, together with signed or reproduced copies of such letter for each of the other Underwriters to the effect set forth in Exhibit A hereto and to such further effect as counsel to the Underwriters may reasonably request.

(c) Opinion of Counsel for Underwriters. At Closing Time, the Representative(s) shall have received the favorable opinion, dated as of Closing Time, of Sidley Austin Brown & Wood llp, counsel for the Underwriters, together with signed or reproduced copies of such letter for each of the other Underwriters with respect to the matters set forth in clauses (i), (ii), (vi), (vii) (solely as to preemptive or other similar rights arising by operation of law or under the charter or by-laws of the Company), (ix) through (xi), inclusive, (xii), (xiv) (solely as to the information in the Prospectus under "Description of Capital Stock -- Common Stock") and the penultimate paragraph of Exhibit A hereto. In giving such opinion such counsel may rely, as to all matters governed by the laws of jurisdictions other than the law of the State of New York and the federal law of the United States and the General Corporation Law of the State of Delaware, upon the opinions of counsel satisfactory to the Representative(s). Such counsel may also state that, insofar as such opinion involves factual matters, they have relied, to the extent they deem proper, upon

certificates of officers of the Company and its subsidiaries and certificates of public officials.

(d) Officers' Certificate. At Closing Time, there shall not have been, since the date hereof or since the respective dates as of which information is given in the Prospectus, any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, and the Representative(s) shall have received a certificate of the President or an Executive Vice President of the Company and of the chief financial or chief accounting officer of the Company, on behalf of the Company and as general partner of the Operating Partnership, dated as of Closing Time, to the effect that (i) there has been no such material adverse change, (ii) the representations and warranties in Section 1(a) hereof are true and correct with the same force and effect as though expressly made at and as of Closing Time, (iii) the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied at or prior to Closing Time, and (iv) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted or are pending or, to their knowledge, contemplated by the Commission.

(e) Accountant's Comfort Letter. At the time of the execution of this Agreement, the Representative(s) shall have received from Ernst & Young LLP a letter dated such date, in form and substance satisfactory to the Representative(s), together with signed or reproduced copies of such letter for each of the other Underwriters containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Registration Statement and the Prospectus.

(f) Bring-down Comfort Letter. At Closing Time, the Representative(s) shall have received from Ernst & Young LLP a letter, dated as of Closing Time, to the effect that they reaffirm the statements made in the letter furnished pursuant to subsection (e) of this Section, except that the specified date referred to shall be a date not more than three business days prior to Closing Time.

(g) Approval of Listing. At Closing Time, the Securities shall have been approved for listing on the New York Stock Exchange, subject only to official notice of issuance.

(h) No Objection. The NASD has confirmed that it has not raised any objection with respect to the fairness and reasonableness of the underwriting terms and arrangements.

(i) Lock-up Agreements. At the date of this Agreement, the Representative(s) shall have received an agreement substantially in the form of Exhibit B hereto signed by the persons and entities listed on Schedule C hereto.

(j) Conditions to Purchase of Option Securities. In the event that the Underwriters exercise their option provided in Section 2(b) hereof to purchase all or any portion of the Option Securities, the representations and warranties of the Company and the Operating Partnership contained herein and the statements in any certificates furnished by the Company or any subsidiary of the Company hereunder shall be true and correct as of each Date of Delivery and, at the relevant Date of Delivery, the Representative(s) shall have received:

(i) Officers' Certificate. A certificate, dated such Date of Delivery, of the President or an Executive Vice President of the Company and of the chief financial or chief accounting officer of the Company confirming that the certificate delivered at the Closing Time pursuant to Section 5(d) hereof remains true and correct as of such Date of Delivery.

(ii) Opinion of Counsel for Company. The favorable opinion of Stroock & Stroock & Lavan, counsel for the Company, in form and substance satisfactory to counsel for the Underwriters, dated such Date of Delivery, relating to the Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(b) hereof.

(iii) Opinion of Counsel for Underwriters. The favorable opinion of Sidley Austin Brown & Wood llp, counsel for the Underwriters, dated such Date of Delivery, relating to the Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(c) hereof.

(iv) Bring-down Comfort Letter. A letter from Ernst & Young LLP, in form and substance satisfactory to the Representative(s) and dated such Date of Delivery, substantially in the same form and substance as the letter furnished to the Representative(s) pursuant to Section 5(f) hereof, except that the "specified date" in the letter furnished pursuant to this paragraph shall be a date not more than five days prior to such Date of

Delivery.

(k) Additional Documents. At Closing Time and at each Date of Delivery, counsel for the Underwriters shall have been furnished with such documents and opinions as they may require for the purpose of enabling them to pass upon the issuance and sale of the Securities as herein contemplated, or in order to evidence the accuracy of any of the representations or warranties, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Company in connection with the issuance and sale of the Securities as herein contemplated shall be satisfactory in form and substance to the Representative(s) and counsel for the Underwriters.

(l) Termination of Agreement. If any condition specified in this Section shall not have been fulfilled when and as required to be fulfilled, this Agreement, or, in the case of any condition to the purchase of Option Securities, on a Date of Delivery which is after the Closing Time, the obligations of the several Underwriters to purchase the relevant Option Securities, may be terminated by the Representative(s) by notice to the Company at any time at or prior to Closing Time or such Date of Delivery, as the case may be, and such termination shall be without liability of any party to any other party except as provided in Section 4 and except that Sections 1, 6, 7, 8 and 14 shall survive any such termination and remain in full force and effect.

SECTION 6. Indemnification.

(a) Indemnification of Underwriters. Each of the Company, the Operating Partnership and CBC agrees, jointly and severally, to indemnify and hold harmless each Underwriter, its affiliates, as such term is defined in Rule 501(b) under the 1933 Act (each, an "Affiliate"), its selling agents and each person, if any, who controls any Underwriter within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act as follows:

(i) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, arising out of any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment thereto), including the Rule 430A Information or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading or arising out of any untrue statement or alleged untrue statement of a material fact included in any preliminary prospectus or the Prospectus (or any amendment or supplement thereto), or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission; provided that (subject to Section 6(d) below) any such settlement is effected with the written consent of the Company;

(iii) against any and all expense whatsoever, as incurred (including the fees and disbursements of counsel chosen by Merrill Lynch), reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under (i) or (ii) above;

provided, however, that this indemnity agreement shall not apply to any loss, liability, claim, damage or expense to the extent arising out of any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information

furnished to the Company by any Underwriter through Merrill Lynch expressly for use in the Registration Statement (or any amendment thereto), including the Rule 430A Information or any preliminary prospectus or the Prospectus (or any amendment or supplement thereto); and provided further, that notwithstanding the provisions of this Section 6, CBC's indemnification obligations pursuant to this Section 6 shall be limited to the amount of the net proceeds of the offering (including the use of the Company's new line of credit as set forth in the Prospectus under "Use of Proceeds") received by CBC as described in the Prospectus.

(b) Indemnification of Company, Directors and Officers, the Operating Partnership and CBC. Each Underwriter severally agrees to indemnify and hold harmless the Company, the Operating Partnership and CBC, the Company's

directors, each of the Company's officers who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act against any and all loss, liability, claim, damage and expense described in the indemnity contained in subsection (a) of this Section, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in the Registration Statement (or any amendment thereto), including the Rule 430A Information or any preliminary prospectus or the Prospectus (or any amendment or supplement thereto) in reliance upon and in conformity with written information furnished to the Company by such Underwriter through Merrill Lynch expressly for use in the Registration Statement (or any amendment thereto) or such preliminary prospectus or the Prospectus (or any amendment or supplement thereto).

(c) Actions against Parties; Notification. Each indemnified party shall give notice as promptly as reasonably practicable to each indemnifying party of any action commenced against it in respect of which indemnity may be sought hereunder, but failure to so notify an indemnifying party shall not relieve such indemnifying party from any liability hereunder to the extent it is not materially prejudiced as a result thereof and in any event shall not relieve it from any liability which it may have otherwise than on account of this indemnity agreement. In the case of parties indemnified pursuant to Section 6(a) above, counsel to the indemnified parties shall be selected by Merrill Lynch, and, in the case of parties indemnified pursuant to Section 6(b) above, counsel to the indemnified parties shall be selected by the Company. An indemnifying party may participate at its own expense in the defense of any such action; provided, however, that counsel to the indemnifying party shall not (except with the consent of the indemnified party) also be counsel to the indemnified party. In no event shall the indemnifying parties be liable for fees and expenses of more than one counsel (in addition to any local counsel) separate from their own counsel for all indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances. No indemnifying party shall, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever in respect of which indemnification or contribution could be sought under this Section 6 or Section 7 hereof (whether or not the indemnified parties are actual or potential parties thereto), unless such settlement, compromise or consent (i) includes an unconditional release of each indemnified party from all liability arising out of such litigation, investigation, proceeding or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(d) Settlement without Consent if Failure to Reimburse. If at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel, such indemnifying party agrees that it shall be liable for any settlement of the nature contemplated by Section 6(a)(ii) effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by such indemnifying party of the aforesaid request, (ii) such indemnifying party shall have received notice of the terms of such settlement at least 30 days prior to such settlement being entered into and (iii) such indemnifying party shall not have reimbursed such indemnified party in accordance with such request prior to the date of such settlement.

(e) Other Agreements with respect to Indemnification. The provisions of this Section shall not affect any other agreement among the Company and CBC with respect to indemnification.

SECTION 7. Contribution. If the indemnification provided for in Section 6 hereof is for any reason unavailable to or insufficient to hold harmless an indemnified party in respect of any losses, liabilities, claims, damages or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount of such losses, liabilities, claims, damages and expenses incurred by such indemnified party, as incurred, (i) in such proportion as is appropriate to reflect the relative benefits received by the Company, the Operating Partnership and CBC on the one hand and the Underwriters on the other hand from the offering of the Securities pursuant to this Agreement or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company, the Operating Partnership and CBC on the one hand and of the Underwriters on the other hand in connection with the statements or omissions, which resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations.

The relative benefits received by the Company, the Operating Partnership and CBC on the one hand and the Underwriters on the other hand in connection with the offering of the Securities pursuant to this Agreement shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the Securities pursuant to this Agreement (before deducting expenses) received by the Company and the total underwriting discount received

by the Underwriters, in each case as set forth on the cover of the Prospectus bear to the aggregate initial public offering price of the Securities as set forth on the cover of the Prospectus.

The relative fault of the Company, the Operating Partnership and CBC on the one hand and the Underwriters on the other hand shall be determined by reference to, among other things, whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company, the Operating Partnership or CBC or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company, the Operating Partnership, CBC and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 7 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to

above in this Section 7. The aggregate amount of losses, liabilities, claims, damages and expenses incurred by an indemnified party and referred to above in this Section 7 shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue or alleged untrue statement or omission or alleged omission.

Notwithstanding the provisions of this Section 7, (i) no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of any such untrue or alleged untrue statement or omission or alleged omission and (ii) CBC shall not be required to contribute any amount in excess of the amount of the net proceeds of the offering (including the use of the Company's new line of credit as set forth in the Prospectus under "Use of Proceeds") received by CBC as described in the Prospectus.

No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

For purposes of this Section 7, each person, if any, who controls an Underwriter within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act and each Underwriter's Affiliates and selling agents shall have the same rights to contribution as such Underwriter, and each director of the Company, each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as the Company. The Underwriters' respective obligations to contribute pursuant to this Section 7 are several in proportion to the number of Initial Securities set forth opposite their respective names in Schedule A hereto and not joint.

The provisions of this Section shall not affect any other agreement among the Company and CBC with respect to contribution.

SECTION 8. Representations, Warranties and Agreements to Survive. All representations, warranties and agreements contained in this Agreement or in certificates of officers of the Company or any of its subsidiaries submitted pursuant hereto, shall remain operative and in full force and effect regardless of (i) any investigation made by or on behalf of any Underwriter or its Affiliates or selling agents, any person controlling any Underwriter, its officers or directors or any person controlling the Company and (ii) delivery of and payment for the Securities.

SECTION 9. Termination of Agreement.

(a) Termination; General. The Representative(s) may terminate this Agreement, by notice to the Company, at any time at or prior to Closing Time (i) if there has been, since the time of execution of this Agreement or since the respective dates as of which information is given in the Prospectus, any material adverse change in the condition, financial or otherwise, or

in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, or (ii) if there has occurred any material adverse change in the financial markets in the United States or the international financial markets, any outbreak of hostilities or escalation thereof or other calamity or crisis or any change or development involving a prospective change in national or international political, financial or economic conditions, in

each case the effect of which is such as to make it, in the judgment of the Representative(s), impracticable or inadvisable to market the Securities or to enforce contracts for the sale of the Securities, or (iii) if trading in any securities of the Company has been suspended or materially limited by the Commission or the NYSE, or if trading generally on the American Stock Exchange, the NYSE or in the Nasdaq National Market has been suspended or materially limited, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices have been required, by any of said exchanges or by such system or by order of the Commission, the National Association of Securities Dealers, Inc. or any other governmental authority, or (iv) a material disruption has occurred in commercial banking or securities settlement or clearance services in the United States, or (v) if a banking moratorium has been declared by either Federal or New York authorities.

(b) Liabilities. If this Agreement is terminated pursuant to this Section, such termination shall be without liability of any party to any other party except as provided in Section 4 hereof, and provided further that Sections 1, 6, 7, 8 and 14 shall survive such termination and remain in full force and effect.

SECTION 10. Default by One or More of the Underwriters. If one or more of the Underwriters shall fail at Closing Time or a Date of Delivery to purchase the Securities which it or they are obligated to purchase under this Agreement (the "Defaulted Securities"), the Representative(s) shall have the right, within 24 hours thereafter, to make arrangements for one or more of the non-defaulting Underwriters, or any other underwriters, to purchase all, but not less than all, of the Defaulted Securities in such amounts as may be agreed upon and upon the terms herein set forth; if, however, the Representative(s) shall not have completed such arrangements within such 24-hour period, then:

(i) if the number of Defaulted Securities does not exceed 10% of the number of Securities to be purchased on such date, each of the non-defaulting Underwriters shall be obligated, severally and not jointly, to purchase the full amount thereof in the proportions that their respective underwriting obligations hereunder bear to the underwriting obligations of all non-defaulting Underwriters, or

(ii) if the number of Defaulted Securities exceeds 10% of the number of Securities to be purchased on such date, this Agreement or, with respect to any Date of Delivery which occurs after the Closing Time, the obligation of the Underwriters to purchase and of the Company to sell the Option Securities to be purchased and sold on such Date of Delivery shall terminate without liability on the part of any non-defaulting Underwriter.

No action taken pursuant to this Section shall relieve any defaulting Underwriter from liability in respect of its default.

In the event of any such default which does not result in a termination of this Agreement or, in the case of a Date of Delivery which is after the Closing Time, which does not result in a termination of the obligation of the Underwriters to purchase and the Company to sell the relevant Option Securities, as the case may be, either the Representative(s) or the Company shall have the right to postpone Closing Time or the relevant Date of Delivery, as the case may be, for a period not exceeding seven days in order to effect any required changes in the Registration Statement or Prospectus or in any other documents or arrangements. As used herein, the term "Underwriter" includes any person substituted for an Underwriter under this Section 10.

SECTION 11. Tax Disclosure. Notwithstanding any other provision of this Agreement, immediately upon commencement of discussions with respect to the transactions contemplated hereby, the Company (and each employee, representative or other agent of the Company) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions contemplated by this Agreement and all materials of any kind (including opinions or other tax analyses) that are provided to the Company relating to such tax treatment and tax structure. For purposes of the foregoing, the term "tax treatment" is the purported or claimed federal income tax treatment of the transactions contemplated hereby, and the term "tax structure" includes any fact that may be relevant to understanding the purported or claimed federal income tax treatment of the transactions contemplated hereby.

SECTION 12. Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the Underwriters shall be directed to the Representative(s) at 4 World Financial Center, New York, New York 10080, attention of _____; notices to CBC shall be directed to _____; and notices to the Company and the Operating Partnership shall be directed to each at 44 South Bayles Avenue, Port Washington, New York 11050, attention of Leo S. Ullman, Chairman and Chief Executive Officer.

SECTION 13. Parties. This Agreement shall each inure to the benefit of and be binding upon the Underwriters, the Company, the Operating Partnership, CBC and their respective successors. Nothing expressed or mentioned in this

Agreement is intended or shall be construed to give any person, firm or corporation, other than the Underwriters, the Company, the Operating Partnership, CBC and their respective successors and the controlling persons and officers and directors referred to in Sections 6 and 7 and their heirs and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained. This Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the Underwriters, the Company, the Operating Partnership, CBC and their respective successors, and said controlling persons and officers and directors and their heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of Securities from any Underwriter shall be deemed to be a successor by reason merely of such purchase.

SECTION 14. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

SECTION 15. TIME. TIME SHALL BE OF THE ESSENCE OF THIS AGREEMENT. EXCEPT AS OTHERWISE SET FORTH HEREIN, SPECIFIED TIMES OF DAY REFER TO NEW YORK CITY TIME.

SECTION 16. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same Agreement.

SECTION 17. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement between the Underwriters, the Company and the Operating Partnership in accordance with its terms.

Very truly yours,

CEDAR SHOPPING CENTERS, INC.

By: _____
Name:
Title:

CEDAR SHOPPING CENTERS
PARTNERSHIP, L.P.

By: Cedar Shopping Centers, Inc.,
its general partner

By: _____
Name:
Title:

CEDAR BAY COMPANY solely with respect
to Sections 6, 7, 12, 13 and 14

By: _____
Name:
Title:

CONFIRMED AND ACCEPTED, as of the date first above written:

MERRILL LYNCH & CO.
MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED
[NAME(S) OF CO-REPRESENTATIVE(S)

By: MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED]

By:_____
Authorized Signatory

For themselves and as Representative(s) of the other Underwriters named in Schedule A hereto.

EXHIBIT 3.1

ARTICLES OF INCORPORATION
OF
CEDAR INCOME FUND, LTD.

I, THE UNDERSIGNED, JAMES T. CUNNINGHAM, whose post-office address is c/o Stroock & Stroock & Lavan LLP, 180 Maiden Lane, New York, New York 10038, being at least eighteen years of age, do hereby form a corporation, under and by virtue of the General Laws of the State of Maryland authorizing the formation of corporations.

ARTICLE I

Name

The name of the Corporation shall be Cedar Income Fund, Ltd. (the "Corporation").

ARTICLE II

Principal Office, Registered Office and Agent

The address of the Corporation's principal office in Maryland is c/o The Corporation Trust, Incorporated, 300 East Lombard Street, Baltimore, Maryland 21202. The address of the Corporation's principal office and registered office in the State of Maryland is 300 East Lombard Street, Baltimore, Maryland 21202. The name of its registered agent at that office is The Corporation Trust, Incorporated, a Maryland corporation.

ARTICLE III

Purposes

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Maryland as now or hereafter in force.

ARTICLE IV

Capital Stock

A. Authorized Shares. The total number of shares of all classes of capital stock that the Corporation shall have authority to issue is 55 million shares, consisting of 50 million shares of Common Stock with a par value of $.01 per share (the "Common Stock"), amounting in the aggregate to par value of $500,000, and 5 million shares of Preferred Stock with a par value of $.01 per share (the "Preferred Stock"), amounting in the aggregate to par value of $50,000.

B. Common Stock

1. Dividend Rights. Subject to the preferential dividend rights of the Preferred Stock, if any, as may be determined by the Board of Directors of the Corporation pursuant to paragraph C of this Article IV, Holders (as defined below) shall be entitled to receive such dividends as may be declared by the Board of Directors of the Corporation. Upon the declaration of dividends hereunder, Holders shall be entitled to share in all such dividends, pro rata, in accordance with the relative number of shares of Common Stock held by each such Holder.

2. Rights Upon Liquidation. Subject to the preferential rights of the Preferred Stock, if any, as may be determined by the Board of Directors of the Corporation pursuant to paragraph C of this Article IV, in the event of any voluntary or involuntary liquidation, dissolution or winding up of, or any distribution of the assets of, the Corporation, each Holder shall be entitled to receive, ratably with each other Holder, that portion of the assets of the Corporation available for distribution to its stockholders as the number of shares of the Common Stock held by such Holder bears to the total number of shares of Common Stock then outstanding.

3. Voting Rights. Each Holder shall be entitled to vote on all matters (on which a holder of Common Stock shall be entitled to vote), and shall be entitled to one vote for each share of the Common Stock held by such Holder.

4. Restrictions on Ownership and Transfer to Preserve Tax Benefit.

(a) Definitions

For the purposes of this Article IV, the following terms shall have the following meanings:

"Act" shall mean the General Corporation Law of Maryland.

"Beneficial Ownership" shall mean ownership of Common Stock by a Person who would be treated as an owner of such shares of Common Stock either directly or constructively through the application of Section 544 of the Code, as modified by Section 856(h) of the Code. The terms "Beneficial Owner," "Beneficially Owns" and "Beneficially Owned" shall have the correlative meanings.

"Charitable Trust" shall mean the trust created pursuant to subparagraph B(4)(c)(i) of this Article IV.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"Constructive Ownership" shall mean ownership of Common Stock by a Person who would be treated as an owner of such shares of Common Stock either directly or constructively through the application of Section 318 of the Code, as modified by Section 856(d)(5) of the Code. The terms "Constructive Owner," "Constructively Owns" and "Constructively Owned" shall have the correlative meanings.

"Date of the Merger" shall mean the latter of the Merger and the redemption of shares of Common Stock held by Cedar Bay Company in exchange for Units.

"Existing Holder" shall mean (i) Cedar Bay Company and (ii) any Person (other than another Existing Holder) to whom an Existing Holder transfers Beneficial Ownership of Common Stock causing such transferee to Beneficially Own Common Stock in excess of the Ownership Limit.

"Existing Holder Limit" (i) for any Existing Holder who is an Existing Holder by virtue of clause (i) of the definition thereof, shall mean, initially, the percentage of Common Stock Beneficially Owned by such Person immediately after the Merger, and after any adjustment pursuant to subparagraph B(4)(i) of this Article IV, shall mean such percentage of the outstanding Common Stock as so adjusted; and (ii) for any Existing Holder who becomes an Existing Holder by virtue of clause (ii) of the definition thereof, shall mean, initially, the percentage of the outstanding Common Stock Beneficially Owned by such Existing Holder at the time that such Existing Holder becomes an Existing Holder, and after any adjustment pursuant to subparagraph B(4)(i) of this Article IV, shall mean such percentage of the outstanding Common Stock as so adjusted; provided, however, that the Existing Holding Limits for all Existing Holders when combined shall not exceed 85% of the Corporation's Common Stock. For purposes of determining the Existing Holder Limit, the amount of Common Stock outstanding at the time of the determination shall be deemed to include the maximum number of shares that Existing Holders may beneficially own with respect to options and rights to convert Units into Common Stock pursuant to Section 8.6 of the Partnership Agreement and shall not include shares that may be Beneficially Owned solely by other persons upon exercise of options or rights to convert into Common Stock. From the Date of the Merger and prior to the Restriction Termination Date, the Secretary of the Corporation shall maintain and, upon request, make available to each Existing Holder, a schedule which sets forth the then current Existing Holder Limits for each Existing Holder.

"Holder" shall mean the record holder of shares of Common Stock, or in the case of shares held by a Purported Record Transferee, the Charitable Trust.

"IRS" shall mean the United States Internal Revenue Service.

"Market Price" shall mean the last reported sales price reported on the New York Stock Exchange of Common Stock on the trading day immediately preceding the relevant date, or if the Common Stock is not then traded on the New York Stock Exchange, the last reported sales price of the Common Stock on the trading day immediately preceding the relevant date as reported on any exchange or quotation system over which the Common Stock may be traded, or if the Common Stock is not then traded over any exchange or quotation system, then the market price of the Common Stock on the relevant date as determined in good faith by the Board of Directors of the Corporation.

"Merger" shall mean the merger of Cedar Income Fund, Ltd., an Iowa corporation, with and into the Corporation, its wholly-owned subsidiary.

"Ownership Limit" shall initially mean 3.5% of the outstanding Common Stock of the Corporation, and after any adjustment as set forth in subparagraph B(4)(i) of this Article IV, shall mean such greater percentage.

"Partner" shall mean any Person owning Units.

"Partnership" shall mean Cedar Income Fund Partnership, L.P., a Delaware limited partnership.

"Partnership Agreement" shall mean the Agreement of Limited Partnership of the Partnership, of which the Corporation is the sole general partner, as such agreement may be amended from time to time.

"Person" shall mean an individual, corporation, partnership, estate, trust, a portion of a trust permanently set aside for or to be used exclusively for the purposes described in Section 642(c) of the Code, association, private foundation within the meaning of Section 509(a) of the Code, joint stock company or other entity and also includes a group as that term is used for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended; but does not include (i) Cedar Bay Company, and (ii) an underwriter which participates in a public offering of the Common Stock provided that the ownership of Common Stock by such underwriter would not result in the Corporation failing to qualify as a REIT.

"Purported Transferee" shall mean, with respect to any purported Transfer which results in a violation of subparagraph B(4)(b) of this Article IV, the purported beneficial transferee or owner for whom the Purported Record Transferee would have acquired or owned shares of Common Stock, if such Transfer had been valid under such subparagraph.

"Purported Record Transferee" shall mean, with respect to any purported Transfer which results in a violation of subparagraph B(4)(b) of this Article IV, the record holder of the Common Stock if such Transfer had been valid under such subparagraph.

"REIT" shall mean a Real Estate Investment Trust under Section 856 of the Code.

"Restriction Termination Date" shall mean the first day after the Date of the Merger on which the Board of Directors of the Corporation determines that it is no longer in the best interests of the Corporation to attempt to, or continue to, qualify as a REIT.

"Transfer" shall mean any sale, transfer, gift, assignment, devise or other disposition of Common Stock (including (i) the granting of any option or entering into any agreement for the sale, transfer or other disposition of Common Stock or (ii) the sale, transfer, assignment or other disposition of any securities or rights convertible into or exchangeable for Common Stock), whether voluntary or involuntary, whether of record or beneficially or Beneficially or Constructively (including but not limited to transfers of interests in other entities which result in changes in Beneficial or Constructive Ownership of Common Stock), and whether by operation of law or otherwise.

"Trustee" shall mean the Corporation as trustee for the Charitable Trust, and any successor trustee appointed by the Corporation.

"Units" shall mean the units into which partnership interests of the Partnership are divided, and as the same may be adjusted, as provided in the Partnership Agreement.

(b) Restriction on Ownership and Transfers.

(i) Except as provided in subparagraph B(4)(k) of this Article IV, from the Date of the Merger and prior to the Restriction Termination Date, no Person (other than an Existing Holder) shall Beneficially Own shares of Common Stock in excess of the Ownership Limit, and no Existing Holder shall Beneficially Own shares of Common Stock in excess of the Existing Holder Limit for such Existing Holder.

(ii) Except as provided in subparagraph B(4)(k) of this Article IV, from the Date of the Merger and prior to the Restriction Termination Date, any Transfer that, if effective, would result in any Person (other than an Existing Holder) Beneficially Owning Common Stock in excess of the Ownership Limit shall be void ab initio as to the Transfer of such shares of Common Stock which would be otherwise Beneficially Owned by such Person in excess of the Ownership Limit; and the Purported Transferee shall acquire no rights in such shares of Common Stock.

(iii) Except as provided in subparagraph B(4)(k) of this Article IV, from the Date of the Merger and prior to the

Restriction Termination Date, any Transfer that, if effective, would result in any Existing Holder Beneficially Owning Common Stock in excess of the applicable Existing Holder Limit shall be void ab initio as to the Transfer of such shares of Common Stock which would be otherwise Beneficially Owned by such Existing Holder in excess of the applicable Existing Holder Limit; and such Existing Holder shall acquire no rights in such shares of Common Stock.

(iv) Except as provided in subparagraph B(4)(k) of this Article IV, from the Date of the Merger and prior to the Restriction Termination Date, any Transfer that, if effective, would result in the Common Stock being beneficially owned by less than 100 Persons (determined without reference to any rules of attribution) shall be void ab initio as to the Transfer of such shares of Common Stock which would be otherwise beneficially owned by the transferee; and the intended transferee shall acquire no rights in such shares of Common Stock.

(v) Notwithstanding any other provisions contained in this Article IV, from the Date of the Merger and prior to the Restriction Termination Date, any Transfer or other event that, if effective, would result in the Corporation being "closely held" within the meaning of Section 856(h) of the Code, or would otherwise result in the Corporation failing to qualify as a REIT (including, but not limited to, a Transfer or other event that would result in the Corporation owning (directly or Constructively) an interest in a tenant that is described in Section 856(d)(2)(B) of the Code if the income derived by the Corporation from such tenant would cause the Corporation to fail to satisfy any of the gross income requirements of Section 856(c) of the Code), shall be void ab initio as to the Transfer of the shares of Common Stock which would cause the Corporation to be "closely held" within the meaning of Section 856(h) of the Code or would otherwise result in the Corporation failing to qualify as a REIT; and the intended transferee or owner or Constructive or Beneficial Owner shall acquire or retain no rights in such shares of Common Stock.

(c) Effect of Transfer in Violation of Subparagraph (B)(4)(b).

(i) If, notwithstanding the other provisions contained in this Article IV, at any time after the Date of the Merger and prior to the Restriction Termination Date, there is a purported Transfer, change in the capital structure of the Corporation, or other event such that one or more of the restrictions on ownership and transfers described in subparagraph B(4)(b) above has been violated, then the shares of Common Stock being Transferred (or in the case of an event other than a Transfer, the shares owned or Constructively Owned or Beneficially Owned) which would cause one or more of the restrictions on ownership or transfer to be violated (rounded up to the nearest whole share) (the "Trust Shares"), shall automatically be transferred to the Corporation, as Trustee of a trust (the "Charitable Trust") for the exclusive benefit of The American Cancer Society (the "Designated Charity"), an organization described in Section 170(b)(1)(A) and 170(c) of the Code. The Purported Transferee shall have no rights in such Trust Shares.

(ii) The Corporation, as Trustee of the Charitable Trust, may transfer the shares held in such trust to a Person whose ownership of the shares will not result in a violation of the ownership restrictions (a "Permitted Transferee"). If such a transfer is made, the interest of the Designated Charity will terminate and proceeds of the sale will be payable to the Purported Transferee and to the Designated Charity. The Purported Transferee will receive the lesser of (1) the price paid by the Purported Transferee for the shares or, if the Purported Transferee did not give value for the shares, the Market Price of the shares on the day of the event causing the shares to be held in trust, and (2) the price per share received by the Corporation, as Trustee, from the sale or other disposition of the shares held in trust. The Designated Charity will receive any proceeds in excess of the amount payable to the Purported Transferee. The Purported Transferee will not be entitled to designate a Permitted Transferee.

(iii) All stock held in the Charitable Trust will be deemed to have been offered for sale to the Corporation or its designee for a 90-day period, at the lesser of the price paid for that stock by the Purported Transferee and the Market Price on the date that the Corporation accepts the offer. This period will commence on the date of the violative transfer, if the Purported Transferee gives notice to the Corporation of the transfer, or the date that the Board of Directors of the Corporation determines that a violative transfer occurred, if no such notice is provided.

(iv) Any dividend or distribution paid prior to the discovery by the Corporation that shares of Common Stock have been

transferred in violation of subparagraph B(4)(b) of this Article IV, shall be repaid to the Corporation upon demand and shall be held in trust for the Designated Charity. Any dividend or distribution declared but unpaid shall be rescinded as void ab initio with respect to such shares of stock.

(v) Subject to the preferential rights of the Preferred Stock, if any, as may be determined by the Board of Directors of the Corporation pursuant to paragraph C of this Article IV, in the event of any voluntary or involuntary liquidation, dissolution or winding up of, or any distribution of the assets of, the Corporation, the Designated Charity shall be entitled to receive, ratably with each other holder of Common Stock, that portion of the assets of the Corporation available for distribution to its stockholders as the number of Trust Shares bears to the total number of shares of Common Stock then outstanding (including the Trust Shares). The Corporation, as Trustee, or if the Corporation shall have been dissolved, any trustee appointed by the Corporation prior to its dissolution, shall distribute to the Designated Charity, when determined (or if not determined, or only partially determined, ratably to the other holders of Common Stock who have been determined and the Designated Charity), any such assets received in respect of the Trust Shares in any liquidation, dissolution or winding up of, or any distribution of the assets of, the Corporation.

(vi) The Purported Transferee will not be entitled to vote any Common Stock it attempts to acquire, and any stockholder vote will be rescinded if a Purported Transferee votes and the stockholder vote would have been decided differently if such Purported Transferee's vote was not counted.

(d) Remedies for Breach. If the Board of Directors or its designees shall at any time determine in good faith that a Transfer or other event has taken place in violation of subparagraph B(4)(b) of this Article IV or that a Person intends to acquire or has attempted to acquire beneficial ownership (determined without reference to any rules of attribution), Beneficial Ownership or Constructive Ownership of any shares of the Corporation in violation of subparagraph B(4)(b) of this Article IV, the Corporation shall inform the Purported Transferee of its obligations pursuant to this Article IV, including such Purported Transferee's obligations to pay over to the Charitable Trust any and all dividends received with respect to the Trust Shares. In addition, the Board of Directors or its designees shall take such action as it deems advisable to refuse to give effect or to prevent such Transfer, including, but not limited to, refusing to give effect to such Transfer on the books of the Corporation or instituting proceedings to enjoin such Transfer and to recover any dividend erroneously paid and declaring any votes erroneously cast to be retroactively invalid; provided, however, that any Transfers (or, in the case of events other than a Transfer, ownership or Constructive Ownership or Beneficial Ownership) in violation of subparagraph B(4)(b) of this Article IV shall automatically result in a transfer to the Charitable Trust as described in subparagraph B(4)(c), irrespective of any action (or non-action) by the Board of Directors.

(e) Notice of Restricted Transfer. Any Person who acquires or attempts to acquire shares in violation of subparagraph B(4)(b) of this Article IV, or any Person who is a Purported Transferee, shall immediately give written notice to the Corporation of such event and shall provide to the Corporation such other information as the Corporation may request in order to determine the effect, if any, of such Transfer or attempted Transfer on the Corporation's status as a REIT.

(f) Owners Required To Provide Information. From the Date of the Merger and prior to the Restriction Termination Date each Person who is a beneficial owner or Beneficial Owner or Constructive Owner of Common Stock and each Person (including the stockholder of record) who is holding Common Stock for a Beneficial Owner or Constructive Owner shall provide to the Corporation such information that the Corporation may request, in good faith, in order to determine the Corporation's status as a REIT.

(g) Remedies Not Limited. Nothing contained in this Article IV shall limit the authority of the Board of Directors to take such other action as it deems necessary or advisable to protect the Corporation and the interests of its stockholders by preservation of the Corporation's status as a REIT.

(h) Ambiguity. In the case of an ambiguity in the application of any of the provisions of subparagraph B(4) of this Article IV, including any definition contained in subparagraph B(4)(a), the Board of Directors shall have the power to determine the application of the provisions of this subparagraph B(4) with respect to any situation based on the facts known to it.

(i) Modification of Ownership Limit or Existing Holder Limit. Subject to the limitations provided in subparagraph B(4)(j), the Board of Directors may from time to time increase the Ownership Limit or the Existing Holder Limit and shall file Articles Supplementary with the State Department of

Assessment and Taxation of Maryland to evidence such increase.

(j) Limitations on Modifications.

(i) From the Date of the Merger and prior to the Restriction Termination Date, neither the Ownership Limit nor any Existing Holder Limit may be increased (nor may any additional Existing Holder Limit be created) if, after giving effect to such increase (or creation), five Persons who are Beneficial Owners of Common Stock (including all of the then Existing Holders) could (taking into account the Ownership Limit and the Existing Holder Limit) Beneficially Own, in the aggregate, more than 49% of the outstanding Common Stock.

(ii) Prior to the modification of any Existing Holder Limit or Ownership Limit pursuant to subparagraph B(4)(i) of this Article IV, the Board of Directors of the Corporation may require such opinions of counsel, affidavits, undertakings or agreements as it may deem necessary or advisable in order to determine or ensure the Corporation's status as a REIT.

(iii) No Existing Holder Limit shall be reduced to a percentage which is less than the Ownership Limit.

(iv) The Ownership Limit may not be increased to a percentage which is greater than 9.9%.

(k) Exceptions.

(i) The Board of Directors, in its sole discretion, may exempt a Person from the Ownership Limit or the Existing Holder Limit, as the case may be, if such Person is not an individual for purposes of Section 542(a)(2) of the Code and the Board of Directors obtains such representations and undertakings from such Person as are reasonably necessary to ascertain that no individual's Beneficial Ownership of such shares of Common Stock will violate the Ownership Limit or the applicable Existing Holder Limit, as the case may be, and agrees that any violation of such representations or undertaking (or other action which is contrary to the restrictions contained in this subparagraph B(4) of this Article IV) or attempted violation will result in such shares of Common Stock automatically being transferred to the Charitable Trust.

(ii) Prior to granting any exception pursuant to subparagraph B(4)(k)(i) of this Article IV, the Board of Directors may require a ruling from the IRS, or an opinion of counsel, in either case in form and substance satisfactory to the Board of Directors in its sole discretion, as it may deem necessary or advisable in order to determine or ensure the Corporation's status as a REIT.

5. Legend. Each certificate for shares of Common Stock shall bear legends substantially to the effect of the following:

"The Corporation is authorized to issue two classes of capital stock which are designated as Common Stock and Preferred Stock. The Board of Directors is authorized to determine the preferences, limitations and relative rights of the Preferred Stock before the issuance of any Preferred Stock. The Corporation will furnish, without charge, to any stockholder making a written request therefor, a copy of the Corporation's charter and a written statement of the designations, relative rights, preferences and limitations applicable to each such class of stock. Requests for the Corporation's charter and such written statement may be directed to Cedar Income Fund, Ltd., 44 South Bayles Avenue, Port Washington, New York 11050, Attention: Secretary.

The shares of Common Stock represented by this certificate are subject to restrictions on ownership and Transfer for the purpose of the Corporation's maintenance of its status as a Real Estate Investment Trust under the Code. No Person may Beneficially Own shares of Common Stock in excess of 3.5% (or such greater percentage as may be determined by the Board of Directors of the Corporation) of the outstanding Common Stock of the Corporation (unless such Person is an Existing Holder) with certain exceptions set forth in the Corporation's charter. Any Person who attempts to Beneficially Own shares of Common Stock in excess of the above limitations must immediately notify the Corporation. All capitalized terms in this legend have the meanings defined in the Corporation's charter. Transfers in violation of the restrictions described above may be void ab initio.

In addition, upon the occurrence of certain events, if the restrictions on ownership are violated, the shares of Common Stock represented hereby may be automatically exchanged for Trust Shares which will be held in trust by the Corporation. The Corporation has an option to acquire Trust Shares under certain circumstances. The Corporation will furnish to the holder hereof upon request and without charge a complete written statement of the terms and conditions of the Trust Shares. Requests for such statement may be directed to

Cedar Income Fund, Ltd., 44 South Bayles Avenue, Port Washington, New York 11050, Attention: Secretary."

6. Severability. If any provision of this Article IV or any application of any such provision is determined to be invalid by any Federal or state court having jurisdiction over the issues, the validity of the remaining provisions shall not be affected and other applications of such provisions shall be affected only to the extent necessary to comply with the determination of such court.

C. Preferred Stock. The Board of Directors of the Corporation, by resolution, is hereby expressly vested with authority to provide for the issuance of the shares of Preferred Stock in one or more classes or one or more series, with such voting powers, full or limited, or no voting powers, and with such designations, preferences and relative, participating, optional and other special rights, and qualifications, limitations or restrictions thereof, if any, as shall be stated and expressed in the resolution or resolutions providing for such issue adopted by the Board of Directors. Except as otherwise provided by law, the holders of the Preferred Stock of the Corporation shall only have such voting rights as are provided for or expressed in the resolutions of the Board of Directors relating to such Preferred Stock adopted pursuant to the authority contained in the Articles of Incorporation. Before issuance of any such shares of Preferred Stock, the Corporation shall file Articles Supplementary with the State Department of Assessment and Taxation of Maryland in accordance with the provision of Section 2-208 of the Act.

D. Reservation of Shares. Pursuant to the obligations of the Corporation under the Partnership Agreement to issue shares of Common Stock in exchange for Units, the Board of Directors is hereby required to reserve a sufficient number of authorized but unissued shares of Common Stock to permit the Corporation to issue shares of Common Stock in exchange for Units that may be exchanged for shares of Common Stock pursuant to the Partnership Agreement.

E. Preemptive Rights. No holder of shares of capital stock of the Corporation shall, as such holder, have any preemptive or other right to purchase or subscribe for any shares of Common Stock or any class of capital stock of the Corporation which the Corporation may issue or sell.

F. Control Shares. Pursuant to Section 3-702(b) of the Act, the terms of Subtitle 7 of Title 3 of the Act shall be inapplicable to any acquisition of a Control Share (as defined in the Act) that is not prohibited by the terms of Article IV.

G. Business Combinations. Pursuant to Section 3-603(e)(1)(iii) of the Act, the terms of Section 3-602 of such law shall be inapplicable to the Corporation.

ARTICLE V

Board of Directors

A. Management. The management of the business and the conduct of the affairs of the Corporation shall be vested in its Board of Directors.

B. Number. The number of directors which will constitute the entire Board of Directors shall be fixed by, or in the manner provided in, the By-Laws but shall in no event be less than three. The names of the directors who shall act until the first annual meeting or until their successors are duly chosen and qualified are Leo S. Ullman, J.A.M.H. der Kinderen and Everett B. Miller III.

C. Classification. The directors shall be classified, with respect to the time for which they severally hold office, into three classes, as nearly equal in number as possible, as shall be provided in the By-Laws of the Corporation, one class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 1999, another class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 2000, and another class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 2001, with each class to hold office until its successors are elected and qualified. At each annual meeting of the stockholders of the Corporation, the date of which shall be fixed by or pursuant to the By-Laws of the Corporation, the successors of the class of directors whose terms expire at that meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election. No election of directors need be by written ballot. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

D. Vacancies. Newly created directorships resulting from any increase in the number of directors may be filled by the Board of Directors, or as otherwise provided in the By-Laws, and any vacancies on the Board of Directors resulting from death, resignation, removal or other cause shall only be filled by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board of Directors, or by a sole remaining

director, or as otherwise provided in the By-Laws. Any director elected in accordance with the preceding sentence shall hold office until the next annual meeting of the Corporation, at which time a successor shall be elected to fill the remaining term of the position filled by such director.

E. Removal. Any director may be removed from office only for cause and only by the affirmative vote of the holders of a majority of the combined voting power of the then outstanding shares entitled to vote in the election of directors. For purposes of this subparagraph E of Article V "cause" shall mean the willful and continuous failure of a director to substantially perform such director's duties to the Corporation (other than any such failure resulting from temporary incapacity due to physical or mental illness) or the willful engaging by a director in gross misconduct materially and demonstrably injurious to the Corporation.

F. By-Laws. The power to adopt, alter and/or repeal the By-Laws of the Corporation is vested exclusively in the Board of Directors.

G. Powers. The enumeration and definition of particular powers of the Board of Directors included in the foregoing shall in no way be limited or restricted by reference to or inference from the terms of any other clause of this or any other Article of the charter of the Corporation, or construed as or deemed by inference or otherwise in any manner to exclude or limit the powers conferred upon the Board of Directors under the General Corporation Law of Maryland as now or hereafter in force.

ARTICLE VI

Liability

The liability of the directors and officers of the Corporation to the Corporation and its stockholders for money damages is hereby limited to the fullest extent permitted by Section 5-349 of the Courts and Judicial Proceedings Code of Maryland (or its successor) as such provisions may be amended from time to time.

ARTICLE VII

Indemnification

The Corporation shall indemnify (A) its directors and officers, whether serving the Corporation or at its request any other entity, to the full extent required or permitted by the General Laws of the State of Maryland now or hereafter in force, including the advance of expenses under the procedures and to the full extent permitted by law and (B) other employees and agents to such extent as shall be authorized by the Board of Directors or the Corporation's By-Laws and be permitted by law. The foregoing rights of indemnification shall not be exclusive of any other rights to which those seeking indemnification may be entitled. The Board of Directors may take such action as is necessary to carry out these indemnification provisions and is expressly empowered to adopt, approve and amend from time to time such By-Laws, resolutions or contracts implementing such provisions or such further indemnification arrangements as may be permitted by law. No amendment of the charter of the Corporation shall limit or eliminate the right to indemnification provided hereunder with respect to acts or omissions occurring prior to such amendment or repeal.

ARTICLE VIII

Existence

The Corporation is to have perpetual existence.

IN WITNESS WHEREOF, the undersigned incorporator of Cedar Income Fund, Ltd. who executed the foregoing Articles of Incorporation hereby acknowledges the same to be his act and further acknowledges that, to the best of his knowledge the matters and facts set forth therein are true in all material respects under the penalties of perjury.

Dated the 11th day of June, 1998.

/s/ James T. Cunningham

JAMES T. CUNNINGHAM

CERTIFICATE OF CORRECTION
TO
THE ARTICLES OF INCORPORATION
OF
CEDAR INCOME FUND, LTD.,
a Maryland Corporation

Pursuant to the provisions of Section 1-207 of the Maryland General Corporation Law, the undersigned executes the following Certificate of

Correction:

1. The title of the document being corrected is the "Articles of Incorporation of Cedar Income Fund, Ltd." (the "Articles").

2. The name of the sole party to the Articles is James T. Cunningham, as sole incorporator of Cedar Income Fund, Ltd., a Maryland corporation.
3. The date that the Articles were filed with the State of Maryland Department of Assessments and Taxation is June 12, 1998.

4. The erroneous provision of the Articles to be corrected is the proviso beginning on the 11th line of the definition of the term "Existing Holder Limit" contained in Article IV paragraph B.4.(a) of the Articles (the "Proviso") which currently reads as follows:

> "provided, however, that the Existing Holding Limits for all Existing Holders when combined shall not exceed 85% of the Corporation's Common Stock."

5. The foregoing erroneous Proviso is hereby corrected to read as follows:

> "provided, however, that the Existing Holder Limits for all Existing Holders when combined shall not exceed 35% of the Corporation's Common Stock."

IN WITNESS WHEREOF, the undersigned sole incorporator of Cedar Income Fund, Ltd., who executes the foregoing Certificate of Correction, hereby acknowledges the same to be his act and further acknowledges that, to the best of his knowledge, the matters and facts set forth herein are true in all material respects under the penalties of perjury.

Dated the 24th day of July, 1998.

/s/ James T. Cunningham

JAMES T. CUNNINGHAM

ARTICLES OF AMENDMENT
OF ARTICLES OF INCORPORATION
OF
CEDAR SHOPPING CENTERS, INC.

Cedar Shopping Centers, Inc., a Maryland corporation (the "Corporation"), hereby certifies to the State Department of Assessments and Taxation of Maryland that:

1. The Articles of Incorporation of the Corporation, filed with the State Department of Assessments and Taxation of Maryland on June 12, 1998, as amended, are hereby amended as follows:

   (i) The first paragraph of Article IV shall be deleted in its entirety and replaced with the following:

   Capital Stock

   A. Authorized Shares. The total number of shares of all classes of capital stock that the Corporation shall have authority to issue is 55 million shares, consisting of 50 million shares of Common Stock with a par value of $.06 per share (the "Common Stock"), amounting in the aggregate to par value of $3,000,000, and 5 million shares of Preferred Stock with a par value of $.01 per share (the "Preferred Stock"), amounting in the aggregate to par value of $50,000.

The amendment to the Articles of Incorporation of the Corporation has been advised by the Board of Directors and approved by the holders of at least two-thirds of the shares of the Corporation's Common Stock entitled to vote at the Corporation's Annual Meeting held on October 9, 2003.

IN WITNESS WHEREOF, we the undersigned President and Secretary hereby swear under penalties of perjury that the adoption of the foregoing Articles of Amendment of Articles of Incorporation of Cedar Shopping Centers, Inc. is a corporate act of Cedar Shopping Centers, Inc. and that we have caused these Articles of Amendment to be executed and attested this 9th day of October, 2003.

CEDAR SHOPPING CENTERS, INC.

By:/s/ Leo S. Ullman

Leo S. Ullman, President

Attest:

/s/ Stuart H. Widowski
- ---
Stuart H. Widowsky, Secretary

CEDAR SHOPPING CENTERS, INC.

AMENDED AND RESTATED BY-LAWS

adopted August 13, 2003

ARTICLE 1
OFFICES

Cedar Shopping Centers, Inc. (the "Corporation") shall maintain a registered office in the State of Maryland as required by law. The Corporation may also have offices at other places, within or without the State of Maryland as the business of the Corporation may require.

ARTICLE 2
STOCKHOLDERS

Section 2.01. Place of Meetings. Meetings of stockholders possessing voting shares shall be held at such place in the United States, within or without the State of Maryland, as the Board of Directors designates.

Section 2.02. Annual Meeting. The annual meeting of the stockholders possessing voting shares shall be held on such date and at such time as the Board of Directors designates. At each annual meeting, such stockholders shall elect the members of the Board of Directors whose terms have expired and transact such other business as may be properly brought before the meeting.

Section 2.03. Special Meetings. Special meetings of stockholders may be called by the Chairman of the Board and shall be called by the Chairman of the Board or the Secretary at the request in writing of (x) a majority of the Directors or (y) the holders of 25 percent or more of the issued and outstanding shares of capital stock of the Corporation entitled to be voted at the meeting. Such a request shall state the purpose or purposes of the proposed meeting.

Section 2.04. Notice of Stockholder Meetings.

(a) Required Notice. Written notice stating the place, day and hour of any annual or special stockholder meeting shall be delivered not less than 10 or more than 60 days before the date of the meeting, either personally or by mail, by or at the direction of the Chairman of the Board, the Board of Directors, or other persons calling the meeting, to each stockholder of record entitled to vote at such meeting and to any other stockholder entitled by the Maryland General Corporation Law (the "Act") or the charter to receive notice of the meeting. Notice shall be deemed to be effective at the earliest of: (1) when deposited in the United States mail, addressed to the stockholder at his address as it appears on the stock transfer books of the Corporation, with postage thereon prepaid; (2) on the date shown on the return receipt if sent by registered or certified mail, return receipt requested, and the receipt is signed by or on behalf of the addressee; or (3) when received.

(b) Adjourned Meeting. If any stockholder meeting is adjourned to a different date, time, or place, notice need not be given of the new date, time, and place, if the new date, time, and place is announced at the meeting before adjournment. But if a new record date for the adjourned meeting is or must be fixed then notice must be given pursuant to the requirements of paragraph (a) of this Section 2.04, to those persons who are stockholders as of the new record date.

(c) Waiver of Notice. A stockholder may waive notice of the meeting (or any notice required by the Act, charter, or By-Laws), by a writing signed by the stockholder entitled to the notice, which is delivered to the Corporation (either before or after the date and time stated in the notice) for inclusion in the minutes or filing with the corporate records.

A stockholder's attendance at a meeting:

(1) waives objection to lack of notice or defective notice of the meeting unless the stockholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting; or

(2) waives objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the stockholder objects to considering the matter when it is presented.

(d) Contents of Notice. The notice of each special stockholder meeting shall include a description of the purpose or purposes for which the meeting is called. Except as provided in this Section 2.04(d), or as provided in the Corporation's charter, or otherwise in the Act, the notice of an annual stockholder meeting need not include a description of the purpose or purposes

for which the meeting is called.

Section 2.05. Quorum. The holders, present in person or represented by proxy, of shares of capital stock entitled to cast a majority of all votes entitled to be cast at the meeting shall constitute a quorum for the transaction of business at the meeting. If less than a quorum is present, the holders of a majority of such shares whose holders are so present or represented may from time to time adjourn the meeting to another place, date, or hour until a quorum is present, whereupon the meeting may be held, as adjourned, without further notice except as required by law or by Section 2.04.

Section 2.06. Voting. When a quorum is present at a meeting of the stockholders, the vote of the holders of a majority of the shares of capital stock entitled to be voted whose holders are present in person or represented by proxy shall decide any question brought before the meeting, unless the question is one upon which, by express provision of law or of the Articles of Incorporation or of these By-Laws, a different vote is required. Unless otherwise provided in the charter, each holder of shares of Common Stock shall at a meeting of the stockholders be entitled to one (1) vote in person or by proxy for each share of Common Stock held by such stockholder. At a meeting of the stockholders, all questions relating to the qualifications of voters, the validity of proxies, and the acceptance or rejection of votes shall be decided by the presiding officer of the meeting.

Section 2.07. Presiding Officer of Meetings. The Chairman of the Board, or in his absence, the President, or in his absence a Vice President, or in his absence a chairman for the meeting chosen by the Board of Directors, shall preside at all meetings of the stockholders. In the absence of all of the foregoing, the presiding officer shall be elected by vote of the holders of a majority of the shares of capital stock entitled to be voted whose holders are present in person or represented by proxy at the meeting.

Section 2.08. Secretary of Meetings. The Secretary of the Corporation shall act as secretary of all meetings of the stockholders. In the absence of the Secretary, the presiding officer of the meeting shall appoint any other person to act as secretary of the meeting.

Section 2.09. Action in Lieu of Meeting. Any action required or permitted to be taken at any annual or special meeting of the stockholders may be taken without a meeting, without prior notice and without a vote, if consents in writing, setting forth the action so taken, are signed by all of the holders of shares of capital stock entitled to vote thereon.

Section 2.10. Proxies. At all meetings of stockholders, a stockholder may vote in person, or vote by proxy which is executed in writing by the stockholder or which is executed by his duly authorized attorney-in-fact. Such proxy shall be filed with the Secretary of the Corporation or other persons authorized to tabulate votes before or at the time of the meeting. No proxy shall be valid after 11 months from the date of its execution unless otherwise provided in the proxy.

ARTICLE 3
BOARD OF DIRECTORS

Section 3.01. Powers. The business of the Corporation shall be managed under the direction of the Board of Directors, which shall exercise all such powers of the Corporation and do all such lawful acts and things as are not by law or by the Articles of Incorporation or by these By-Laws directed or required to be exercised or done by the stockholders.

Section 3.02. Number; Election; Qualification; Term.

(a) The Board of Directors shall initially consist of at least three members or as determined from time to time by amendment of this subsection. The term of office of a Director shall not be affected by any decrease in the authorized number of Directors.

(b) Until the first annual meeting of the stockholders, the Board of Directors shall initially consist of the persons named as the Directors of the Corporation by the incorporator in the charter. At the first annual meeting and at each subsequent annual meeting of the stockholders, the stockholders shall elect the successors of the Directors whose term have expired at that meeting to serve for a term expiring in accordance with Section 3.02(d). The number of Directors shall in no event be less than three.

(c) Unless by the terms of the action pursuant to which he was elected any special condition or conditions must be fulfilled in order for him to be qualified, a person elected as a Director shall be deemed to be qualified (1) upon his receipt of notice of election and his indication of acceptance thereof or (2) upon the expiration of ten days after notice of election is given to him

without his having given notice of inability or unwillingness to serve.

(d) At each annual meeting of the stockholders of the Corporation, the successors of the class of directors whose terms expire at that meeting shall be elected to hold office for a term of one year and until such director's earlier resignation or removal; provided, however, each director elected at the annual meetings of the Corporation held in 2001 and 2002 shall serve for the full three-year term to which such director was elected or until such director's earlier resignation or removal. No election of directors need be by written ballot. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

Section 3.03. Vacancies. Whenever between annual meetings of the stockholders any vacancy exists in the Board of Directors by reason of death, resignation, removal, or increase in the authorized number of Directors, or otherwise, it may be filled by the Board of Directors (if permitted under the Act) or by the stockholders at a special meeting of the stockholders called for that purpose.

Section 3.04. Place of Meetings. Any meeting of the Board of Directors may be held either within or without the State of Maryland.

Section 3.05. Annual Meeting. There shall be an annual meeting of the Board of Directors for the election of officers and the transaction of such other business as may be brought before the meeting. The annual meeting of the Board shall be held immediately following the annual meeting of the stockholders or any adjournment thereof, at the place where the annual meeting of the stockholders was held or at such other place as a majority of the Directors who are then present determine. If the annual meeting is not so held, it shall be called and held in the manner provided herein for special meetings of the Board or conducted pursuant to Section 3.11.

Section 3.06. Regular Meetings. Regular meetings of the Board of Directors, other than the annual meeting, may be held without notice at such times and places as the Board may have fixed by resolution.

Section 3.07. Special Meetings. Special meetings of the Board of Directors may be called by the Chairman of the Board or the President and shall be called on the written request of a majority of the Directors. Not less than one day's notice of a special meeting shall be given by the Secretary to each Director.

Section 3.08. Organization. Every meeting of the Board of Directors shall be presided over by the Chairman of the Board, or in his absence by the President. In the absence of the Chairman of the Board and the President, a presiding officer shall be chosen by a majority of the Directors present. The Secretary of the Corporation shall act as secretary of the meeting. In his absence the presiding officer shall appoint another person to act as secretary of the meeting.

Section 3.09. Quorum. The presence of a majority of the number of Directors then serving shall be necessary to constitute a quorum for the transaction of business at a meeting of the Board of Directors. If less than a quorum is present, a majority of the Directors present may adjourn the meeting to another time or place until a quorum is present, whereupon the meeting may be held, as adjourned, without further notice.

Section 3.10. Vote. The act of a majority of the Directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by law, by the Articles of Incorporation, or by these By-Laws. Where a vote of the Directors present results in a tie, the action proposed shall not constitute an act of the Board of Directors.

Section 3.11. Action in Lieu of a Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all of the members of the Board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of the proceedings of the Board or committee.

Section 3.12. Conference Call Meeting. Members of the Board of Directors or of any committee thereof may participate in a meeting of the Board or committee, as the case may be, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

ARTICLE 4
COMMITTEES

Section 4.01. Committees of the Board. The Board of Directors may, by resolution passed by a majority of the Directors in office, establish one or more committees, each committee to consist of two or more of the Directors. The Board may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member or members at any meeting of the committee. Any such committee, to the extent provided in the resolution of the Board, shall have and may exercise all the power and authority of the Board for direction and supervision of the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers that may require it. No such committee, however, shall have power or authority in reference to (i) amending the charter or the By-Laws, (ii) adopting an agreement of merger or consolidation, (iii) recommending to the stockholders the sale, lease, or exchange of all or substantially all of the Corporation's property and assets, (iv) recommending to the stockholders a dissolution of the Corporation or a revocation of a dissolution, (v) electing a Director, or electing or removing an officer; and (vi) unless the resolution expressly so provided, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock.

Section 4.02. Procedures; Minutes of Meetings. Each committee shall determine its rules with respect to notice, quorum, voting, and the taking of action, provided that such rules shall be consistent with law, the rules in these By-Laws applicable to the Board of Directors, and the resolution of the Board establishing the committee. Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

ARTICLE 5
OFFICERS

Section 5.01. General. The Board of Directors shall elect the officers of the Corporation, which shall include a President, Treasurer and a Secretary and such other officers, including, without limitation, Chairman of the Board, Vice Chairman, Chief Operating Officer, Vice-Presidents, Comptroller and General Counsel as in the Board's opinion are desirable for the conduct of the business of the Corporation. Any two or more offices may be held by the same person except that the President shall not hold the office of Vice-President or Secretary.

Section 5.02. Powers and Duties. Each of the officers of the Corporation shall, unless otherwise ordered by the Board of Directors, have such powers and duties as generally pertain to his respective office as well as such powers and duties as from time to time may be conferred upon him by the Board and these By-Laws.

Section 5.03. Term of Office; Removal and Vacancy. Each officer shall hold his office until his successor is elected and qualified or until his earlier resignation or removal and shall be subject to removal with or without cause at any time by the affirmative vote of a majority of the Directors in office. Any vacancy occurring in any office of the Corporation shall be filled by the Board of Directors.

Section 5.04. Chairman of the Board. The Chairman of the Board shall be the Chief Executive Officer and, if present, shall preside at meetings of the Board and of the stockholders, shall be the principal executive officer of the Corporation and, subject to the control of the Board of Directors, shall supervise and control in general all of the business and affairs of the Corporation. He may sign, with the Secretary or any other proper officer of the Corporation authorized by the Board of Directors, certificates for shares of the Corporation and deeds, mortgages, bonds, contracts, or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-Laws to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed; and in general shall perform all duties incident to the office of chairman of the board and chief executive officer and such other duties as may be prescribed by the Board of Directors from time to time.

Section 5.05. President. The President shall be the chief operating officer of the Corporation and, subject to the control of the Board of Directors, shall supervise and control in general those operations of the Corporation designated by the Chairman of the Board. He may sign, with the Secretary or any other proper officer of the Corporation authorized by the Board of Directors, certificates for shares of the Corporation and deeds, mortgages, bonds, contracts, or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-Laws to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed; and in general shall perform all duties incident to the office of president and chief operating officer and such other duties as may be prescribed by the Board of Directors from time to time.

Section 5.06. Treasurer. The Treasurer shall: (a) have charge and custody of and be responsible for all funds and securities of the Corporation;

(b) receive and give receipts for moneys due and payable to the Corporation from any source whatsoever, and deposit all such moneys in the name of the Corporation in such banks, trust companies, or other depositaries as shall be selected by the Board of Directors; and (c) in general, perform all of the duties incident to the office of treasurer and such other duties as from time to time may be assigned to him by the Chairman of the Board, the President or by the Board of Directors. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Directors shall determine.

Section 5.07. Secretary. The Secretary shall: (a) keep the minutes of the proceedings of the stockholders and of the Board of Directors in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these By-Laws or as required by law; (c) be custodian of the corporate records and of any seal of the Corporation and if there is a seal of the Corporation, see that it is affixed to all documents the execution of which on behalf of the Corporation under its seal is duly authorized; (d) when requested or required, authenticate any records of the Corporation; (e) keep a register of the post office address of each stockholder which shall be furnished to the secretary by such stockholder; (f) sign with the Chairman of the Board, the President or a Vice-President, certificates for shares of the Corporation, the issuance of which shall have been authorized by resolution of the Board of Directors; (g) have general charge of the stock transfer books of the Corporation; and (h) in general perform all duties incident to the offices of secretary and such other duties as from time to time may be assigned to him by the Chairman of the Board, the President or by the Board of Directors.

ARTICLE 6
CAPITAL STOCK

Section 6.01. Certificates of Stock. Certificates for shares of capital stock of the Corporation shall be in such form as the Board of Directors may from time to time prescribe and shall be signed by the Chairman of the Board, the President or a Vice-President and by the Secretary or the Treasurer. Any or each of the signatures on a stock certificate, including that of any transfer agent or registrar, may be a facsimile. If any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent, or registrar before the certificate is issued, the certificate may be issued by the Corporation with the same effect as if the officer, transfer agent, or registrar were the officer, transfer agent, or registrar at the date of issuance.

Section 6.02. Transfer of Stock. Shares of stock of the Corporation shall be transferable on the books of the Corporation only by the holder of record thereof, in person or by duly authorized attorney, upon surrender and cancellation of a certificate or certificates for a like number of shares, with an assignment or power of transfer endorsed thereon or delivered therewith, duly executed, and with such proof of the authenticity of the signature and of authority to transfer, and of payment of transfer taxes, as the Corporation or its agents may require.

Section 6.03. Ownership of Stock. The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the owner thereof in fact and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it has express or other notice thereof, except as otherwise expressly provided by law or in the charter.

Section 6.04. Lost, Stolen, or Destroyed Certificates. In case any certificate for stock of the Corporation is lost, stolen, or destroyed, the Corporation may require such proof of the fact and such indemnity to be given to it, to its transfer agent, or to its registrar, if any, as deemed necessary or advisable by it.

ARTICLE 7
MISCELLANEOUS

Section 7.01. Corporate Seal. The seal of the Corporation shall be circular in form and shall contain the name of the Corporation, the year of incorporation, and the word "Maryland."

Section 7.02. Fiscal Year. The Corporation's fiscal year shall end on December 31. The Board of Directors shall have power to change the fiscal year of the Corporation from time to time.

ARTICLE 8
INDEMNIFICATION; TRANSACTIONS WITH INTERESTED PERSONS

Section 8.01. Indemnification. The Corporation shall, to the fullest extent required or permitted by applicable law, indemnify any person who is or was, or is the personal representative of a deceased person who was, a Director, officer, employee, or agent of the Corporation against any judgments, penalties, fines, settlements and reasonable expenses and any other liabilities to the fullest extent permitted by Section 2-418 of the Act as in effect from time to time; provided that, unless applicable law otherwise requires, indemnification shall be contingent upon a determination, by the Board of Directors by a majority vote of a quorum consisting of Directors not, at the time, parties to the proceeding, or, if such a quorum cannot be obtained, then by a majority vote of a committee of the Board of Directors consisting solely of two or more Directors not, at the time, parties to such proceeding and who were duly designated to act in the matter by a majority vote of the full board in which the designated Directors who are parties may participate or by special legal counsel selected by and if directed by the Board of Directors as set forth above, that indemnification is proper in the circumstances because such Director, officer, employee, or agent has met the applicable standard of conduct prescribed by Section 2-418(b) of the Act.

Section 8.02. Transactions With Interested Persons. No contract or transaction between the Corporation and any of its Directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which any of its Directors or officers is a director or officer or has a financial interest, shall be void or voidable solely for that reason, or solely because the Director or officer is present at or participates in the meeting of the Board of Directors or committee thereof at which the contract or transaction is authorized or solely because his vote is counted for such purpose, if

(a) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith approves or ratifies the contract or transaction by the affirmative vote of a majority of the disinterested Directors, even though the disinterested Directors are less than a quorum;

(b) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by a majority of the votes cast by the stockholders other than the votes of shares owned of record or beneficially by the interested Director, officer, corporation, firm or other entity; or

(c) the contract or transaction is fair and reasonable as to the Corporation as of the time it is authorized, approved, or ratified by the Board of Directors, a committee thereof, or the stockholders.

ARTICLE 9
AMENDMENT

The power to amend or repeal these By-Laws and to adopt new By-Laws is vested exclusively in the Board of Directors.

EXHIBIT 3.4

AGREEMENT OF LIMITED PARTNERSHIP

OF

CEDAR INCOME FUND PARTNERSHIP, L.P.

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EXHIBITS

AGREEMENT OF LIMITED PARTNERSHIP
OF
CEDAR INCOME FUND PARTNERSHIP, L.P.

THIS AGREEMENT OF LIMITED PARTNERSHIP, dated as of June 25th, 1998, is entered into by and among Cedar Income Fund, Ltd. (the "General Partner"), a Maryland corporation, as the General Partner and the Persons whose names are set forth on Exhibit A attached hereto, as the Limited Partners, together with any other Persons who become Partners in the Partnership as provided herein.

ARTICLE 1
DEFINED TERMS

Section 1.1 Definitions.

The following definitions shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in this Agreement.

"Act" means the Delaware Revised Uniform Limited Partnership Act, as it may be amended from time to time, and any successor to such statute.

"Additional Funds" shall have the meaning set forth in Section 4.5.A.

"Additional Limited Partner" means a Person admitted to the Partnership as a Limited Partner pursuant to Section 12.2 hereof and who is shown as such on the books and records of the Partnership.

"Adjusted Capital Account Deficit" means, with respect to any Partner, the deficit balance, if any, in such Partner's Capital Account as of the end of the relevant fiscal year, after giving effect to the following adjustments:

(i) decrease such deficit by any amounts which such Partner is obligated to restore pursuant to this Agreement or is deemed to be obligated to restore pursuant to the penultimate sentence of each of Treasury Regulation Sections 1.704-2(i)(5) and 1.704-2(g); and

(ii) increase such deficit by the items described in Treasury Regulation Section 1.704-1(b)(2)(ii)(d)(4), (5) and (6).

The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Treasury Regulation Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

"Adjustment Date" means, with respect to any Capital Contribution, the close of business on the Business Day last preceding the date of the Capital Contribution, provided, that if such Capital Contribution is being made by the General Partner in respect of the proceeds from the issuance of REIT Shares (or the issuance of the General Partner's securities exercisable for, convertible into or exchangeable for REIT Shares), then the Adjustment Date shall be as of the close of business on the Business Day last preceding the date of the issuance of such securities.

"Affiliate" means, with respect to any Person, any Person directly or indirectly controlling, controlled by or under common control with such Person.

"Agreed Value" means (i) in the case of any Contributed Property set forth in Exhibit A and as of the time of its contribution to the Partnership, the value of such property as set forth in Exhibit A; (ii) in the case of any Contributed Property not set forth in Exhibit A and as of the time of its contribution to the Partnership, the fair market value of such property or other consideration as determined by the General Partner, reduced by any liabilities either assumed by the Partnership upon such contribution or to which such property is subject when contributed; and (iii) in the case of any property

distributed to a Partner by the Partnership, the fair market value of such property as determined by the General Partner at the time such property is distributed, reduced by any indebtedness either assumed by such Partner upon such distribution or to which such property is subject at the time of the distribution as determined under Section 752 of the Code and the Regulations.

"Agreement" means this Agreement of Limited Partnership, as it may be amended, supplemented or restated from time to time.

"Appraisal" means with respect to any assets, the opinion of an independent third party experienced in the valuation of similar assets, selected by the General Partner in good faith, such opinion may be in the form of an opinion by such independent third party that the value for such property or asset as set by the General Partner is fair, from a financial point of view, to the Partnership.

"Articles of Incorporation" means the Articles of Incorporation of the General Partner filed in the State of Maryland on June 12, 1998 as amended, supplemented or restated from time to time.

"Assignee" means a Person to whom one or more Partnership Units have been transferred in a manner permitted under this Agreement, but who has not become a Substituted Limited Partner, and who has the rights set forth in Section 11.5.

"Available Cash" means, with respect to any period for which such calculation is being made, (i) the sum of:

a. the Partnership's Net Income or Net Loss (as the case may be) for such period,

b. Depreciation and all other noncash charges deducted in determining Net Income or Net Loss for such period,

c. the amount of any reduction in reserves of the Partnership referred to in clause (ii)(f) below (including, without limitation, reductions resulting because the General Partner determines such amounts are no longer necessary),

d. the excess of the net proceeds from the sale, exchange, disposition, financing or refinancing of Partnership property for such period over the gain (or loss, as the case may be) recognized from any such sale, exchange, disposition, financing or refinancing during such period (excluding Terminating Capital Transactions), and

e. all other cash received by the Partnership for such period that was not included in determining Net Income or Net Loss for such period;

(ii) less the sum of:

a. all principal debt payments made during such period by the Partnership,

b. capital expenditures made by the Partnership during such period,

c. repayments of investments in any entity (including repayments of loans made thereto) to the extent that such repayments of investments are not otherwise described in clauses (ii)(a) or (b),

d. all other expenditures and payments not deducted in determining Net Income or Net Loss for such period,

e. any amount included in determining Net Income or Net Loss for such period that was not received by the Partnership during such period, and

f. the amount of any increase in reserves established during such period which the General Partner determines is necessary or appropriate in its sole and absolute discretion.

Notwithstanding the foregoing, Available Cash shall not include the amount of any cash received or reductions in reserves, or take into account any disbursements made or reserves established, after commencement of the dissolution and liquidation of the Partnership.

"Bankruptcy" means any event where the General Partner, or the Partnership, as the case may be, makes an assignment for the benefit of creditors, files a voluntary petition in bankruptcy, is adjudicated a bankrupt or insolvent, files a petition or answer seeking for itself any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or regulation, files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against it in any proceeding of this nature, or seeks, consents to or acquiesces

in the appointment of a trustee, receiver or liquidator for all or any substantial part of its properties.

"Board of Directors" means the Board of Directors of the General Partner.

"Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required by law to be closed.

"Capital Account" means, with respect to any Partner, the Capital Account maintained for such Partner in accordance with the following provisions:

a. To each Partner's Capital Account there shall be added such Partner's Capital Contributions, such Partner's share of Net Income and any items in the nature of income or gain which are specially allocated pursuant to Section 6.3 hereof, and the amount of any Partnership liabilities assumed by such Partner or which are secured by any property distributed to such Partner.

b. From each Partner's Capital Account there shall be subtracted the amount of cash and the Gross Asset Value of any property distributed to such Partner pursuant to any provision of this Agreement, such Partner's distributive share of Net Losses and any items in the nature of expenses or losses which are specially allocated pursuant to Section 6.3 hereof, and the amount of any liabilities of such Partner assumed by the Partnership or which are secured by any property contributed by such Partner to the Partnership.

c. In the event any interest in the Partnership is transferred in accordance with the terms of this Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent it relates to the transferred interest.

d. In determining the amount of any liability for purposes of subsections (a) and (b) hereof, there shall be taken into account Code Section 752(c) and any other applicable provisions of the Code and Regulations.

e. The foregoing provisions and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Regulations Section 1.704-1(b) and Section 1.704-2, and shall be interpreted and applied in a manner consistent with such Regulations. In the event the General Partner shall determine that it is prudent to modify the manner in which the Capital Accounts, or any debits or credits thereto (including, without limitation, debits or credits relating to liabilities which are secured by contributed or distributed property or which are assumed by the Partnership, the General Partner, or the Limited Partners) are computed in order to comply with such Regulations, the General Partner may make such modification, provided that it is not likely to have a material effect on the amounts distributable to any Person pursuant to Article 13 of this Agreement upon the dissolution of the Partnership. The General Partner also shall (i) make any adjustments that are necessary or appropriate to maintain equality between the Capital Accounts of the Partners and the amount of Partnership capital reflected on the Partnership's balance sheet, as computed for book purposes, in accordance with Regulations Section 1.704-1(b)(2)(iv)(q), and (ii) make any appropriate modifications in the event unanticipated events might otherwise cause this Agreement not to comply with Regulations Section 1.704-1(b) or Section 1.704-2.

"Capital Contribution" means, with respect to any Partner, the amount of money and the initial Gross Asset Value of any property (other than money) contributed to the Partnership by such Partner.

"Cash Amount" means an amount of cash per Partnership Unit equal to the Value on the Valuation Date of the REIT Shares Amount.

"Certificate" means the Certificate of Limited Partnership relating to the Partnership filed in the office of the Delaware Secretary of State, as amended from time to time in accordance with the terms hereof and the Act.

"Code" means the Internal Revenue Code of 1986, as amended from time to time or any successor statute thereto, as interpreted by the applicable regulations thereunder. Any reference herein to a specific section or sections of the Code shall be deemed to include a reference to any corresponding provision of future law.

"Consent" means the consent to, approval of, or vote on a proposed action by a Partner given in accordance with Article 14 hereof.

"Consent of the Limited Partners" means the Consent of a Majority in Interest of the Limited Partners, which Consent shall be obtained prior to the taking of any action for which it is required by this Agreement and may be given or withheld by a Majority in Interest of the Limited Partners, unless otherwise expressly provided herein, in their sole and absolute discretion.

"Contributed Property" means each property or other asset, in such form as may be permitted by the Act, but excluding cash, contributed or deemed contributed to the Partnership (or deemed contributed to the Partnership on termination and reconstitution thereof pursuant to Section 708 of the Code).

"Conversion Factor" initially means 1.0, provided that

a. in the event that the General Partner

(i) declares or pays a dividend on its outstanding REIT Shares in REIT Shares to all holders of its outstanding REIT Shares or makes a distribution to all holders of its outstanding REIT Shares in REIT Shares,

(ii) splits or subdivides its REIT Shares into a larger number of REIT Shares, or

(iii) effects a reverse split or combines its outstanding REIT Shares into a smaller number of REIT Shares, the Conversion Factor shall be adjusted by multiplying the Conversion Factor previously in effect by a fraction, the numerator of which shall be the number of REIT Shares issued and outstanding on the record date for such dividend, distribution, split, subdivision, reverse split or combination (assuming for such purposes that such dividend, distribution, split, subdivision, reverse split or combination has occurred as of such time), and the denominator of which shall be the actual number of REIT Shares (determined without the above assumption) issued and outstanding on the record date for such dividend, distribution, split, subdivision, reverse split or combination;

b. in the event that the General Partner distributes any rights, options or warrants to all holders of its REIT Shares to subscribe for or to purchase or to otherwise acquire REIT Shares (or other securities or rights convertible into, exchangeable for or exercisable for REIT Shares) at a price per share less than the Value of a REIT Share on the record date for such distribution (each a "Distributed Right"), then the Conversion Factor shall be adjusted by multiplying the Conversion Factor previously in effect by a fraction, the numerator of which shall be the number of REIT Shares issued and outstanding on the record date plus the maximum number of REIT Shares purchasable under such Distributed Rights, and the denominator of which shall be the number of REIT Shares issued and outstanding on the record date plus a fraction, the numerator of which is the maximum number of REIT Shares purchasable under such Distributed Rights times the minimum purchase price per REIT Share under such Distributed Rights, and the denominator of which is the Value of a REIT Share as of the record date; provided, that if any such Distributed Rights expire or become no longer exercisable, then the Conversion Factor shall be adjusted, effective retroactive to the date of distribution of the Distributed Rights, to reflect a reduced maximum number of REIT Shares or any change in the minimum purchase price for the purposes of the above fractions; and

c. in the event the General Partner shall, by dividend or otherwise, distribute to all holders of its REIT Shares evidences of its indebtedness or assets (including securities, but excluding any dividend or distribution referred to in clause (a)(i) above), which evidences of indebtedness or assets relate to assets not received by the General Partner pursuant to a pro rata distribution by the Partnership, then the Conversion Factor shall be adjusted to equal the amount determined by multiplying the Conversion Factor in effect immediately prior to the close of business on the date fixed for determination of stockholders entitled to receive such distribution by a fraction of which the numerator shall be such Value of each REIT Share on the date fixed for such determination, and the denominator shall be the Value of each REIT Share on the date fixed for such determination less the then fair market value (as determined by the Board of Directors, whose determination shall be conclusive) of the portion of the evidences of indebtedness or assets so distributed applicable to one REIT Share.

Any adjustment to the Conversion Factor shall become effective immediately after the effective date of such event retroactive to the record date, if any, for such event; provided that any Limited Partner may waive, by written notice to the General Partner, the effect of any adjustment to the Conversion Factor applicable to the Units held by such Limited Partner, and thereafter, such adjustment will not be effective as to such Units. For purposes of this definition, the term "REIT Share" shall not include any Trust Shares (as defined in the Articles of Incorporation of the General Partner).

"Debt" means, as to any Person, as of any date of determination, (i) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services; (ii) all amounts owed by such Person to banks or other Persons in respect of reimbursement obligations under letters of credit,

surety bonds and other similar instruments guaranteeing payment or other performance of obligations by such Persons; (iii) all indebtedness for borrowed money or for the deferred purchase price of property or services secured by any lien on any property owned by such Person, to the extent attributable to such Person's interest in such property, even though such Person has not assumed or become liable for the payment thereof; and (iv) lease obligations of such Persons which, in accordance with generally accepted accounting principles, should be capitalized.

"Depreciation" means, for each fiscal year or other period, an amount equal to the depreciation, amortization or other cost recovery deduction allowable with respect to an asset for such year or other period, except that if the Gross Asset Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such year or other period, Depreciation shall be an amount which bears the same ratio to such beginning Gross Asset Value as the federal income tax depreciation, amortization or other cost recovery deduction for such year or other period bears to such beginning adjusted tax basis; provided, however, that if the federal income tax depreciation, amortization or other cost recovery deduction for such year is zero, depreciation shall be determined with reference to such beginning Gross Asset Value using any reasonable method selected by the General Partner.

"Deemed Partnership Interest Value" means, as of any date, the Deemed Value of the Partnership multiplied by the applicable Partner's Percentage Interest.

"Deemed Value of the Partnership" means, as of any date, (a) the total number of REIT Shares issued and outstanding as of the close of business on such date (excluding any treasury shares) multiplied by the Value of a REIT Share on such date, (i) minus the net fair market value of the General Partner Properties determined by the Board of Directors of the General Partner in good faith or (ii) if the face amount of the General Partner's liabilities (other than those arising through the Partnership) exceeds the value of the General Partner Properties, plus such excess and (b) divided by the Percentage Interest of the General Partner on such date;

"Effective Date" means the effective date of the merger of Cedar Income Fund, Ltd., an Iowa corporation, into the General Partner, upon which contributions set forth on Exhibit A that are to be effective on the Effective Date shall become effective.

"Funding Debt" means the incurrence of any Debt by or on behalf of the General Partner for the purpose of providing funds to the Partnership.

"General Partner" means the REIT or its successors as general partner of the Partnership.

"General Partner Interest" means a Partnership Interest held by the General Partner that is a general partnership interest. A General Partner Interest may be expressed as a number of Partnership Units.

"General Partner Loan" is defined in Section 4.5.C.

"General Partner Properties" means any property or assets owned by the General Partner directly, and which are not owned by the Partnership.

"Gross Asset Value" means, with respect to any asset, the asset's adjusted basis for federal income tax purposes, except as follows:

a. The initial Gross Asset Value of any asset contributed by a Partner to the Partnership shall be the gross fair market value of such asset, as determined by the contributing Partner and the General Partner; provided that, if the contributing Partner is the General Partner and contributes assets in an amount valued at above cost, then the determination of the fair market value of the contributed asset shall be determined by Appraisal.

b. The Gross Asset Values of all Partnership assets shall be adjusted to equal their respective gross fair market values, as determined by the General Partner using such reasonable method of valuation as it may adopt, provided however, that for this purpose the net value of all of the Partnership assets, in the aggregate, shall be equal to the Deemed Value of the Partnership, regardless of the method of valuation adopted by the General Partner, as of the following times:

(i) the acquisition of an additional interest in the Partnership by a new or existing Partner in exchange for more than a de minimis Capital Contribution if the General Partner reasonably determines that such adjustment is necessary or appropriate to reflect the relative economic interest of the Partners in the Partnership;

(ii) the distribution by the Partnership to a Partner of more than a de minimis amount of Partnership property as consideration for an interest in the Partnership if the General Partner reasonably determines that such adjustment is necessary or appropriate to reflect the relative economic interests of the Partners in the Partnership;

(iii) the liquidation of the Partnership within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g) and 1.704-2; and

(iv) at such other times as the General Partner shall reasonably determine necessary or advisable in order to comply with Regulations Sections 1.704-1(b) and 1.704-2.

c. The Gross Asset Value of any Partnership asset distributed to a Partner shall be the gross fair market value of such asset on the date of distribution as determined by the distributee and the General Partner, or if the distributee and the General Partner cannot agree on such a determination, by Appraisal.

d. The Gross Asset Values of Partnership assets shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such assets pursuant to Code Section 734(b) or Code Section 743(b), but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Regulations Section 1.704-1(b)(2)(iv)(m); provided, however, that Gross Asset Values shall not be adjusted pursuant to this subparagraph (d) to the extent that the General Partner reasonably determines that an adjustment pursuant to subparagraph (b) is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment pursuant to this subparagraph (d).

e. If the Gross Asset Value of a Partnership asset has been determined or adjusted pursuant to subparagraph (a), (b) or (c), such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Net Income and Net Losses.

"Holder" means either the Partner or Assignee owning a Unit.

"IRS" means the Internal Revenue Service, which administers the internal revenue laws of the United States.

"Immediate Family" means, with respect to any natural Person, the ancestors and descendants of such natural Person, the spouse of such natural Person and the ancestors and descendants of such spouse, the estate or heirs thereof, and any trust or estate, all of the beneficiaries of which consist of the foregoing persons.

"Incapacity" or "Incapacitated" means, (i) as to any individual Partner, death, physical disability which renders him unable to work on a full-time basis or entry by a court of competent jurisdiction adjudicating him incompetent to manage his Person or his estate; (ii) as to any corporation which is a Partner, the filing of a certificate of dissolution, or its equivalent, for the corporation or the revocation of its charter; (iii) as to any partnership which is a Partner, the dissolution and commencement of winding

up of the partnership; (iv) as to any estate which is a Partner, the distribution by the fiduciary of the estate's entire interest in the Partnership; (v) as to any trustee of a trust which is a Partner, the termination of the trust (but not the substitution of a new trustee); or (vi) as to any Partner, the bankruptcy of such Partner. For purposes of this definition, bankruptcy of a Partner shall be deemed to have occurred when (a) the Partner commences a voluntary proceeding seeking liquidation, reorganization or other relief under any bankruptcy, insolvency or other similar law now or hereafter in effect, (b) the Partner is adjudged as bankrupt or insolvent, or a final and nonappealable order for relief under any bankruptcy, insolvency or similar law now or hereafter in effect has been entered against the Partner, (c) the Partner executes and delivers a general assignment for the benefit of the Partner's creditors, (d) the Partner files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the Partner in any proceeding of the nature described in clause (b) above, (e) the Partner seeks, consents to or acquiesces in the appointment of a trustee, receiver or liquidator for the Partner or for all or any substantial part of the Partner's properties, (f) any proceeding seeking liquidation, reorganization or other relief under any bankruptcy, insolvency or other similar law now or hereafter in effect has not been dismissed within 120 days after the commencement thereof, (g) the appointment without the Partner's consent or acquiescence of a trustee, receiver or liquidator has not been vacated or stayed within 90 days of such appointment, or (h) an appointment referred to in clause (g) is not vacated within 90 days after the expiration of any such stay.

"Indemnitee" means (i) any Person made a party to a proceeding by

reason of his status as (A) the General Partner or (B) a director or officer of the Partnership or the General Partner, and (ii) such other Persons (including Affiliates of the General Partner or the Partnership) as the General Partner may designate from time to time, in its sole and absolute discretion.

"Limited Partner" means any Person named as a Limited Partner in Exhibit A attached hereto, as such Exhibit may be amended from time to time, or any Substituted Limited Partner or Additional Limited Partner, in such Person's capacity as a Limited Partner in the Partnership.

"Limited Partnership Interest" means a Partnership Interest of a Limited Partner in the Partnership representing a fractional part of the Partnership Interest of all Limited Partners and includes any and all benefits to which the holder of such a Partnership Interest may be entitled as provided in this Agreement, together with all obligations of such person to comply with the terms and provisions of this Agreement. A Limited Partnership Interest may be expressed as a number of Partnership Units.

"Liquidator" has the meaning set forth in Section 13.2.A.

"Majority in Interest of the Limited Partners" means those Limited Partners (other than any Limited Partner 50% or more of whose equity is owned, directly or indirectly, by the General Partner) holding Percentage Interests that are greater than fifty percent (50%) of the aggregate Percentage Interest of all Limited Partners (other than any Limited Partner 50% or more whose equity is owned, directly or indirectly, by the General Partner).

"Net Income" or "Net Loss" means for each fiscal year of the Partnership, an amount equal to the Partnership's taxable income or loss for such fiscal year, determined in accordance with Code Section 703(a) (for this purpose, all items of income, gain, loss, or deduction required to be stated separately pursuant to Code Section 703(a)(1) shall be included in taxable income or loss), with the following adjustments:

a. Any income of the Partnership that is exempt from federal income tax and not otherwise taken into account in computing Net Income or Net Loss pursuant to this definition of Net Income or Net Loss shall be added to such taxable income or loss;

b. Any expenditures of the Partnership described in Code Section 705(a)(2)(B) or treated as Code Section 705(a)(2)(B) expenditures pursuant to Regulations Section 1.704-1(b)(2)(iv)(i), and not otherwise taken into account in computing Net Income or Net Loss pursuant to this definition of Net Income or Net Loss shall be subtracted from such taxable income or loss;

c. In the event the Gross Asset Value of any Partnership asset is adjusted pursuant to subparagraph (b) or subparagraph (c) of the definition of Gross Asset Value, the amount of such adjustment shall be taken into account as gain or loss from the disposition of such asset for purposes of computing Net Income or Net Loss;

d. Gain or loss resulting from any disposition of property with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to the Gross Asset Value of the property disposed of, notwithstanding that the adjusted tax basis of such property differs from its Gross Asset Value;

e. In lieu of the depreciation, amortization, and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such fiscal year;

f. To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Code Section 734(b) or Code Section 743(b) is required pursuant to Regulations Section 1.704-1(b)(2)(iv)(m)(4) to be taken into account in determining Capital Accounts as a result of a distribution other than in liquidation of a Partner's interest in the Partnership, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases the basis of the asset) from the disposition of the asset and shall be taken into account for purposes of computing Net Income or Net Loss; and

g. Notwithstanding any other provision of this definition of Net Income or Net Loss, any items which are specially allocated pursuant to Section 6.3 hereof shall not be taken into account in computing Net Income or Net Loss. The amounts of the items of Partnership income, gain, loss, or deduction available to be specially allocated pursuant to Section 6.3 hereof shall be determined by applying rules analogous to those set forth in this definition of Net Income or Net Loss.

"Nonrecourse Deductions" has the meaning set forth in Regulations Section 1.704-2(b)(1), and the amount of Nonrecourse Deductions for a

Partnership Year shall be determined in accordance with the rules of Regulations Section 1.704-2(c).

"Nonrecourse Liability" has the meaning set forth in Regulations Section 1.752-1(a)(2).

"Notice of Redemption" means a Notice of Redemption substantially in the form of Exhibit B to this Agreement.

"Partner" means a General Partner or a Limited Partner, and "Partners" means the General Partner and the Limited Partners.

"Partner Minimum Gain" means an amount, with respect to each Partner Nonrecourse Debt, equal to the Partnership Minimum Gain that would result if such Partner Nonrecourse Debt were treated as a Nonrecourse Liability, determined in accordance with Regulations Section 1.704-2(i)(3).

"Partner Nonrecourse Debt" has the meaning set forth in Regulations Section 1.704-2(b)(4).

"Partner Nonrecourse Deductions" has the meaning set forth in Regulations Section 1.704-2(i)(2), and the amount of Partner Nonrecourse Deductions with respect to a Partner Nonrecourse Debt for a Partnership Year shall be determined in accordance with the rules of Regulations Section 1.704-2(i)(2).

"Partnership" means the limited partnership formed under the Act and pursuant to this Agreement, and any successor thereto.

"Partnership Interest" means an ownership interest in the Partnership of either a Limited Partner or the General Partner and includes any and all benefits to which the holder of such a Partnership Interest may be entitled as provided in this Agreement, together with all obligations of such Person to comply with the terms and provisions of this Agreement. A Partnership Interest may be expressed as a number of Partnership Units.

"Partnership Minimum Gain" has the meaning set forth in Regulations Section 1.704-2(b)(2), and the amount of Partnership Minimum Gain, as well as any net increase or decrease in Partnership Minimum Gain, for a Partnership Year shall be determined in accordance with the rules of Regulations Section 1.704-2(d).

"Partnership Record Date" means the record date established by the General Partner for the distribution of Available Cash pursuant to Section 5.1 hereof which record date shall be the same as the record date established by the General Partner for a distribution to its stockholders of some or all of its portion of such distribution.

"Partnership Unit" means a fractional, undivided share of the Partnership Interest of all Partners issued pursuant to Sections 4.1 and 4.2. As of the Effective Date of this Agreement, there shall be considered to be 2,245,411 Partnership Units outstanding, with all such Partnership Units representing 100% of the Percentage Interests of the Partnership.

"Partnership Year" means the fiscal year of the Partnership, which shall be the calendar year.

"Percentage Interest" means, as to a Partner, its interest in the Partnership as determined by dividing the Partnership Units owned by such Partner by the total number of Partnership Units then outstanding and as specified in Exhibit A attached hereto, as such Exhibit may be amended from time to time.

"Person" means an individual or a corporation, partnership, trust, limited liability company, unincorporated organization, association or other entity.

"Properties" means such interests in real property and personal property including, without limitation, fee interest, interests in ground leases, interests in joint ventures, interests in mortgages, and Debt instruments as the Partnership may hold from time to time.

"Qualified Transferee" means an "Accredited Investor" as defined in Rule 501 promulgated under the Securities Act.

"Redemption Right" has the meaning set forth in Section 8.6 hereof.

"Regulations" means the Income Tax Regulations promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

"Regulatory Allocations" has the meaning set forth in Section 6.3(A)(viii) of this Agreement.

"REIT" means a real estate investment trust under Section 856 of the Code.

"REIT Requirements" has the meaning set forth in Section 5.1.

"REIT Share" shall mean a share of common stock of the General Partner, but shall not, for purposes of the definition of "Conversion Factor," include any Trust Shares (as defined in the Articles of Incorporation of the General Partner).

"REIT Shares Amount" shall mean a number of REIT Shares equal to the product of the number of Partnership Units offered for redemption by a Redeeming Partner, multiplied by the Conversion Factor in effect on the Valuation Date.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

"Specified Redemption Date" means the tenth (10th) Business Day after receipt by the Partnership of a Notice of Redemption.

"Stock Option Plan" means any stock option plan of the General Partner.

"Subsidiary" means, with respect to any Person, any corporation or other entity of which a majority of (i) the voting power of the voting equity securities or (ii) the outstanding equity interest is owned, directly or indirectly, by such Person.

"Substituted Limited Partner" means a Person who is admitted as a Limited Partner to the Partnership pursuant to Section 11.4

"Terminating Capital Transaction" means any sale or other disposition of all or substantially all of the assets of the Partnership or a related series of transactions that, taken together, result in the sale or other disposition of all or substantially all of the assets of the Partnership.

"Valuation Date" means the date of receipt by the General Partner of a Notice of Redemption or, if such date is not a Business Day, the immediately preceding Business Day.

"Value" means, with respect to a REIT Share, the average of the daily market price for the ten (10) consecutive trading days immediately preceding the Valuation Date. The market price for each such trading day shall be: (i) if the REIT Shares are listed or admitted to trading on any securities exchange or the Nasdaq National Market System, the closing price, regular way, on such day, or if no such sale takes place on such day, the average of the closing bid and asked prices on such day, (ii) if the REIT Shares are not listed or admitted to trading on any securities exchange or the Nasdaq National Market System, the last reported sale price on such day or, if no sale takes place on such day, the average of the closing bid and asked prices on such day, as reported by a reliable quotation source designated by the General Partner, or (iii) if the REIT Shares are not listed or admitted to trading on any securities exchange or the Nasdaq National Market System and no such last reported sale

price or closing bid and asked prices are available, the average of the reported high bid and low asked prices on such day, as reported by a reliable quotation source designated by the General Partner, or if there shall be no bid and asked prices on such day, the average of the high bid and low asked prices, as so reported, on the most recent day (not more than 10 days prior to the date in question) for which prices have been so reported; provided that if there are no bid and asked prices reported during the 10 days prior to the date in question, the Value of the REIT Shares shall be determined by the General Partner acting in good faith on the basis of such quotations and other information as it considers, in its reasonable judgment, appropriate. In the event the REIT Shares Amount includes rights that a holder of REIT Shares would be entitled to receive, then the Value of such rights shall be determined by the General Partner acting in good faith on the basis of such quotations and other information as it considers, in its reasonable judgment, appropriate; and provided further that in connection with determining the Deemed Value of the Partnership for purposes of determining the number of additional Units issuable upon a Capital Contribution funded by an underwritten public offering of REIT Shares, then the Value of the REIT Shares shall be the public offering price per share of the REIT Shares sold.

ARTICLE 2
ORGANIZATIONAL MATTERS

Section 2.1 Organization

The Partnership is a limited partnership pursuant to the provisions of the Act and upon the terms and conditions set forth in this Agreement. Except as expressly provided herein to the contrary, the rights and obligations of the Partners and the administration and termination of the Partnership shall be governed by the Act. The Partnership Interest of each Partner shall be personal property for all purposes.

The Partnership has been formed with an initial contribution of $1.00 by the General Partner for one Partnership Unit of general partnership interest, and an initial contribution of $1.00 by Cedar Bay Company, for one Partnership Unit of limited partnership interest. Upon the Effective Date, the contributions specified on Exhibit A as being made on the Effective Date shall be made and the Partnership Units specified therein shall be issued. Upon such issuance, the initial Partnership Unit issued to the General Partner and the initial Partnership Unit issued to Cedar Bay Company shall be redeemed for the price of $1.00 each.

Section 2.2 Name

The name of the Partnership is Cedar Income Fund Partnership, L.P. The Partnership's business may be conducted under any other name or names deemed advisable by the General Partner, including the name of the General Partner or any Affiliate thereof. The words "Limited Partnership," "L.P.," "Ltd." or similar words or letters shall be included in the Partnership's name where necessary for the purposes of complying with the laws of any jurisdiction that so requires. The General Partner in its sole and absolute discretion may change the name of the Partnership at any time and from time to time and shall notify the Limited Partners of such change in the next regular communication to the Limited Partners.

Section 2.3 Registered Office and Agent; Principal Office

The address of the registered office of the Partnership in the State of Delaware is located at 1209 Orange Street, Wilmington, Delaware 19801, and the registered agent for service of process on the Partnership in the State of Delaware at such registered office shall be as set forth in the Certificate, as it may be amended from time to time. The principal office of the Partnership is 44 South Bayles Avenue, Port Washington, New York 11050 or such other place as the General Partner may from time to time designate by notice to the Limited Partners. The Partnership may maintain offices at such other place or places within or outside the State of Delaware as the General Partner deems advisable.

Section 2.4 Power of Attorney

A. Each Limited Partner and each Assignee constitutes and appoints the General Partner, any Liquidator, and authorized officers and attorneys-in-fact of each, and each of those acting singly, in each case with full power of substitution, as its true and lawful agent and attorney-in-fact, with full power and authority in its name, place and stead to:

(1) Execute, swear to, acknowledge, deliver, file and record in the appropriate public offices (a) all certificates, documents and other instruments (including, without limitation, this Agreement and the Certificate and all amendments or restatements thereof) that the General Partner or the Liquidator deems appropriate or necessary to form, qualify or continue the existence or qualification of the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware and in all other jurisdictions in which the Partnership may conduct business or own property; (b) all instruments that the General Partner deems appropriate or necessary to reflect any amendment, change, modification or restatement of this Agreement in accordance with its terms; (c) all conveyances and other instruments or documents that the General Partner deems appropriate or necessary to reflect the dissolution and liquidation of the Partnership pursuant to the terms of this Agreement, including, without limitation, a certificate of cancellation; (d) all instruments relating to the admission, withdrawal, removal or substitution of any Partner pursuant to, or other events described in, Article 11, 12 or 13 hereof or the Capital Contribution of any Partner; and (e) all certificates, documents and other instruments relating to the determination of the rights, preferences and privileges of Partnership Interests; and

(2) execute, swear to, acknowledge and file all ballots, consents, approvals, waivers, certificates and other instruments appropriate or necessary, in the sole and absolute discretion of the General Partner, to make, evidence, give, confirm or ratify any vote, consent, approval, agreement or other action which is made or given by the Partners hereunder or is consistent with the terms of this Agreement or appropriate or

necessary, in the sole discretion of the General Partner, to effectuate the terms or intent of this Agreement.

Nothing contained herein shall be construed as authorizing the General Partner to amend this Agreement except in accordance with Article 14 hereof or as may be otherwise expressly provided for in this Agreement.

B. The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest, in recognition of the fact that each of the Partners will be relying upon the power of the General Partner to act as contemplated by this Agreement in any filing or other action by it on behalf of the Partnership, and it shall survive and not be affected by the subsequent Incapacity of any Limited Partner or Assignee and the transfer of all or any portion of such Limited Partner's or Assignee's Partnership Units and shall extend to such Limited Partner's or Assignee's heirs, successors, assigns and personal representatives. Each such Limited Partner or Assignee hereby agrees to be bound by any representation made by the General Partner, acting in good faith pursuant to such power of attorney, and each such Limited Partner or Assignee hereby waives any and all defenses which may be available to contest, engage or disaffirm the action of the General Partner, taken in good faith under such power of attorney. Each Limited Partner or Assignee shall execute and deliver to the General Partner or the Liquidator, within 15 days after receipt of the General Partner's request therefor, such further designations, powers of attorney and other instruments as the General Partner or the Liquidator, as the case may be, deems necessary to effectuate this Agreement and the purposes of the Partnership.

Section 2.5 Term

The term of the Partnership commenced on June 12, 1998 and shall continue until December 31, 2098 unless it is dissolved sooner pursuant to the provisions of Article 13 or as otherwise provided by law.

ARTICLE 3
PURPOSE

Section 3.1 Purpose and Business

The purpose and nature of the business to be conducted by the Partnership is (i) to conduct any business that may be lawfully conducted by a limited partnership organized pursuant to the Act, (ii) to enter into any partnership, joint venture or other similar arrangement to engage in any of the foregoing or the ownership of interest in any entity engaged in any of the foregoing and (iii) to do anything necessary or incidental to the foregoing; provided, however, that with respect to subparagraphs (i), (ii) and (iii) above such business shall be limited to and conducted in such a manner as to permit the General Partner at all times to be classified as a REIT for federal income tax purposes, unless the General Partner has determined to cease to qualify as a REIT, and, to the extent not inconsistent with the preceding clause, to permit any other Partner which is a REIT to be so classified for federal income tax purposes.

Section 3.2 Powers

The Partnership is empowered to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes and business described herein and for the protection and benefit of the Partnership, provided that the Partnership shall not take, or refrain from taking, any action which, in the judgment of the General Partner, in its sole and absolute discretion, (i) could adversely affect the ability of the General Partner to continue to qualify as a REIT, (ii) could subject the General Partner to any additional taxes under Section 857 or Section 4981 of the Code, or (iii) could violate any law or regulation of any governmental body or agency having jurisdiction over the General Partner or its securities, unless any such action (or inaction) under (i), (ii) or (iii) first shall have been specifically consented to by the General Partner in writing.

ARTICLE 4
CAPITAL CONTRIBUTIONS

Section 4.1 Capital Contributions of the Partners

At the time of the execution of this Agreement, the Partners shall make Capital Contributions as set forth in Exhibit A to this Agreement. To the extent the Partnership acquires after the date of this Agreement any property by acquisition or by the merger of any other Person into the Partnership or otherwise, Persons who receive Partnership Interests in connection with the acquisition or in exchange for their interests in the Person merging into the Partnership shall become Partners and shall be deemed to have made Capital Contributions as provided in the applicable acquisition or merger agreement and as set forth in Exhibit A as amended. The Partners shall own Partnership Units

in the amounts set forth in Exhibit A, which Exhibit A shall be amended from time to time by the General Partner to the extent necessary to reflect accurately exchanges, redemptions, Capital Contributions, the issuance of additional Partnership Units, or similar events having an effect on a Partner's Percentage Interest.

Section 4.2 Additional Capital Contributions Generally

Except as otherwise required by law or pursuant to this Article 4, no Partner shall be required or permitted to make any additional Capital Contributions to the Partnership.

Section 4.3 Loans by Partners

Except as otherwise provided in Section 4.5, no Partner shall be required or permitted to make any loans to the Partnership.

Section 4.4 Loans by Third Parties

The Partnership may incur Debt, or enter into other similar credit, guarantee, financing or refinancing arrangements for any purpose (including, without limitation, in connection with any further acquisition of Properties) upon such terms as the General Partner determines appropriate; provided that loans from the General Partner shall be subject to Section 4.5.C.

Section 4.5 Additional Funding, Additional Partnership Interests and Capital Contributions

A. General. The General Partner may, at any time and from time to time, determine that the Partnership requires additional funds ("Additional Funds") for the acquisition or development of additional Properties or for such other purposes as the General Partner may determine. Additional Funds may be raised by the Partnership, at the election of the General Partner, in any manner provided in, and in accordance with, the terms of this Section 4.5. No Person shall have any preemptive rights or rights to subscribe for or acquire any Partnership Interest.

B. Additional General Partner Capital Contributions. The General Partner may, or, to the extent the General Partner raises all or any portion of the Additional Funds through the sale or other issuance of REIT Shares or other equity interests in the General Partner, the General Partner shall, contribute the Additional Funds to the capital of the Partnership in exchange for Partnership Units.

C. General Partner Loans. The General Partner may, or, to the extent the General Partner enters into a Funding Debt, the General Partner shall, lend the Additional Funds to the Partnership (a "General Partner Loan"). If the General Partner enters into such a Funding Debt, the General Partner Loan will consist of the net proceeds to the General Partner from such Funding Debt and will be on the same terms and conditions, including interest rate, repayment schedule and costs and expenses, as shall be applicable with respect to or incurred in connection with such Funding Debt. Otherwise, all General Partner Loans made pursuant to this Section 4.5 shall be on terms and conditions no less favorable to the Partnership than would be available to the Partnership from any third party.

D. Additional Limited Partners. The General Partner on behalf of the Partnership may raise all or any portion of the Additional Funds by accepting additional Capital Contributions, (i) in the case of cash, from the General Partner or any Limited Partner, or, (ii) in the case of property other than cash, from any Partner and/or third parties, and either (a) in the case of a Partner, issuing additional Units, or (b) in the case of a third party, admitting such third party as an Additional Limited Partner. The General Partner shall determine the amount, terms and conditions of such additional Capital Contributions.

E. Additional Units. Upon the acceptance of a Capital Contribution, the contributing Partner shall receive the following number of additional whole Partnership Units (rounded down to the nearest whole Partnership Unit):

$$U(1) = \frac{CC \times TU}{DV}$$

where

U(1) = number of additional Partnership Units to be issued

CC = Agreed Value of the Capital Contribution

DV = Deemed Value of the Partnership as of the Adjustment Date for such Capital Contribution

TU = total number of Partnership Units outstanding immediately prior to the Capital Contribution

F. Additional Partnership Interests. The General Partner shall be authorized to issue additional limited partnership interests in the form of Partnership Units for any Partnership purpose at any time or from time to time, to any Partner or other Person (other than the General Partner, except in accordance with the provisions contained below). The Partnership also may from time to time issue to the General Partner additional Partnership Units or other Partnership Interests in such classes and having such designations, preferences and relative rights (including preferences and rights senior to the existing Limited Partnership Interests) as shall be determined by the General Partner in accordance with the Act and governing law. Any such issuance of Partnership Units or Partnership Interests to the General Partner shall be conditioned upon (i) the undertaking by the General Partner of a related issuance of REIT Shares (with such shares having designations, rights and preferences such that the economic rights of the holders of such REIT Shares are substantially similar to the rights of the additional Partnership Interests issued to the General Partner) and the General Partner making a Capital Contribution in an amount equal to the net proceeds raised in the issuance of such REIT Shares or (ii) the issuance by the General Partner of REIT Shares under any stock option or bonus plan and the General Partner making a Capital Contribution in an amount equal to the exercise price of the option exercised by any employee pursuant to such stock option or other bonus plan.

G. Additional REIT Shares. The General Partner shall not issue any (i) additional REIT Shares, (ii) rights, options or warrants containing the right to subscribe for or purchase REIT Shares or (iii) securities convertible or exchangeable into REIT Shares (collectively, "Additional REIT Securities") other than to all holders of REIT Shares, pro rata, unless (x) the Partnership issues to the General Partner (i) Partnership --- ---- Interests, (ii) rights, options or warrants containing the right to subscribe for or purchase Partnership Interests or (iii) securities convertible or exchangeable into Partnership Interests such that the General Partner receives an economic interest in the Partnership substantially similar to the economic interest in the General Partner represented by the Additional Securities and (y) the General Partner contributes the net proceeds from the issuance of the Additional REIT Securities and from the exercise of any rights contained in any Additional REIT Securities to the Partnership.

ARTICLE 5
DISTRIBUTIONS

Section 5.1 Requirement and Characterization of Distributions

The General Partner shall cause the Partnership to distribute quarterly all or such portion as the General Partner may in its discretion determine, of Available Cash generated by the Partnership during such quarter to the Holders of Partnership Units on the Partnership Record Date with respect to such quarter, pro rata in accordance with the respective number of Partnership Units so held on such Partnership Record Date. The General Partner shall take such reasonable efforts, as determined by it in its sole and absolute discretion and consistent with its qualification as a REIT, to cause the Partnership to distribute sufficient amounts to enable the General Partner to pay stockholder dividends that will (a) satisfy the requirements for qualifying as a REIT under the Code and Regulations ("REIT Requirements"), and (b) avoid any federal income or excise tax liability of the General Partner.

Section 5.2 Distributions in Kind

No right is given to any Partner to demand and receive property or cash. The General Partner may determine, in its sole and absolute discretion, to make a distribution in kind to the Partners of Partnership assets and such assets shall be distributed in such a fashion as to ensure that the fair market value is distributed and allocated in accordance with Articles 5, 6 and 13.

Section 5.3 Amounts Withheld

All amounts withheld pursuant to the Code or any provisions of any state or local tax and Section 10.5 hereof with respect to any allocation, payment or distribution to the General Partner, the Limited Partners or Assignees shall be treated as amounts distributed to the General Partner, Limited Partners or Assignees, as the case may be, pursuant to Section 5.1 for all purposes under this Agreement.

Section 5.4 Distributions Upon Liquidation

Notwithstanding the foregoing, proceeds from a Terminating Capital Transaction shall be distributed to the Partners in accordance with Section 13.2.

ARTICLE 6
ALLOCATIONS

Section 6.1 Timing and Amount of Allocations of Net Income and Net Loss

Net Income and Net Loss of the Partnership shall be determined and allocated with respect to each fiscal year of the Partnership as of the end of each such year. Subject to the other provisions of this Article 6, an allocation to a Partner of a share of Net Income or Net Loss shall be treated as an allocation of the same share of each item of income, gain, loss or deduction that is taken into account in computing Net Income or Net Loss.

Section 6.2 General Allocations

Except as otherwise provided in this Article 6, Net Income and Net Loss shall be allocated to each of the Partners in accordance with their respective Percentage Interests during the year.

Section 6.3 Additional Allocation Provisions Notwithstanding the foregoing provisions of this Article 6:

A. Regulatory Allocations.

(i) Minimum Gain Chargeback. Except as otherwise provided in Regulations Section 1.704-2(f), notwithstanding the provisions of Section 6.2 of this Agreement, or any other provision of this Article 6, if there is a net decrease in Partnership Minimum Gain during any fiscal year, each Partner shall be specially allocated items of Partnership income and gain for such year (and, if necessary, subsequent years) in an amount equal to such Partner's share of the net decrease in Partnership Minimum Gain, as determined under Regulations Section 1.704-2(g). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Partner pursuant thereto. The items to be allocated shall be determined in accordance with Regulations Sections 1.704-2(f)(6) and 1.704-2(j)(2). This Section 6.3(A)(i) is intended to qualify as a "minimum gain chargeback" within the meaning of Regulations Section 1.704-2(f) which shall be controlling in the event of a conflict between such Regulation and this Section 6.3(A)(i).

(ii) Partner Minimum Gain Chargeback. Except as otherwise provided in Regulations Section 1.704-2(i)(4), and notwithstanding the provisions of Section 6.2 of this Agreement, or any other provision of this Article 6 (except Section 6.3(A)(i)), if there is a net decrease in Partner Minimum Gain attributable to a Partner Nonrecourse Debt during any fiscal year, each Partner who has a share of the Partner Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i)(5), shall be specifically allocated items of Partnership income and gains for such year (and, if necessary, subsequent years) in an amount equal to such Partner's share of the net decrease in Partner Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i)(4). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Partner pursuant thereto. The items to be so allocated shall be determined in accordance with Regulations Sections 1.704-2(i)(4) and 1.704-2(j)(2). This Section 6.3(A)(ii) is intended to qualify as a "chargeback of partner nonrecourse debt minimum gain" within the meaning of Regulations Section 1.704-2(i) which shall be controlling in the event of a conflict between such Regulation and this Section 6.3(A)(ii).

(iii) Nonrecourse Deductions and Partner Nonrecourse Deductions. Any Nonrecourse Deductions for any fiscal year shall be specially allocated to the Partners in accordance with their Percentage Interests. Any Partner Nonrecourse

Deductions for any fiscal year shall be specially allocated to the Partner(s) who bears the economic risk of loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable, in accordance with Regulations Section 1.704-2(i).

(iv) Qualified Income Offset. If any Partner unexpectedly receives an adjustment, allocation or distribution described in Regulations Section 1.704-1(h)(2)(ii)(d)(4), (5) or (6), items of Partnership income and gain shall be allocated, in accordance with Regulations Section 1.704-1(b)(2)(ii)(d), to the Partner in an amount and manner sufficient to eliminate to the extent required by such Regulations, the Adjusted Capital Account Deficit of the Partner as quickly as possible provided that an allocation pursuant to this Section 6.3(A)(iv) shall be made if and only to the extent that such Partner would have an Adjusted Capital Account Deficit after all other allocations provided in this Article 6 have been tentatively made as if this Section 6.3(A)(iv) were not in this Agreement. It is intended that this Section 6.3(A)(iv) qualify and be construed as a "qualified income offset" within the meaning of Regulations Section 1.704.1(b)(2)(ii)(d), which shall be controlling in the event of a conflict between such Regulations and this Section 6.3(A)(iv).

(v) Gross Income Allocation. In the event any Partner has a deficit Capital Account at the end of any fiscal year which is in excess of the sum of (1) the amount (if any) such Partner is obligated to restore to the Partnership, and (2) the amount such Partner is deemed to be obligated to restore pursuant to the penultimate sentences of Regulations Sections 1.704.2(g)(1) and 1.704-2(i)(5), each such Partner shall be specially allocated items of Partnership income and gain in the amount of such excess as quickly as possible, provided that an allocation pursuant to this Section 6.3(A)(v) shall be made if and only to the extent that such Partner would have a deficit Capital Account in excess of such sum after all other allocations provided in this Article 6 have been tentatively made as if this Section 6.3(A)(v) and Section 6.3(A)(iv) were not in this Agreement.

(vi) Limitation on Allocation of Net Loss. To the extent any allocation of Net Loss would cause or increase an Adjusted Capital Account Deficit as to any Partner, such allocation of Net Loss shall be reallocated among the other Partners in accordance with their respective Partnership Interests, subject to the limitations of this Section 6.3(A)(vi).

(vii) Section 745 Adjustment. To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Code Section 734(b) or Code Section 743(b) is required, pursuant to Regulations Section 1.704.1(b)(2)(iv)(m)(2) or Regulations Section 1.704-1(b)(2)(iv)(m)(4), to be taken into account in determining Capital Accounts as the result of a distribution to a Partner in complete liquidation of his interest in the Partnership, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) and such gain or loss shall be specially allocated to the Partners in accordance with their interests in the Partnership in the event that Regulations Section 1.704-1(b(2)(iv)(m)(2) applies, or to the Partners to whom such distribution was made in the event that Regulations Section 1.704-1(b)(2)(iv)(m)(4) applies.

(viii) Curative Allocation. The allocations set forth in Sections 6.3(A)(i), (ii), (iii), (iv), (v), (vi), and (vii) (the "Regulatory Allocations") are intended to comply with certain regulatory requirements, including the requirements of Regulations Sections 1.704-1(b) and 1.704-2. Notwithstanding the provisions of Section 6.2, the Regulatory Allocations shall be taken into account in allocating other items of income, gain, loss and deduction among the Partners so that, to the extent possible, the net amount of such allocations of other items and the Regulatory Allocations to each Partner shall be equal to the net amount that would have been allocated to each such Partner if the Regulatory Allocations had not occurred.

B. For purposes of determining a Partner's proportional share of the "excess nonrecourse liabilities" of the Partnership within the meaning of Regulations Section 1.752-3(a)(3), each Partner's interest in Partnership profits shall be such Partner's Percentage Interest.

Section 6.4 Tax Allocations

A. In General. Except as otherwise provided in this Section 6.4, for income tax purposes each item of income, gain, loss and deduction (collectively, "Tax Items") shall be allocated among the Partners in the same manner as its correlative item of "book" income, gain, loss or deduction is allocated pursuant to Sections 6.2 and 6.3.

B. Allocations Respecting Section 704(c) Revaluations. Notwithstanding Section 6.4(A), Tax Items with respect to Partnership property that is contributed to the Partnership by a Partner shall be shared among the Partners for income tax purposes pursuant to Regulations promulgated under Section 704(c)

of the Code, so as to take into account the variation, if any, between the basis of the property to the Partnership and its initial Gross Asset Value. With respect to Partnership property that is initially contributed to the Partnership upon its formation, such variation between basis and initial Gross Asset Value shall be taken into account under the "traditional method" as described in Proposed Treasury Regulation Section 1.704-3(b) and Treasury Regulation Section 1.704-1(c)(2). With respect to properties subsequently contributed to the Partnership the Partnership shall account for such variation under any method approved under Section 704(c) of the Code and the applicable regulations as chosen by the General Partner. In the event the Gross Asset Value of any Partnership asset is adjusted pursuant to subparagraph (b) of the definition of Gross Asset Value (provided in Article 1 of this Agreement), subsequent allocations of Tax Items with respect to such asset shall take account of the variation, if any, between the adjusted basis of such asset and its Gross Asset Value in the same manner as under Section 704(c) of the Code and the applicable regulations.

ARTICLE 7
MANAGEMENT AND OPERATIONS OF BUSINESS

Section 7.1 Management

A. Except as otherwise expressly provided in this Agreement, all management powers over the business and affairs of the Partnership are exclusively vested in the General Partner and no Limited Partner shall have any right to participate in or exercise control or management power over the business and affairs of the Partnership. The General Partner may not be removed by the Limited Partners with or without cause, except with the consent of the General Partner. In addition to the powers now or hereafter granted a general partner of a limited partnership under applicable law or which are granted to the General Partner under any other provision of this Agreement, the General Partner, subject to the other provisions hereof including Section 7.3, shall have full power and authority to do all things deemed necessary or desirable by it to conduct the business of the Partnership, to exercise all powers set forth in Section 3.2 hereof and to effectuate the purposes set forth in Section 3.1 hereof, including, without limitation:

(1) the making of any expenditures, the lending or borrowing of money (including, without limitation, making prepayments on loans and borrowing money to permit the Partnership to make distributions to its Partners in such amounts as will permit the General Partner (as long as the General Partner has determined to qualify as a REIT) to avoid the payment of any federal income tax (including, for this purpose, any excise tax pursuant to Section 4981 of the Code) and to make distributions to its stockholders sufficient to permit the General Partner to maintain REIT status), the assumption or guarantee of or other contracting for, indebtedness and other liabilities, the issuance of evidences of indebtedness (including the securing of same by mortgage, deed of trust or other lien or encumbrance on the Partnership's assets) and the incurring of any obligations it deems necessary for the conduct of the activities of the Partnership;

(2) the making of tax, regulatory and other filings, or rendering of periodic or other reports to governmental or other agencies having jurisdiction over the business or assets of the Partnership;

(3) the acquisition, disposition, mortgage, pledge, encumbrance, hypothecation or exchange of any assets of the Partnership or the merger or other combination of the Partnership with or into another entity. In the event of any such sale, exchange, disposition or other transfer of any property of the Partnership, the Partnership shall no later than 15 days after the end of the calendar quarter in which such sale, exchange, disposition or other transfer becomes a taxable event to Partners, to the extent of the net cash Proceeds of such sale, exchange, disposition or other transfer, effect a distribution of cash in an amount which shall be such that the pro rata share thereof received by each Partner shall equal or exceed the total liability of such Partner for federal, state and local income and franchise taxes resulting from such sale, exchange, disposition or other transfer and from such distribution;

(4) the mortgage, pledge, encumbrance or hypothecation of any assets of the Partnership, and the use of the assets of the Partnership (including, without limitation, cash on hand) for any purpose consistent with the terms of this Agreement and on any terms it sees fit, including without limitation, the financing of the conduct or the operations of the General Partner and of the Partnership, the lending of funds to other Persons and the repayment of obligations of the Partnership and any other Person in which it has an equity investment;

(5) the negotiation, execution, and performance of any contracts, leases, conveyances or other instruments that the General Partner

considers useful or necessary to the conduct of the Partnership's operations or the implementation of the General Partner's powers under this Agreement;

(6) the distribution of Partnership cash or other Partnership assets in accordance with this Agreement;

(7) the appointment of a manager or advisor to manage the business of the Partnership and the entering into of a management agreement in connection therewith and the selection and dismissal of employees of the Partnership or of the General Partner (including, without limitation, employees having titles such as "president," "vice president," "secretary" and "treasurer") and agents, outside attorneys, accountants, consultants and contractors of the General Partner or of the Partnership and the determination of their compensation, management fees and other terms of engagement, employment or hiring;

(8) the maintenance of such insurance for the benefit of the Partnership and the Partners as it deems necessary or appropriate;

(9) the formation of, or acquisition of an interest in, and the contribution of property to, any further limited or general partnerships, joint ventures or other relationships that it deems desirable (including, without limitation, the acquisition of interests in, and the contributions of property to any Subsidiary and any other Person in which it has an equity investment from time to time); provided that as long as the General Partner has determined to continue to qualify as a REIT, the General Partner may not engage in any such formation, acquisition or contribution that would cause it to fail to qualify as a REIT;

(10) the control of all matters affecting the rights and obligations of the Partnership, including the conduct of litigation and the incurring of legal expense and the settlement of claims and litigation, and the indemnification of any Person against liabilities and contingencies to the extent permitted by law;

(11) the undertaking of any action in connection with the Partnership's direct or indirect investment in any Person (including, without limitation, the contribution or loan of funds by the Partnership to such Persons); and

(12) subject to the other provisions in this Agreement, the determination of the fair market value of any Partnership property distributed in kind using such reasonable method of valuation as it may adopt, provided that such methods are otherwise consistent with the requirements of this Agreement.

B. Each of the Limited Partners agrees that the General Partner is authorized to execute, deliver and perform the above-mentioned agreements and transactions on behalf of the Partnership without any further act, approval or vote of the Partners, notwithstanding any other provisions of

this Agreement (except as provided in Section 7.3), the Act or any applicable law, rule or regulation. None of the execution, delivery and performance by the General Partner or the Partnership of any agreement authorized or permitted under this Agreement shall constitute a breach by the General Partner of any duty that the General Partner may owe the Partnership or the Limited Partners or any other Persons under this Agreement or of any duty stated or implied by law or equity.

C. At all times from and after the date hereof, the General Partner may cause the Partnership to obtain and maintain (i) casualty, liability and other insurance on the properties of the Partnership and (ii) liability insurance for the Indemnitees hereunder.

D. At all times from and after the date hereof, the General Partner may cause the Partnership to establish and maintain working capital reserves in such amounts as the General Partner, in its sole and absolute discretion, deems appropriate and reasonable from time to time.

E. In exercising its authority under this Agreement, the General Partner may, but shall be under no obligation to, take into account the tax consequences to any Partner (including the General Partner) of any action taken by it. The General Partner and the Partnership shall not have liability to a Partner under any circumstances as a result of an income tax liability incurred by such Limited Partner as a result of an action (or inaction) by the General Partner pursuant to its authority under this Agreement.

Section 7.2 Certificate of Limited Partnership

To the extent that such action is determined by the General Partner to be reasonable and necessary or appropriate, the General Partner shall file amendments to and restatements of the Certificate and do all the things to maintain the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) under the laws of the State of Delaware and each other state, the District of Columbia or other jurisdiction, in which the Partnership, or any of its subsidiaries, may elect to do business or own property. Subject to the terms of Section 8.5.A(4) hereof, the General Partner shall not be required, before or after filing, to deliver or mail a copy of the Certificate or any amendment thereto to any Limited Partner. The General Partner shall use all reasonable efforts to cause to be filed such other certificates or documents as may be reasonable and necessary or appropriate for the formation, continuation, qualification and operation of a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware, any other state, or the District of Columbia or other jurisdiction, in which the Partnership, or any of its Subsidiaries, may elect to do business or own property.

Section 7.3 Restrictions on General Partner's Authority

A. The General Partner may not take any action in contravention of this Agreement, including, without limitation:

(1) take any action that would make it impossible to carry on the ordinary business of the Partnership, except as otherwise provided in this Agreement;

(2) possess Partnership property, or assign any rights in specific Partnership property, for other than a Partnership purpose except as otherwise provided in this Agreement;

(3) admit a Person as a Partner, except as otherwise provided in this Agreement;

(4) perform any act that would subject a Limited Partner to liability as a general partner in any jurisdiction or any other liability except as provided herein or under the Act; or

(5) enter into any contract, mortgage, loan or other agreement that prohibits or restricts, or has the effect of prohibiting the ability of a Limited Partner to exercise its rights to an Exchange in full, except with the written consent of such Limited Partner.

B. The General Partner shall not, without the prior written Consent of the Limited Partners, undertake, on behalf of the Partnership, any of the following actions or enter into any transaction which would have the effect of such transactions:

(1) Except as provided in Section 7.3.C amend, modify or terminate this Agreement other than to reflect the admission, substitution, termination or withdrawal of Partners pursuant to Article 12 hereof;

(2) Make a general assignment for the benefit of creditors or appoint or acquiesce in the appointment of a custodian, receiver or trustee for all or any part of the assets of the Partnership;

(3) Institute any proceeding for Bankruptcy on behalf of the Partnership;

(4) Approve or acquiesce in the transfer of the Partnership Interest of the General Partner to any Person other than the Partnership; or

(5) Admit into the Partnership any Additional or Substitute General Partners.

C. Notwithstanding Section 7.3.B, the General Partner shall have the power, without the Consent of the Limited Partners, to amend this Agreement as may be required to facilitate or implement any of the following purposes:

(1) to add to the obligations of the General Partner or surrender any right or power granted to the General Partner or any Affiliate of the General Partner for the benefit of the Limited Partners;

(2) to reflect the admission, substitution, termination, or withdrawal of Partners in accordance with this Agreement;

(3) to reflect a change that is of an inconsequential nature and does not adversely affect the Limited Partners in any material respect, or to cure any ambiguity, correct or supplement any provision in this Agreement not inconsistent with law or with other provisions, or make other changes with respect to matters arising under this Agreement that will not be inconsistent with law or with the provisions of this Agreement;

(4) to satisfy any requirements, conditions, or guidelines contained in any order, directive, opinion, ruling or regulation of a federal or state agency or contained in federal or state law;

(5) to amend the provisions of this Agreement to protect the qualification of the General Partner as a REIT because of a change in applicable law (or an authoritative interpretation thereof) or a ruling of the Internal Revenue Service, unless the General Partner has determined to cease qualifying as a REIT; and

(6) to modify, as set forth in the definition of "Capital Account," the manner in which Capital Accounts are computed.

The General Partner will provide notice to the Limited Partners when any action under this Section 7.3.C is taken.

D. Notwithstanding Sections 7.3.B and 7.3.C hereof, this Agreement shall not be amended, and no action may be taken by the General Partner, without the Consent of each Partner adversely affected if such amendment or action would (i) convert a Limited Partner's interest in the Partnership into a general partner's interest (except as the result of the General Partner acquiring such interest), (ii) modify the limited liability of a Limited Partner, (iii) alter rights of the Partner to receive distributions pursuant to Article 5 or Section 7.1.A(3), or the allocations specified in Article 6 (except as permitted pursuant to Section 4.5 and Section 7.3.C(3) hereof); (iv) alter or modify the rights to an Exchange or REIT Shares Amount as set forth in Section 8.6, and related definitions thereof or (v) amend this Section 7.3.D. Further, no amendment may alter the restrictions on the General Partner's authority set forth elsewhere in this Section 7.3 without the Consent specified in such Section.

E. The General Partner shall not take, on behalf of the Partnership, without the prior written Consent of the Limited Partners, as long as the Limited Partners have at least 10% of the aggregate Percentage Interests of the Partnership, any of the following actions:

(1) Dissolve the Partnership;

(2) Agree to or consummate any merger, consolidation, reorganization or other business combination to which the Partnership or the General Partner is a party; or

(3) Sell, dispose, convey or otherwise transfer all or substantially all of the assets of the Partnership or the General Partner in one or a series of transactions.

Section 7.4 Reimbursement of the General Partner

A. Except as provided in this Section 7.4 and elsewhere in this Agreement (including the provisions of Articles 5 and 6 regarding distributions, payments and allocations to which it may be entitled), the General Partner shall not be compensated for its services as general partner of the Partnership.

B. Subject to Section 15.11, the General Partner shall be reimbursed on a monthly basis, or such other basis as the General Partner may determine in

its sole and absolute discretion, for all expenses it incurs relating to the ownership of interests in and operation of, or for the benefit of, the Partnership. The Limited Partners acknowledge that the General Partner's sole business is the ownership of interests in and operation of the Partnership and that such expenses are incurred for the benefit of the Partnership; provided, that, the General Partner shall not be reimbursed for expenses it incurs relating to the organization of the Partnership and the General Partner and any public offering of REIT Shares by the General Partner, but shall be reimbursed for expenses it incurs with respect to any other issuance of additional Partnership Interests pursuant to the provisions hereof. Such reimbursements shall be in addition to any reimbursement to the General Partner as a result of indemnification pursuant to Section 7.7 hereof.

Section 7.5 Outside Activities of the General Partner

A. The General Partner shall not directly or indirectly enter into or conduct any business, other than in connection with the ownership, acquisition and disposition of Partnership Interests as a General Partner and the management of the business of the Partnership, its operation as a public reporting company with a class (or classes) of securities registered under the Securities Exchange Act of 1934, as amended, its operation as a REIT and such activities as are incidental to same. Without the Consent of the Limited Partners, the General Partner shall not, directly or indirectly, participate in or otherwise acquire any interest in any real or personal property, except its General Partner Interest, and other than such short-term liquid investments, bank accounts or similar instruments as it deems necessary to carry out its responsibilities contemplated under this Agreement and its Articles of Incorporation. Any Limited Partner Interests acquired by the General Partner, whether pursuant to exercise by a Limited Partner of its right to an Exchange or otherwise, shall be automatically converted into a General Partner Interest comprised of an identical number of Partnership Units.

B. In the event the General Partner exercises its rights under Article IV of the Articles of Incorporation to purchase REIT Shares, then the General Partner shall cause the Partnership to purchase from it a number of Partnership Units as determined based on the application of the Conversion Factor on the same terms that the General Partner purchased such REIT Shares.

Section 7.6 Contracts with Affiliates

A. The Partnership may lend or contribute to Persons in which it has an equity investment, and such Persons may borrow funds from the Partnership on terms and conditions established in the sole and absolute discretion of the General Partner. The foregoing authority shall not create any right or benefit in favor of any Person.

B. Except as provided in Section 7.5.A, the Partnership may transfer assets to joint ventures, other partnerships, corporations or other business entities in which it is or thereby becomes a participant upon such terms and subject to such conditions consistent with this Agreement and applicable law.

C. The General Partner, in its sole and absolute discretion and without the approval of the Limited Partners, may propose and adopt on behalf of the Partnership employee benefit plans funded by the Partnership for the benefit of employees of the General Partner, the Partnership, Subsidiaries of the Partnership or any Affiliate of any of them in respect of services performed, directly or indirectly, for the benefit of the Partnership, the General Partner, or any of the Partnership's Subsidiaries.

D. The General Partner is expressly authorized to enter into, in the name and on behalf of the Partnership, a right of first opportunity arrangement and other conflict avoidance agreements with various Affiliates of the Partnership and the General Partner, on such terms as the General Partner, in its sole and absolute discretion, believes are advisable.

Section 7.7 Indemnification

A. The Partnership shall indemnify an Indemnitee from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, settlements, and other amounts arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, that relate to the operations of the Partnership as set forth in this Agreement in which any Indemnitee may be involved, or is threatened to be involved, as a party or

otherwise, unless it is established that: (i) the act or omission of the Indemnitee was material to the matter giving rise to the proceeding and either

was committed in bad faith or was the result of active and deliberate dishonesty; (ii) the Indemnitee actually received an improper personal benefit in money, property or services; or (iii) in the case of any criminal proceeding, the Indemnitee had reasonable cause to believe that the act or omission was unlawful. The termination of any proceeding by judgment, order or settlement does not create a presumption that the Indemnitee did not meet the requisite standard of conduct set forth in this Section 7.7.A. The termination of any proceeding by conviction or upon a plea of nolo contendere or its equivalent, or any entry of an order of probation prior to judgment, creates a rebuttable presumption that the Indemnitee acted in a manner contrary to that specified in this Section 7.7.A. Any indemnification pursuant to this Section 7.7 shall be made only out of the assets of the Partnership.

B. Reasonable expenses incurred by an Indemnitee who is a party to a proceeding may be paid or reimbursed by the Partnership in advance of the final disposition of the proceeding upon receipt by the Partnership of (i) a written affirmation by the Indemnitee of the Indemnitee's good faith belief that the standard of conduct necessary for indemnification by the Partnership as authorized in this Section 7.7.A has been met, and (ii) a written undertaking by or on behalf of the Indemnitee to repay the amount if it shall ultimately be determined that the standard of conduct has not been met.

C. The indemnification provided by this Section 7.7 shall be in addition to any other rights to which an Indemnitee or any other Person may be entitled under any agreement, pursuant to any vote of the Partners, as a matter of law or otherwise and shall continue as to an Indemnitee who has ceased to serve in such capacity.

D. The Partnership may purchase and maintain insurance, on behalf of the Indemnitees and such other Persons as the General Partner shall determine, against any liability that may be asserted against or expenses that may be incurred by such Person in connection with the Partnership's activities, regardless of whether the Partnership would have the power to indemnify such Person against such liability under the provisions of this Agreement.

E. For purposes of this Section 7.7, the Partnership shall be deemed to have requested an Indemnitee to serve as fiduciary of an employee benefit plan whenever the performance by it of its duties to the Partnership also imposes duties on or otherwise involves services by it to the plan or participants or beneficiaries of the plan; excise taxes assessed on an Indemnitee with respect to an employee benefit plan pursuant to applicable law shall constitute fines within the meaning of Section 7.7; and actions taken or omitted by the Indemnitee with respect to an employee benefit plan in the performance of its duties for a purpose reasonably believed by it to be in the interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose that is not opposed to the best interests of the Partnership.

F. In no event may an Indemnitee subject the Limited Partners to personal liability by reason of the indemnification provisions set forth in this Agreement.

G. An Indemnitee shall not be denied indemnification in whole or in part under this Section 7.7 because the Indemnitee had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Agreement.

H. The provisions of this Section 7.7 are for the benefit of the Indemnitees, their heirs, successors, assigns and administrators and shall not be deemed to create any rights for the benefit of any other Persons.

Section 7.8 Liability of the General Partner

A. Notwithstanding anything to the contrary set forth in this Agreement, the General Partner shall not be liable or accountable in damages or otherwise to the Partnership, any Partners or any Assignees for losses sustained, liabilities incurred or benefits not derived as a result of errors in judgment or mistakes of fact or law or any act or omission if the General Partner acted in good faith.

B. The Limited Partners expressly acknowledge that the General Partner is acting for the benefit of the Partnership, the Limited Partners and the General Partner's stockholders collectively, that the General Partner is under no obligation to give priority to the separate interests of the Limited Partners or the General Partner's stockholders (including, without limitation, the tax consequences to Limited Partners or Assignees or to stockholders) in deciding whether to cause the Partnership to take (or decline to take) any actions.

C. Subject to its obligations and duties as General Partner set forth in Section 7.1.A hereof, the General Partner may exercise any of the powers granted to it by this Agreement and perform any of the duties imposed upon it hereunder either directly or by or through its agents. The General Partner shall not be responsible for any misconduct or negligence on the part of any such agent appointed by it in good faith.

D. Any amendment, modification or repeal of this Section 7.8 or any provision hereof shall be prospective only and shall not in any way affect the limitations on the General Partner's liability to the Partnership and to the Limited Partners under this Section 7.8 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

Section 7.9 Other Matters Concerning the General Partner

A. The General Partner may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

B. The General Partner may consult with legal counsel, accountants, appraisers, management consultants, investment bankers and other consultants and advisers selected by it, and any act taken or omitted to be taken in reliance upon the opinion of such Persons as to matters which such General Partner reasonably believes to be within such Person's professional or expert competence shall be conclusively presumed to have been done or omitted in good faith and in accordance with such opinion.

C. The General Partner shall have the right, in respect of any of its powers or obligations hereunder, to act through any of its duly authorized officers and a duly appointed attorney or attorneys-in-fact. Each such attorney shall, to the extent provided by the General Partner in the power of attorney, have full power and authority to do and perform all and every act and duty which is permitted or required to be done by the General Partner hereunder.

D. Notwithstanding any other provisions of this Agreement or the Act, any action of the General Partner on behalf of the Partnership or any decision of the General Partner to refrain from acting on behalf of the Partnership, undertaken in the good faith belief that such action or omission is necessary or advisable in order (i) to protect the ability of the General Partner to continue to qualify as a REIT or (ii) to avoid the General Partner incurring any taxes under Section 857 or Section 4981 of the Code, is expressly authorized under this Agreement and is deemed approved by all of the Limited Partners.

Section 7.10 Title to Partnership Assets

Title to Partnership assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Partnership as an entity, and no Partners, by virtue of their status as such, individually or collectively, shall have any ownership interest in any of such Partnership assets or any portion thereof. Title to any or all of the Partnership assets may be held in the name of the Partnership, the General Partner or one or more nominees, as the General Partner may determine, including Affiliates of the General Partner. The General Partner hereby declares and warrants that any Partnership assets for which legal title is held in the name of the General Partner or any nominee or Affiliate of the General Partner shall be held by the General Partner for the use and benefit of the Partnership in accordance with the provisions of this Agreement; provided, however, that the General Partner shall use its best efforts to cause beneficial and record title to such assets to be vested in the Partnership as soon as reasonably practicable. All Partnership assets shall be recorded as the property of the Partnership in its books and records, irrespective of the name in which legal title to such Partnership assets is held.

Section 7.11 Reliance by Third Parties

Notwithstanding anything to the contrary in this Agreement, any Person dealing with the Partnership shall be entitled to assume that the General Partner has full power and authority to encumber, sell or otherwise use in any manner any and all assets of the Partnership and to enter into any contracts on behalf of the Partnership, and such Person shall be entitled to deal with the General Partner as if it were the Partnership's sole party in interest, both legally and beneficially. Each Limited Partner hereby waives any and all

defenses or other remedies which may be available against such Person to contest, negate or disaffirm any action of the General Partner in connection with any such dealing. In no event shall any Person dealing with the General Partner or its representatives be obligated to ascertain that the terms of this Agreement have been complied with or to inquire into the necessity or expedience of any act or action of the General Partner or its representatives. Each and every certificate, document or other instrument executed on behalf of the Partnership by the General Partner or its representatives shall be

conclusive evidence in favor of any and every Person relying thereon or claiming thereunder that (i) at the time of the execution and delivery of such certificate, document or instrument, this Agreement was in full force and effect, (ii) the Person executing and delivering such certificate, document or instrument was duly authorized and empowered to do so for and on behalf of the Partnership and (iii) such certificate, document or instrument was duly executed and delivered in accordance with the terms and provisions of this Agreement and is binding upon the Partnership.

ARTICLE 8

RIGHTS AND OBLIGATIONS OF LIMITED PARTNERS

Section 8.1 Limitation of Liability

The Limited Partners shall have no liability under this Agreement except as expressly provided in this Agreement or under the Act.

Section 8.2 Management of Business

No Limited Partner or Assignee (other than the General Partner, any of its Affiliates or any officer, director, employee, partner, agent or trustee of the General Partner, the Partnership or any of their Affiliates, in their capacity as such) shall take part in the operations, management or control (within the meaning of the Act) of the Partnership's business, transact any business in the Partnership's name or have the power to sign documents for or otherwise bind the Partnership. The transaction of any such business by the General Partner, any of its Affiliates or any officer, director, employee, partner, agent or trustee of the General Partner, the Partnership or any of their Affiliates, in their capacity as such, shall not affect, impair or eliminate the limitations on the liability of the Limited Partners or Assignees under this Agreement.

Section 8.3 Outside Activities of Limited Partners

Subject to any agreements entered into by a Limited Partner or its Affiliates with the General Partner, Partnership or a Subsidiary, any Limited Partner and any officer, director, partner, employee, agent, trustee, Affiliate or shareholder of any Limited Partner shall be entitled to and may have business interests and engage in business activities in addition to those relating to the Partnership, including business interests and activities in direct competition with the Partnership. Neither the Partnership nor any Partners shall have any rights by virtue of this Agreement in any business ventures of any Limited Partner or Assignee. Subject to such agreements, none of the Limited Partners nor any other Person shall have any rights by virtue of this Agreement or the partnership relationship established hereby in any business ventures of any other Person, other than the General Partner, and such Person shall have no obligation pursuant to this Agreement to offer any interest in any such business ventures to the Partnership, any Limited Partner or any such other Person, even if such opportunity is of a character that, if presented to the Partnership, any Limited Partner or such other Person, could be taken by such Person.

Section 8.4 Return of Capital

Except pursuant to the rights of Redemption set forth in Section 8.6, no Limited Partner shall be entitled to the withdrawal or return of his Capital Contribution, except to the extent of distributions made pursuant to this Agreement or upon termination of the Partnership as provided herein. No Limited Partner or Assignee shall have priority over any other Limited Partner or Assignee either as to the return of Capital Contributions, or otherwise expressly provided in this Agreement, as to profits, losses, distributions or credits.

Section 8.5 Rights of Limited Partners Relating to the Partnership

A. In addition to other rights provided by this Agreement or by the Act, and except as limited by Section 8.5.C hereof, each Limited Partner shall have the right, for a purpose reasonably related to such Limited Partner's interest as a limited partner in the Partnership, upon written demand with a statement of the purpose of such demand and at the Partnership's expense:

(1) to obtain a copy of the most recent annual and quarterly reports filed with the Securities and Exchange Commission by the General Partner pursuant to the Securities Exchange Act of 1934, as amended, and each communication sent to the stockholders of the General Partner;

(2) to obtain a copy of the Partnership's federal, state and local income tax returns for each Partnership Year;

(3) to obtain a current list of the name and last known business, residence or mailing address of each Partner; and

(4) to obtain a copy of this Agreement and the Certificate and all amendments thereto, together with executed copies of all powers of attorney pursuant to which this Agreement, the Certificate and all amendments thereto have been executed.

B. The Partnership shall notify each Limited Partner, upon request, of the then current Conversion Factor and the REIT Shares Amount per Partnership Unit and, with reasonable detail, how the same were determined.

C. Notwithstanding any other provision of this Section 8.5, the General Partner may keep confidential from the Limited Partners, for such period of time as the General Partner determines in its sole and absolute discretion to be reasonable, any information that (i) the General Partner believes to be in the nature of trade secrets or other information the disclosure of which the General Partner in good faith believes is not in the best interests of the Partnership or (ii) the Partnership or the General Partner is required by law or by agreements with unaffiliated third parties to keep confidential.

Section 8.6 Redemption Right

A. Subject to Sections 8.6.B and 8.6.C hereof, each Limited Partner (other than the General Partner) shall have the right (the "Redemption Right") to require the Partnership to redeem on a Specified Redemption Date all or a portion of the Partnership Units held by such Limited Partner at a redemption price per Unit equal to and in the form of the Cash Amount to be paid by the Partnership. The Redemption Right shall be exercised pursuant to a Notice of Redemption delivered to the Partnership (with a copy to the General Partner) by the Limited Partner who is exercising the Redemption Right (the "Redeeming Partner"); provided, however, that the Partnership shall not be obligated to satisfy such Redemption Right if the General Partner elects to purchase the Partnership Units subject to the Notice of Redemption pursuant to Section 8.6.B. A Limited Partner may not exercise the Redemption Right for less than one thousand (1,000) Partnership Units, or, if such Limited Partner holds less than one thousand (1,000) Partnership Units, all of the Partnership Units held by such Partner. The Redeeming Partner shall have no right, with respect to any Partnership Units so redeemed, to receive any distributions paid on or after the Specified Redemption Date. The Assignee of any Limited Partner may exercise the rights of such Limited Partner pursuant to this Section 8.6, and such Limited Partner shall be deemed to have assigned such rights to such Assignee and shall be bound by the exercise of such rights by such Assignee. In connection with any exercise of such rights by an Assignee on behalf of a Limited Partner, the Cash Amount shall be paid by the Partnership directly to such Assignee and not to such Limited Partner.

B. Notwithstanding the provisions of Section 8.6.A, a Limited Partner that exercises the Redemption Right shall be deemed to have offered to sell the Partnership Units described in the Notice of Redemption to the General Partner, and the General Partner will, at the direction of the Partnership as determined in the Partnership's sole and absolute discretion and only if so directed, elect to purchase directly and acquire such Partnership Units by paying to the Redeeming Partner either the Cash Amount or the REIT Shares Amount, as elected by the General Partner (in its sole and absolute discretion), on the Specified Redemption Date, whereupon the General Partner shall acquire the Partnership Units offered for redemption by the Redeeming Partner and shall be treated for all purposes of this Agreement as the owner of such Partnership Units. If the General Partner shall elect to exercise its rights to purchase Partnership Units under this Section 8.6.B with respect to a Notice of

Redemption, it shall so notify the Redeeming Partner within five (5) Business days after the receipt by it of such Notice of Redemption. Unless the General Partner shall exercise its right to purchase Partnership Units from the Redeeming Partner pursuant to this Section 8.6.B, the General Partner shall not

have any obligation to the Redeeming Partner or the Partnership with respect to the Redeeming Partner's exercise of the Redemption Right. In the event the General Partner shall exercise its right to purchase Partnership Units with respect to the exercise of a Redemption Right in the manner described in the first sentence of this Section 8.6.B, the Partnership shall have no obligation to pay any amount to the Redeeming Partner with respect to such Redeeming Partner's exercise of such Redemption Right, and each of the Redeeming Partner, the Partnership, and the General Partner shall treat the transaction between the General Partner and the Redeeming Partner, for federal income tax purposes, as a sale of the Redeeming Partner's Partnership Units to the General Partner. Each Redeeming Partner agrees to execute such documents as the General Partner may reasonably require in connection with the issuance of REIT Shares upon exercise of the Redemption Right.

C. Notwithstanding the provisions of Section 8.6.A and Section 8.6.B, a Partner shall not be entitled to exercise the Redemption Right pursuant to Section 8.6.A if the delivery of REIT Shares to such Partner on the Specified Redemption Date by the General Partner pursuant to Section 8.6.B (regardless of whether or not the General Partner would in fact exercise its rights under Section 8.6.B) would be prohibited under the Articles of Incorporation of the General Partner.

D. With respect to any Redemption Right pursuant to this Section 8.6:

(1) All Partnership Units acquired by the General Partner pursuant thereto shall automatically, and without further action required, be converted into and deemed to be General Partner interests comprised of the same number of Partnership Units.

(2) The consummation of such Redemption shall be subject to the requisite filings, if any, and the expiration or termination of the applicable waiting period, if any, under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

(3) Each Redeeming Partner shall continue to own all Partnership Units subject to any Notice of Redemption and be treated as a Limited Partner with respect to such Partnership Units for all purposes of this Agreement, until such Partnership Units are transferred to the General Partner.

Section 8.7 Representations of Limited Partners

Each Limited Partner by execution of this Agreement represents and warrants to every other Partner and to the Partnership as follows:

(i) it is acquiring the Partnership Units to be received by it for its own account and not with the view to the sale or distribution of the same or any part thereof in violation of the Securities Act;

(ii) it understands that the Partnership Units (or REIT Shares issued upon exchange of the Partnership Units) to be issued to it will not be registered under the Securities Act, or the securities laws of any state ("Blue Sky Laws") by reason of a specific exemption or exemptions from registration under the Securities Act and applicable Blue Sky Laws and that the REIT's and Partnership's reliance on such exemptions is predicated in part on the accuracy and completeness of the representations and warranties of it;

(iii) it understands that, for the reasons set forth in paragraph (ii) above the Partnership Units (or REIT Shares issued upon exchange of the Partnership Units) may not be offered, sold, transferred, pledged, or otherwise disposed of by it except (A) pursuant to an effective registration statement under the Securities Act and any applicable Blue Sky Laws, (B) pursuant to a no-action letter issued by the Securities and Exchange Commission to the effect that a proposed transfer of the Partnership Units (or REIT Shares issued upon exchange of the

Partnership Units) may be made without registration under the Securities Act, together with either registration or an exemption under applicable Blue Sky Laws, or (C) upon the REIT and the Partnership receiving an opinion of counsel knowledgeable in securities law matters and reasonably acceptable to the REIT and the Partnership to the effect that the proposed transfer is exempt from the registration requirements of the Securities Act and any applicable Blue Sky Laws, and that, accordingly, it must bear the economic risk of an investment in the Partnership Units (and the REIT Shares issued upon exchange of the Partnership Units) for an indefinite period of time;

(iv) it is a Qualified Transferee;

(v) it understands that an investment in the Partnership and the REIT involves substantial risks; it has had the opportunity to review all documents and information which it has requested concerning its investment in the Partnership and the REIT and to ask questions of the management of the Partnership and the REIT, which questions were answered to its satisfaction; and

(vi) it understands that any certificates representing the Partnership Units (and any REIT Shares issued upon exchange of the Partnership Units) will bear a legend substantially to the effect of the following:

> "The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended (the "Act"), or the securities laws of any state. The securities may not be offered, sold, transferred, pledged or otherwise disposed of without an effective registration statement under the Act and under any applicable state securities laws, receipt of a no-action letter issued by the Securities and Exchange Commission (together with either registration or an exemption under applicable state securities laws) or an opinion of counsel acceptable to the Partnership and the REIT that the proposed transaction will be exempt from registration under the Act and applicable state securities laws."

and that the Partnership and the REIT reserve the right to place a stop order against the transfer of any certificates representing the Partnership Units (and any REIT Shares issued upon exchange of the Partnership Units), and to refuse to effect any transfers thereof, in the absence of satisfying the conditions contained in the foregoing legend.

ARTICLE 9
BOOKS, RECORDS, ACCOUNTING AND REPORTS

Section 9.1 Records and Accounting

The General Partner shall keep or cause to be kept at the principal office of the Partnership appropriate books and records with respect to the Partnership's business, including without limitation, all books and records necessary to provide to the Limited Partners any information, lists and copies of documents required to be provided pursuant to Section 9.3 hereof. Any records maintained by or on behalf of the Partnership in the regular course of its business may be kept on, or be in the form of, punch cards, magnetic tape, photographs, micrographics or any other information storage device, provided that the records so maintained are convertible into clearly legible written form within a reasonable period of time. The books of the Partnership shall be maintained, for financial and tax reporting purposes, on an accrual basis in accordance with generally accepted accounting principles.

Section 9.2 Fiscal Year

The fiscal year of the Partnership shall be the calendar year.

Section 9.3 Reports

A. As soon as practicable, but in no event later than 105 days after the close of each Partnership Year, or such earlier date as they are filed with Securities and Exchange Commission, the General Partner shall cause to be mailed to each Limited Partner as of the close of the Partnership Year, an annual report containing financial statements of the Partnership, or of the General Partner if such statements are prepared solely on a consolidated basis with the General Partner, for such Partnership Year, presented in accordance with generally accepted accounting principles, such statements to be audited by a nationally recognized firm of independent public accountants selected by the General Partner.

B. As soon as practicable, but in no event later than 105 days after the close of each calendar quarter (except the last calendar quarter of each year) the General Partner shall cause to be mailed to each Limited Partner as of the last day of the calendar quarter, a report containing unaudited financial statements of the Partnership, or of the General Partner, if such statements are prepared solely on a consolidated basis with applicable law or regulation, or as the General Partner determines to be appropriate.

ARTICLE 10
TAX MATTERS

Section 10.1 Preparation of Tax Returns

The General Partner shall arrange for the preparation and timely filing of all returns of Partnership income, gains, deductions, losses and other items required of the Partnership for federal and state income tax purposes and shall use all reasonable efforts to furnish, within 90 days of the close of each taxable year, the tax information reasonably required by Limited Partners for federal and state income tax reporting purposes.

Section 10.2 Tax Elections

Except as otherwise provided herein, the General Partner shall, in its sole and absolute discretion, determine whether to make any available election pursuant to the Code, including the election under Section 754 of the Code. The General Partner shall have the right to seek to revoke any such election (including without limitation, any election under Section 754 of the Code) upon the General Partner's determination in its sole and absolute discretion that such revocation is in the best interests of the Partners.

Section 10.3 Tax Matters Partner

A. The General Partner shall be the "tax matters partner" of the Partnership for federal income tax purposes. Pursuant to Section 6223(c)(3) of the Code, upon receipt of notice from the IRS of the beginning of an administrative proceeding with respect to the Partnership, the tax matters partner shall furnish the IRS with the name, address and profit interest of each of the Limited Partners; provided, however, that such information is provided to the Partnership by the Limited Partners.

B. The tax matters partner is authorized, but not required:

(1) to enter into any settlement with the IRS with respect to any administrative or judicial proceedings for the adjustment of Partnership items required to be taken into account by a Partner for income tax purposes (such administrative proceedings being referred to as a "tax audit" and such judicial proceedings being referred to as "judicial review"),

and in the settlement agreement the tax matters partner may expressly state that such agreement shall bind all Partners, except that such settlement agreement shall not bind any Partner (i) who (within the time prescribed pursuant to the Code and Regulations) files a statement with the IRS providing that the tax matters partner shall not have the authority to enter into a settlement agreement on behalf of such Partner or (ii) who is a "notice partner" (as defined in Section 6231 of the Code) or a member of a "notice group" (as defined in Section 6223(b)(2) of the Code);

(2) in the event that a notice of a final administrative adjustment at the Partnership level of any item required to be taken into account by a Partner for tax purposes (a "final adjustment") is mailed to the tax matters partner, to seek judicial review of such final adjustment, including the filing of a petition for readjustment with the Tax Court or the United States Claims Court, or the filing of a complaint for refund with the District Court of the United States for the district in which the Partnership's principal place of business is located;

(3) to intervene in any action brought by any other Partner for judicial review of a final adjustment;

(4) to file a request for an administrative adjustment

with the IRS at any time and, if any part of such request is not allowed by the IRS, to file an appropriate pleading (petition or complaint) for judicial review with respect to such request;

(5) to enter into an agreement with the IRS to extend the period for assessing any tax which is attributable to any item required to be taken into account by a Partner for tax purposes, or an item affected by such item; and

(6) to take any other action on behalf of the Partners of the Partnership in connection with any tax audit or judicial review proceeding to the extent permitted by applicable law or regulations.

The taking of any action and the incurring of any expense by the tax matters partner in connection with any such proceeding, except to the extent required by law, is a matter in the sole and absolute discretion of the tax matters partner and the provisions relating to indemnification of the General Partner set forth in Section 7.7 of this Agreement shall be fully applicable to the tax matters partner in its capacity as such.

C. The tax matters partner shall receive no compensation for its services. All third party costs and expenses incurred by the tax matters partner in performing his duties as such (including legal and accounting fees) shall be borne by the Partnership. Nothing herein shall be construed to restrict the Partnership from engaging legal counsel or an accounting firm to assist the tax matters partner in discharging his duties hereunder, as long as the compensation paid by the Partnership for such services is reasonable.

Section 10.4 Organizational Expenses

The Partnership shall elect to deduct expenses, if any, incurred by it in organizing the Partnership ratably over a 60-month period as provided in Section 709 of the Code.

Section 10.5 Withholding

Each Limited Partner hereby authorizes the Partnership to withhold from or pay on behalf of or with respect to such Limited Partner any amount of federal, state, local or foreign taxes that the General Partner determines that the Partnership is required to withhold or pay with respect to any amount distributable or allocable to such Limited Partner pursuant to this Agreement, including, without limitation, any taxes required to be withheld or paid by the Partnership pursuant to Sections 1441, 1442, 1445 or 1446 of the Code. Any amount paid on behalf of or with respect to a Limited Partner shall constitute a loan by the Partnership to such Limited Partner, which loan shall be repaid by such Limited Partner within 15 days after notice from the General Partner that such payment must be made unless (i) the Partnership withholds such payment from a distribution which would otherwise be made to the Limited Partner or (ii) the General Partner determines, in its sole and absolute discretion, that such payment may be satisfied out of the available funds of the Partnership which would, but for such payment, be distributed to the Limited Partner. Any amounts withheld pursuant to the foregoing clauses (i) or (ii) shall be treated as having been distributed to such Limited Partner. Each Limited Partner hereby unconditionally and irrevocably grants to the Partnership a security interest in such Limited Partner's Partnership Interest to secure such Limited Partner's obligation to pay to the Partnership any amounts required to be paid pursuant to this Section 10.5. In the event that a Limited Partner fails to pay any amounts owed to the Partnership pursuant to this Section 10.5 when due, the General Partner may, in its sole and absolute discretion, elect to make the payment to the Partnership on behalf of such defaulting Limited Partner, and in such event shall be deemed to have loaned such amount to such defaulting Limited Partner and shall succeed to all rights and remedies of the Partnership as against such defaulting Limited Partner (including, without limitation, the right to receive distributions). Any amounts payable by a Limited Partner hereunder shall bear interest at the base rate on corporate loans at large United States money center commercial banks, as published from time to time in the Wall Street Journal, plus four percentage points (but not higher than the maximum lawful rate) from the date such amount is due (i.e., 15 days after demand) until such amount is paid in full. Each Limited Partner shall take such actions as the Partnership or the General Partner shall request in order to perfect or enforce the security interest created hereunder.

ARTICLE 11
TRANSFERS AND WITHDRAWALS

Section 11.1 Transfer

A. The term "transfer," when used in this Article 11 with

respect to a Partnership Unit, shall be deemed to refer to a transaction by which the General Partner purports to assign its General Partner Interest to another Person or by which a Limited Partner purports to assign its Limited Partnership Interest to another Person, and includes a sale, assignment, gift (outright or in trust), pledge, encumbrance, hypothecation, mortgage, exchange or any other disposition by law or otherwise. The term "transfer" when used in this Article 11 does not include a redemption pursuant to Section 8.6 No part of the interest of a Limited Partner shall be subject to the claims of any creditor, any spouse for alimony or support, or to legal process, and may not be voluntarily or involuntarily alienated or encumbered except as may be specifically provided for in this Agreement.

B. No Partnership Interest shall be transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Article 11. Any transfer or purported transfer of a Partnership Interest not made in accordance with this Article 11 shall be null and void.

Section 11.2 Transfer of General Partner's Partnership Interest

The General Partner shall not withdraw from the Partnership and shall not transfer all or any portion of its interest in the Partnership (whether by sale, statutory merger or consolidation, liquidation or otherwise) without the consent of all of the Limited Partners, which may be withheld by each Limited Partner in its sole and absolute discretion, and only upon the admission of a successor General Partner pursuant to Section 12.1. Upon any transfer of a Partnership Interest in accordance with the provisions of this Section 11.2, the transferee shall become a Substitute General Partner for all purposes herein, and shall be vested with the powers and rights of the transferor General Partner, and shall be liable for all obligations and responsible for all duties of the General Partner, once such transferee has executed such instruments as may be necessary to effectuate such admission and to confirm the agreement of such transferee to be bound by all the terms and provisions of this Agreement with respect to the Partnership Interest so acquired. It is a condition to any transfer otherwise permitted hereunder that the transferee assumes, by operation of law or express agreement, all of the obligations of the transferor General Partner under this Agreement with respect to such transferred Partnership Interest, and no such transfer (other than pursuant to a statutory merger or consolidation wherein all obligations and liabilities of the transferor General Partner are assumed by a successor corporation by operation of law) shall relieve the transferor General Partner of its obligations under this Agreement without the Consent of the Limited Partners, in their reasonable discretion. In the event the General Partner withdraws from the Partnership, in violation of this Agreement or otherwise, or otherwise dissolves or terminates, or upon the bankruptcy of the General Partner, a majority in interest of all the remaining Partners may elect to continue the Partnership business by selecting a Substitute General Partner in accordance with the Act.

Section 11.3 Limited Partners' Rights to Transfer

A. Prior to the first anniversary of the Effective Date, no Limited Partner shall transfer all or any portion of its Partnership Interest to any transferee without the consent of the General Partner, which consent may be withheld in its sole and absolute discretion; provided, however, that any Limited Partner may, at any time, without the consent of the General Partner, (i) transfer all or any portion of its Partnership Interest to the General Partner, subject to the provisions of Section 11.6, (ii) transfer its Partnership Interest pursuant to its right of redemption as provided in Section 8.6 hereof, (iii) transfer all or any portion of its Partnership Interest to its Immediate Family, to a corporation controlled by such Limited Partner or, if the Limited Partner is an entity, to its beneficial owners (or members of the Immediate Family of such beneficial owners) or (iv) pledge (a "Pledge") all or any portion of its Partnership Interest to a lending institution, which is not an Affiliate of such Limited Partner, as collateral or security for a bona fide loan or other extension of credit, and transfer such pledged Partnership Interest to such lending institution in connection with the exercise of remedies under such loan or extension or credit. After such first anniversary, each Limited Partner or Assignee, pursuant to the proviso of the preceding sentence, shall have the right to transfer all or any portion of its Partnership Interest, or subject to the provisions of Section 11.6 and the satisfaction of each of the following conditions, transfer all or any portion of its Partnership Interests to any other Person:

(a) General Partner Right of First Refusal. The transferring Partner shall give written notice of the proposed transfer to the General Partner, which notice shall state (i) the identity of the proposed transferee, and (ii) the amount and type of consideration proposed to be received for the Partnership Units to be transferred. The General Partner shall have twenty (20) days upon which to give the transferring Partner notice of its election

to acquire the Partnership Units on the proposed terms. If it so elects, it shall purchase the Partnership Units on such terms within twenty (20) days after giving notice of such election. If it does not so elect, the transferring Partner may transfer such Partnership Units to a third party, on economic terms no more favorable to the transferee than the proposed terms, subject to the other conditions of this Section 11.3.

(b) Qualified Transferee. Any transfer of a Partnership Interest shall be made only to Qualified Transferees.

It is a condition to any transfer otherwise permitted hereunder that the transferee assumes by operation of law or express agreement all of the obligations of the transferor Limited Partner under this Agreement with respect to such transferred Partnership Interest and no such transfer (other than pursuant to a statutory merger or consolidation wherein all obligations and liabilities of the transferor partner are assumed by a successor entity by operation of law) shall relieve the transferor Partner of its obligations under this Agreement without the approval of the General Partner, in its reasonable discretion. Notwithstanding the foregoing, any transferee of any transferred Partnership Interest shall be subject to any and all ownership limitations contained in the Articles of Incorporation. Any transferee, whether or not admitted as a Substituted Limited Partner, shall take subject to the

obligations of the transferor hereunder and by accepting such transfer makes the representations and warranties contained in Section 8.7 hereof. Unless admitted as a Substitute Limited Partner, no transferee, whether by a voluntary transfer, by operation of law or otherwise, shall have rights hereunder, other than the rights of an Assignee as provided in Section 11.5.

B. If a Limited Partner is subject to Incapacity, the executor, administrator, trustee, committee, guardian, conservator, or receiver of such Limited Partner's estate shall have all the rights of a Limited Partner, but not more rights than those enjoyed by other Limited Partners, for the purpose of settling or managing the estate, and such power as the Incapacitated Limited Partner possessed to transfer all or any part of his or its interest in the Partnership. The Incapacity of a Limited Partner, in and of itself, shall not dissolve or terminate the Partnership.

C. The General Partner may prohibit any transfer otherwise permitted under Section 11.3 by a Limited Partner of his Partnership Units if, in the opinion of legal counsel to the Partnership, such transfer would require the filing of a registration statement under the Securities Act by the Partnership or would otherwise violate any federal or state securities laws or regulations applicable to the Partnership or the Partnership Unit.

D. No transfer by a Limited Partner of his Partnership Units (including any Exchange) may be made to any person if (i) in the opinion of legal counsel for the Partnership, it would result in the Partnership being treated as an association taxable as a corporation, or (ii) such transfer is effectuated through an "established securities market" or a "secondary market (or the substantial equivalent thereof)" within the meaning of Section 7704 of the Code.

Section 11.4 Substituted Limited Partners

A. No Limited Partner shall have the right to substitute a transferee as a Limited Partner in his place (including any transferee permitted by Section 11.3). The General Partner shall, however, have the right to consent to the admission of a transferee of the interest of a Limited Partner pursuant to this Section 11.4 as a Substituted Limited Partner, which consent may be given or withheld by the General Partner in its sole and absolute discretion. The General Partner's failure or refusal to permit a transferee of any such interests to become a Substituted Limited Partner shall not give rise to any cause of action against the Partnership or any Partner.

B. A transferee who has been admitted as a Substituted Limited Partner in accordance with this Article 11 shall have all the rights and powers and be subject to all the restrictions and liabilities of a Limited Partner under this Agreement. Upon such admission, the transferee makes the representations and warranties contained in Section 8.7 hereof.

C. Upon the admission of a Substituted Limited Partner, the General Partner shall amend Exhibit A to reflect the name, address, number of Partnership Units, and Percentage Interest of such Substituted Limited Partner and to eliminate or adjust, if necessary, the name, address and interest of the predecessor of such Substituted Limited Partner.

Section 11.5 Assignees

If the General Partner, in its sole and absolute discretion, does not consent to the admission of any permitted transferee under Section 11.3 as a Substituted Limited Partner, as described in Section 11.4, such transferee shall be considered an Assignee for purposes of this Agreement. An Assignee shall be entitled to all the rights of an assignee of a limited partnership interest under the Act, including the right to receive distributions from the Partnership and the share of Net Income, Net Losses, gain and loss attributable to the Partnership Units assigned to such transferee, the rights to transfer the Partnership Units provided in this Article 11, and the right of redemption provided in Section 8.6, but shall not be deemed to be a holder of Partnership Units for any other purpose under this Agreement, and shall not be entitled to effect a Consent with respect to such Partnership Units on any matter presented to the Limited Partners for approval (such Consent remaining with the transferor Limited Partner). In the event any such transferee desires to make a further assignment of any such Partnership Units, such transferee shall be subject to all the provisions of this Article 11 to the same extent and in the same manner as any Limited Partner desiring to make an assignment of Partnership Units.

Section 11.6 General Provisions

A. No Limited Partner may withdraw from the Partnership other than as a result of a permitted transfer of all of such Limited Partner's Partnership Units in accordance with this Article 11 or pursuant to the exercise of its Redemption Right with respect to all of its Partnership Units under Section 8.6.

B. Any Limited Partner who shall transfer all of his Partnership Units in a transfer permitted pursuant to this Article 11, where such transferee was admitted as a Limited Partner, or pursuant to the exercise of its Redemption Right with respect to all of its Partnership Units under Section 8.6, shall cease to be a Limited Partner.

C. Transfers pursuant to this Article 11 may only be made on the first day of a fiscal quarter of the Partnership, unless the General Partner otherwise agrees.

D. If any Partnership Interest is transferred during any quarterly segment of the Partnership's fiscal year in compliance with the provisions of this Article 11 or transferred pursuant to Section 8.6, Net Income, Net Losses, each item thereof and all other items attributable to such interest for such fiscal year shall be divided and allocated between the transferor Partner and the transferee Partner by taking into account their varying interests during the fiscal year in accordance with Section 706(d) of the Code, using the interim closing of the books method or any other permissible method selected by the General Partner in the exercise of its reasonable discretion. Solely for purposes of making such allocations, each of such items for the calendar month in which the transfer or redemption occurs shall be allocated to the Person who is a Partner as of midnight on the last day of said month. All distributions of Available Cash with respect to which the Partnership Record Date is before the date of such transfer or redemption shall be made to the transferor Partner, and all distributions of Available Cash thereafter shall be made to the transferee Partner.

E. In addition to any other restrictions on transfer herein contained, in no event may any transfer or assignment of a Partnership Interest by any Partner (including by way of an Exchange) be made (i) to any person or entity who lacks the legal right, power or capacity to own a Partnership Interest; (ii) in violation of applicable law; (iii) of any component portion of a Partnership Interest, such as the Capital Account, or rights to distributions, separate and apart from all other components of a Partnership Interest; (iv) in the event such transfer would cause the General Partner to cease to comply with the REIT Requirements, if the General Partner at such time has determined to continue to meet the REIT Requirements; (v) if such transfer would cause a termination of the Partnership for federal or state income tax purposes (except as a result of the Exchange of all Partnership Units held by all Limited Partners); (vi) if such transfer would, in the opinion of counsel to the Partnership, cause the Partnership to cease to be classified as a partnership for federal income tax purposes (except as a result of the Exchange of all Partnership Units held by all Limited Partners); (vii) if such transfer would cause the Partnership to become, with respect to any employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), a "party-in-interest" (as defined in Section 23(14) of ERISA) or a "disqualified person" (as defined in Section 4975(c) of the Code); (viii) if such transfer would, in the opinion of counsel to the Partnership, cause any portion of the assets of the Partnership to constitute assets of any employee benefit plan pursuant to Department of Labor Regulations Section 2510.2-101; (ix) if such transfer requires the registration of such Partnership Interest pursuant to any applicable federal or state securities laws; (x) if such transfer causes the Partnership to become a "Publicly Traded Partnership," as such term is defined in Sections 469(k)(2) or 7704(b) of the Code; or (xi) if such transfer subjects the Partnership to be regulated under the Investment

Company Act of 1940 or the Investment Advisors Act of 1940, each as amended, or ERISA.

ARTICLE 12
ADMISSION OF PARTNERS

Section 12.1 Admission of Successor General Partner

A successor to all of the General Partner's General Partner Interest pursuant to Section 11.2 hereof who is proposed to be admitted as a successor General Partner shall be admitted to the Partnership as the General Partner, effective upon such transfer. Any such transferee shall carry on the business of the Partnership without dissolution. In each case, the admission shall be subject to the successor General Partner executing and delivering to the Partnership an acceptance of all of the terms and conditions of this Agreement and such other documents or instruments as may be required to effect the admission.

Section 12.2 Admission of Additional Limited Partners

A. After the admission to the Partnership of the initial Limited Partners on the date hereof, a Person who makes a Capital Contribution to the Partnership in accordance with this Agreement shall be admitted to the Partnership as an Additional Limited Partner only upon furnishing to the General Partner (i) evidence of acceptance in form satisfactory to the General Partner of all of the terms and conditions of this Agreement, including, without limitation, the power of attorney granted in Section 2.4 hereof and (ii) such other documents or instruments as may be required in the discretion of the General Partner in order to effect such Person's admission as an Additional Limited Partner.

B. Notwithstanding anything to the contrary in this Section 12.2, no Person shall be admitted as an Additional Limited Partner without the consent of the General Partner, which consent may be given or withheld in the General Partner's sole and absolute discretion. The admission of any Person as an Additional Limited Partner shall become effective on the date upon which the name of such Person is recorded on the books and records of the Partnership, following the receipt of the Capital Contribution in respect of such Limited Partner and the consent of the General Partner to such admission.

Section 12.3 Amendment of Agreement and Certificate of Limited Partnership

For the admission to the Partnership of any Partner, the General Partner shall take all steps necessary and appropriate under the Act to amend the records of the Partnership and, if necessary, to prepare as soon as practical an amendment of this Agreement (including an amendment of Exhibit A) and, if required by law, shall prepare and file an amendment to the Certificate and may for this purpose exercise the power of attorney granted pursuant to Section 2.4 hereof.

ARTICLE 13
DISSOLUTION AND LIQUIDATION

Section 13.1 Dissolution

The Partnership shall not be dissolved by the admission of Substituted Limited Partners or Additional Limited Partners or by the admission of a successor General Partner in accordance with the terms of this Agreement. Upon the withdrawal of the General Partner, any successor General Partner shall continue the business of the Partnership. The Partnership shall dissolve, and its affairs shall be wound up, upon the first to occur of any of the following ("Liquidating Events"):

A. the expiration of its term as provided in Section 2.5 hereof;

B. an event of withdrawal of the General Partner, as defined in the Act, unless, within 90 days after the withdrawal, at least a majority in interest of all the remaining Partners agree in writing, in their sole and absolute discretion, to continue the business of the Partnership and to the appointment, effective as of the date of withdrawal, of a substitute General Partner;

C. an election to dissolve the Partnership made by the General Partner, approved by the Consent of the Limited Partners;

D. entry of a decree of judicial dissolution of the Partnership pursuant to the provisions of the Act;

E. the sale of all or substantially all of the assets and properties of the Partnership;

F. a Bankruptcy of the General Partner, unless a majority in interest of all of the remaining Partners agree in writing to continue the business of the Partnership and to the appointment, effective as of a date prior to the date of such Bankruptcy, of a substitute General Partner; or

G. the Exchange by all Partners (other than the General Partner) of all Units into REIT Shares.

Section 13.2 Winding Up

A. Upon the occurrence of a Liquidating Event, the Partnership shall continue solely for the purposes of winding up its affairs in an orderly manner, liquidating its assets, and satisfying the claims of its creditors and Partners. No Partner shall take any action that is inconsistent with, or not necessary to or appropriate for, the winding up of the Partnership's business and affairs. The General Partner (or, in the event there is no remaining General Partner, any Person elected by a Majority in Interest of the Limited Partners (the "Liquidator")) shall be responsible for overseeing the winding up and dissolution of the Partnership and shall take full account of the Partnership's liabilities and property and the Partnership property shall be liquidated as promptly as is consistent with obtaining the fair value thereof, and the proceeds therefrom (which may, to the extent determined by the General Partner, include shares of stock in the General Partner) shall be applied and distributed in the following order:

(1) First, to the payment and discharge of all of the Partnership's debts and liabilities to creditors other than the Partners;

(2) Second, to the payment and discharge of all of the Partnership's debts and liabilities to the General Partner;

(3) Third, to the payment and discharge of all of the Partnership's debts and liabilities to the Limited Partners; and

(4) The balance, if any, to the General Partner and Limited Partners in accordance with their positive Capital Account balances, determined after taking into account all Capital Account adjustments for the Partnership taxable year during which the liquidation occurs (other than those made as a result of the liquidating distribution set forth in this Section 13.2.A(4)).

The General Partner shall not receive any additional compensation for any services performed pursuant to this Article 13 other than reimbursement of its expenses as provided in Section 7.4.

B. Notwithstanding the provisions of Section 13.2.A hereof which require liquidation of the assets of the Partnership, but subject to the order of priorities set forth therein, if prior to or upon dissolution of the Partnership the Liquidator determines that an immediate sale of part or all of the Partnership's assets would be impractical or would cause undue loss to the Partners, the Liquidator may, in its sole and absolute discretion, defer for a reasonable time the liquidation of any assets except those necessary to satisfy liabilities of the Partnership (including to those Partners as creditors) and/or distribute to the Partners, in lieu of cash, as tenants in common and in accordance with the provisions of Section 13.2.A hereof, undivided interests in such Partnership assets as the Liquidator deems not suitable for liquidation. Any such distributions in kind shall be made only if, in the good faith judgment of the Liquidator, such distributions in kind are in the best interests of the Partners, and shall be subject to such conditions relating to the disposition and management of such properties as the Liquidator deems reasonable and equitable and to any agreements governing the operation of such properties at such time. The Liquidator shall determine the fair market value of any property distributed in kind using such reasonable method of valuation as it may adopt.

Section 13.3 Compliance with Timing Requirements of Regulations

In the event the Partnership is "liquidated" within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g), distributions shall be made pursuant to this Article 13 to the General Partner and Limited Partners who have positive Capital Accounts in compliance with Regulations Section 1.704-1(b)(2)(ii)(h)(2). If any Partner has a deficit balance in his Capital Account (after giving effect to all contributions, distributions and allocations for the taxable years, including the year during which such liquidation occurs),

such Partner shall have no obligation to make any contribution to the capital of the Partnership with respect to such deficit, and such deficit shall not be considered a debt owed to the Partnership or to any other Person for any purpose whatsoever. In the discretion of the General Partner, a pro rata portion of the distributions that would otherwise be made to the General Partner and Limited Partners pursuant to this Article 13 may be:

A. distributed to a trust established for the benefit of the General Partner and Limited Partners for the purposes of liquidating Partnership assets, collecting amounts owed to the Partnership, and paying any contingent or unforeseen liabilities or obligations of the Partnership or of the General Partner arising out of or in connection with the Partnership. The assets of any such trust shall be distributed to the General Partner and Limited Partners from time to time, in the reasonable discretion of the General Partner, in the same proportions and amounts as would otherwise have been distributed to the General Partner and Limited Partners pursuant to this Agreement; or

B. withheld to provide a reasonable reserve for Partnership liabilities (contingent or otherwise) and to reflect the unrealized portion of any installment obligations owed to the Partnership, provided that such withheld amounts shall be distributed to the General Partner and Limited Partners as soon as practicable.

Section 13.4 Deemed Distribution and Recontribution

Notwithstanding any other provision of this Article 13, in the event the Partnership is liquidated within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g) but no Liquidating Event has occurred, the Partnership's property shall not be liquidated, the Partnership's liabilities shall not be paid or discharged, and the Partnership's affairs shall not be wound up. Instead, the Partnership shall be deemed to have distributed the property in kind to the General Partner and Limited Partners, who shall be deemed to have assumed and taken such property subject to all Partnership liabilities, all in accordance with their respective Capital Accounts. Immediately thereafter, the General Partner and Limited Partners shall be deemed to have recontributed the Partnership property in kind to the Partnership, which shall be deemed to have assumed and taken such property subject to all such liabilities.

Section 13.5 Rights of Limited Partners

Except as otherwise provided in this Agreement, each Limited Partner shall look solely to the assets of the Partnership for the return of his Capital Contribution and shall have no right or power to demand or receive property from the General Partner. No Limited Partner shall have priority over any other Limited Partner as to the return of his Capital Contributions, distributions or allocations.

Section 13.6 Notice of Dissolution

In the event a Liquidating Event occurs or an event occurs that would, but for provisions of Section 13.1 result in a dissolution of the Partnership, the General Partner shall, within 30 days thereafter, provide written notice thereof to each of the Partners and to all other parties with whom the Partnership regularly conducts business (as determined in the discretion of the General Partner) and shall publish notice thereof in a newspaper of general circulation in each place in which the Partnership regularly conduct business (as determined in the discretion of the General Partner).

Section 13.7 Cancellation of Certificate of Limited Partnership

Upon the completion of the liquidation of the Partnership cash and property as provided in Section 13.2 hereof, the Partnership shall be terminated and the Certificate and all qualifications of the Partnership as a foreign limited partnership in jurisdictions other than the State of Delaware shall be canceled and such other actions as may be necessary to terminate the Partnership shall be taken.

Section 13.8 Reasonable Time for Winding-Up

A reasonable time shall be allowed for the orderly winding-up of the business and affairs of the Partnership and the liquidation of its assets pursuant to Section 13.2 hereof, in order to minimize any losses otherwise attendant upon such winding-up, and the provisions of this Agreement shall remain in effect between the Partners during the period of liquidation.

Section 13.9 Waiver of Partition

Each Partner hereby waives any right to partition of the Partnership property.

ARTICLE 14
AMENDMENT OF PARTNERSHIP AGREEMENT; CONSENTS

Section 14.1 Amendments

A. The actions requiring Consent of Limited Partners pursuant to this Agreement, including Section 7.3, or otherwise pursuant to applicable law, are subject to the procedures in this Article 14.

B. Amendments to this Agreement may be proposed by the General Partner or by any Limited Partner. Following such proposal, the General Partner shall submit any proposed amendment to the Limited Partners. The General Partner shall seek the written consent of the Partners on the proposed amendment or shall call a meeting to vote thereon and to transact any other business that it may deem appropriate. For purposes of obtaining a written consent, the General Partner may require a response within a reasonable specified time, but not less than 15 days, and failure to respond in such time period shall constitute a consent which is consistent with the General Partner's recommendation (if so recommended) with respect to the proposal; provided, that, an action shall become effective at such time as requisite consents are received even if prior to such specified time.

Section 14.2 Action by the Partners

A. Meetings of the Partners may be called by the General Partner and shall be called upon the receipt by the General Partner of a written request by Limited Partners holding 25 percent or more of the Partnership Interests held by Limited Partners. The call shall state the nature of the business to be transacted. Notice of any such meeting shall be given to all Partners not less than ten days nor more than 30 days prior to the date of such meeting. Partners may vote in person or by proxy at such meeting. Whenever the vote or Consent of Partners is permitted or required under this Agreement, such vote or Consent may be given at a meeting of Partners or may be given in accordance with the procedure prescribed in Section 14.1 hereof.

B. Any action required or permitted to be taken at a meeting of the Partners may be taken without a meeting if a written consent setting forth the action so taken is signed by the percentage as is expressly required by this Agreement for the action in question. Such consent may be in one instrument or in several instruments, and shall have the same force and effect as a vote of the Percentage Interests of the Partners (expressly required by this Agreement). Such consent shall be filed with the General Partner. An action so taken shall be deemed to have been taken at a meeting held on the effective date so certified.

C. Each Limited Partner may authorize any Person or Persons to act for him by proxy on all matters in which a Limited Partner is entitled to participate, including waiving notice of any meeting, or voting or participating at a meeting. Every proxy must be signed by the Limited Partner or his attorney-in-fact. No proxy shall be valid after the expiration of 11 months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the Limited Partner executing it.

D. Each meeting of Partners shall be conducted by the General Partner or such other Person as the General Partner may appoint pursuant to such rules for the conduct of the meeting as the General Partner or such other Person deems appropriate.

ARTICLE 15
GENERAL PROVISIONS

Section 15.1 Addresses and Notice

Any notice, demand, request or report required or permitted to be given or made to a Partner or Assignee under this Agreement shall be in writing and shall be deemed given or made when delivered in person or when sent by first class United States mail or by other means of written communication to the Partner or Assignee at the address set forth in Exhibit A or such other address as the Partners shall notify the General Partner in writing.

Section 15.2 Titles and Captions

All article or section titles or captions in this Agreement are for convenience only. They shall not be deemed part of this Agreement and in no way define, limit, extend or describe the scope or intent of any provisions hereof. Except as specifically provided otherwise, references to "Articles" and "Sections" are to Articles and Sections of this Agreement.

Section 15.3 Pronouns and Plurals

Whenever the context may require, any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa.

Section 15.4 Further Action

The parties shall execute and deliver all documents, provide all information and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

Section 15.5 Binding Effect

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

Section 15.6 Creditors

None of the provisions of this Agreement shall be for the benefit of, or shall be enforceable by, any creditor of the Partnership.

Section 15.7 Waiver

No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon any breach thereof shall constitute waiver of any such breach or any other covenant, duty, agreement or condition.

Section 15.8 Counterparts

This Agreement may be executed in counterparts, all of which together shall constitute one agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party shall become bound by this Agreement immediately upon affixing its signature hereto.

Section 15.9 Applicable Law

This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware, without regard to the principles of conflicts of law.

Section 15.10 Invalidity of Provisions

If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

Section 15.11 Limitation to Preserve REIT Status

To the extent that any amount paid or credited to the General Partner or its officers, directors, employees or agents, whether as a reimbursement, fee, expense or indemnity (a "GP Payment"), would constitute gross income to the General Partner for purposes of Sections 856(c)(2) or 856(c)(3) of the Code (but is not described in subsections (A) through (H) of Section 856(c)(2) or subsections (A) through (I) of Section 856(c)(3)) then, notwithstanding any other provision of this Agreement, the amount of such GP Payments for any fiscal year shall not exceed the lesser of:

(i) an amount equal to the excess, if any, of (a) 5.00% of the General Partner's total gross income for the fiscal year which is described in subsections (A) through (H) of Section 856(c)(2) of the Code over (b) the amount of gross income (within the meaning of Section 856(c)(2) of the Code) derived by the General Partner from sources other than those described in subsections (A) through (H) of Section 856(c)(2) of the Code (but not including the amount of any GP Payments); or

(ii) an amount equal to the excess, if any, of (a) 25% of the General Partner's total gross income for the fiscal year which is described in subsections (A) through (I) of Section 856(c)(3) of the Code over (b) the amount of gross income (within the meaning of Section 856(c)(3) of the Code) derived by the General Partner from sources other than those described in subsections (A) through (I) of Section 856(c)(3) of the Code (not including the amount of any GP Payments).

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

CEDAR INCOME FUND, LTD.

By: /s/ Leo S. Ullman

Name: Leo S. Ullman
Title: President

LIMITED PARTNERS:

CEDAR BAY COMPANY

By: THE POINT ASSOCIATES, L.P., Partner
By: SELBRIDGE CORP., General Partner

By: /s/ Leo S. Ullman

Name: Leo S. Ullman
Title:

By: TRIANGLE CENTER ASSOCIATES, L.P., Partner

By: BUTTZVILLE CORP., General Partner
By: /s/ Leo S. Ullman

Name: Leo S. Ullman

EXHIBIT A

PARTNERS, CONTRIBUTIONS AND PARTNERSHIP UNITS

I. Initial Contributions (cancelled 6/26/98)

Name and Address of Partner	the Capital Contribution	Partnership of Units
General Partner		
Cedar Income Fund, Ltd. 44 South Bayles Avenue Port Washington, NY 11050	$1.00	1
Limited Partner		
Cedar Bay Company 44 South Bayles Avenue Port Washington, NY 11050	$1.00	1

II. Contributions To Be Made On Effective Date

Name and Address of Partner	Partnership Units
General Partner	
Cedar Income Fund, Ltd. 44 South Bayles Avenue Port Washington, NY 11050	542,111
Cedar Bay Company 44 South Bayles Avenue Port Washington, NY 11050	1,703,300

EXHIBIT B

NOTICE OF REDEMPTION

The undersigned hereby irrevocably (i) elects to have redeemed _____ Limited Partnership Units in Cedar Income Fund Partnership, L.P. in accordance with the terms of the Limited Partnership Agreement of Cedar Income Fund Partnership, L.P. and the Redemption Rights referred to therein, (ii) surrenders such Limited Partnership Units and all right, title and interest therein, and (iii) directs that the cash and any REIT Shares deliverable upon redemption be delivered to the address specified below, and such REIT Shares be registered or placed in the name(s) and at the address(es) specified below.

Dated: _____
Name of Limited Partner

_____
(Signature of Limited Partner)

_____
(Street Address)

_____
(City) (State) (Zip Code)

Issue REIT Shares to:

Please insert social security or identifying number:

Name:

Exhibit 3.5

AMENDMENT NO. 1

TO

AGREEMENT OF LIMITED PARTNERSHIP

OF

CEDAR SHOPPING CENTERS PARTNERSHIP, L.P.

This Amendment No. 1 (this "Amendment") to Agreement of Limited Partnership (the "Partnership Agreement") of Cedar Shopping Centers Partnership, L.P., dated as of June 25, 1998, is entered into as of October 9, 2003, by and among Cedar Shopping Centers, Inc. (the "General Partner") and all the persons who have executed the Partnership Agreement as Limited Partners. All capitalized terms used herein shall have the meanings given to them in the Partnership Agreement.

WHEREAS, the parties hereto desire to amend the Partnership Agreement to provide that the Units are redeemable for REIT Shares on a one-to-one basis, in accordance with the terms of the Partnership Agreement;

NOW THEREFORE, in consideration of the mutual covenants herein contained, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

Section 1. Amendment. The Partnership Agreement shall be amended as follows:

(a) In Section 1.1, the definition of the term "Conversion Factor" shall be deleted in its entirety and replaced by the following new definition:

"Conversion Factor" shall mean 1.0, provided that in the event the General Partner (i) declares or pays a dividend on its outstanding REIT Shares in REIT Shares to all holders of its outstanding REIT Shares or makes a distribution to all holders of its outstanding REIT Shares in REIT Shares, (ii) splits or subdivides its REIT Shares into a larger number of REIT Shares, or (iii) effects a reverse split or combines its outstanding REIT Shares into a smaller number of REIT Shares, the Conversion Factor shall be adjusted by multiplying the Conversion Factor previously in effect by a fraction, the numerator of which shall be the number of REIT Shares issued and outstanding on the record date for such dividend, distribution, split, subdivision, reverse split or combination (assuming for such purposes that such dividend, distribution, split, subdivision, reverse split or combination has occurred as of such time), and the denominator of which shall be the actual number of REIT Shares (determined without the above assumption) issued and outstanding on the record date for such dividend, distribution, split, subdivision, reverse split or combination, unless the General Partner concurrently declares, makes or pays an equivalent dividend, distribution, split, subdivision, reverse split or combination of Units such that a Partner would receive the same Cash Amount or REIT Shares Amount if it exercised its redemption rights under Section 8.6 after such event as it would have received if it had exercised its redemption rights immediately prior to such event. Any adjustment to the Conversion Factor shall become effective immediately after the effective date of such event retroactive to the record date, if any, for such event. For purposes of this definition, the term "REIT Share" shall not include any Trust Shares (as defined in the Articles of Incorporation of the General Partner).

Section 2. Complete Agreement. The Partnership Agreement as amended by this Amendment is the entire agreement of the parties with respect to the subject matter hereof. The Partnership Agreement, as amended hereby, shall continue in full force and effect.

Section 3. Further Action. The parties shall execute and deliver all documents, provide all information and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Amendment.

Section 4. Binding Effect. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

Section 5. Counterparts. This Amendment may be executed in counterparts, all of which together shall constitute one agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party shall become bound by this Amendment immediately upon affixing its signature hereto.

Section 6. Applicable Law. This Amendment shall be construed in accordance with and governed by the laws of the State of Delaware, without

regard to the principles of conflicts of law.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 1 to the Partnership Agreement to be executed as of the day and year first above written.

CEDAR SHOPPING CENTERS PARTNERSHIP, L.P.

By: Cedar Shopping Centers, Inc.
General Partner
By:

Name: Leo S. Ullman
Title: President

LIMITED PARTNERS:

CEDAR BAY COMPANY

By:

Name:

Title:

EXHIBIT 5.1

October __, 2003

Cedar Shopping Centers, Inc.
44 South Bayles Avenue
Port Washington, New York 11050

Ladies and Gentlemen:

We have acted as counsel to Cedar Shopping Centers, Inc., a Maryland corporation (the "Company"), in connection with the preparation and filing with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Act"), of a Registration Statement on Form S-11 (File No. 333-108091), as amended (the "Registration Statement"), relating to the proposed public offering (the "Offering") by the Company of shares of its Common Stock, par value $0.06 per share (together with any additional shares of such stock that may be issued by the Company pursuant to Rule 462(b) (as prescribed by the Commission pursuant to the Act) in connection with the Offering described in the Registration Statement, the "Shares").

As such counsel, we have examined copies of the Certificate of Incorporation and By-Laws of the Company, each as amended to the date hereof, the Registration Statement, the Prospectus relating to the Shares which forms a part of the Registration Statement, and originals or copies of such corporate minutes, records, agreements and other instruments of the Company, certificates of public officials and other documents, and have made such examinations of law, as we have deemed necessary to form the basis for the opinion hereinafter expressed. In our examination of such materials, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to original documents of all copies submitted to us. As to various questions of fact material to such opinion, we have relied, to the extent we deemed appropriate, upon representations, statements and certificates of officers and representatives of the Company and others.

Attorneys involved in the preparation of this opinion are admitted to practice law in the State of New York, and we do not purport to express any opinion herein concerning any law other than the laws of the State of New York and the federal laws of the United States of America.

Based upon and subject to the foregoing, we are of the opinion that the Shares being offered by the Company, when and if issued and sold under the circumstances contemplated by the Registration Statement, will be legally issued, fully paid and non-assessable.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference to this firm under the caption "Legal Matters" in the Prospectus which forms a part of the Registration Statement. In giving such consent, we do not admit hereby that we come within the category of persons whose consent is required under Section 7 of the Act or the Rules and Regulations of the Commission thereunder.

Very truly yours,

/s/ STROOCK & STROOCK & LAVAN LLP

STROOCK & STROOCK & LAVAN LLP

October __, 2003

Cedar Shopping Centers, Inc.
44 South Bayles Avenue
Port Washington, New York 11050

Ladies and Gentlemen:

You have requested our opinion concerning certain federal income tax considerations in connection with the offering by Cedar Shopping Centers, Inc., a Maryland corporation (the "Company"), of shares of its common stock, $.06 par value per share (the "Common Stock"), pursuant to a registration statement on Form S-11 (No. 333-108091), as amended, filed with the Securities and Exchange Commission (the "Registration Statement"). All capitalized terms used herein have their respective meanings set forth in the Registration Statement unless otherwise stated.

In rendering the opinions expressed herein, we have examined and, with your consent, relied upon the following: (i) the Registration Statement; (ii) the Company's Articles of Incorporation, as amended; (iii) the Agreement of Limited Partnership of the Operating Partnership, as amended; and (iv) such other documents, records and instruments as we have deemed necessary or relevant for the purpose of this opinion. In addition, you have provided us with, and we are relying upon, a certificate containing certain factual representations and covenants of officers of the Company (the "Officers' Certificate") relating to, among other things, the actual and proposed operations of the Company and the entities in which it holds, or has held, a direct or indirect interest. For purposes of our opinion, we have not made an independent investigation of the facts, representations and covenants set forth in the Officers' Certificate, the Registration Statement, or in any other document. In particular, we note that the Company has engaged in, and may in the future engage in, transactions in connection with which we have not provided legal advice, and have not reviewed, and of which we may be unaware. We have, therefore, assumed and relied on your representations that the information, statements and descriptions of the Company's and the Operating Partnership's businesses, properties, and activities as described in the Officers' Certificate, Registration Statement and other documents, or otherwise furnished to us, accurately and completely describes all material facts relevant to our opinion, and that the Company and the Operating Partnership at all times have been and will be organized and operated in accordance with the terms of their governing documents. We have assumed that such statements, representations and descriptions are true without regard to any qualification as to knowledge or belief. Our opinion is conditioned on the continuing accuracy and completeness of such statements, representations and descriptions. Any material change or inaccuracy in the facts referred to, set forth, or assumed in the Officers' Certificate, the Registration Statement or any other documents may affect our conclusions set forth herein.

In rendering the opinions set forth herein, we have assumed (i) the genuineness of all signatures on documents we have examined, (ii) the authenticity of all documents submitted to us as originals, (iii) the conformity to the original documents of all documents submitted to us as copies, (iv) the authority and capacity of the individual or individuals who executed any such documents on behalf of any person, (v) the accuracy and completeness of all documents made available to us, and (vi) the accuracy as to facts of all representations, warranties and written statements.

In addition, we have assumed that (i) at no time will 50% or more of the Company's shares be owned, actually or constructively (within the meaning of Section 544 of the Internal Revenue Code of 1986, as amended (the "Code"), as modified by Section 856(h) of the Code), by or for any five or fewer individuals; and (ii) the Company has operated, and will continue to operate, in accordance with the method of operation described in the Registration Statement, and we have relied upon certain written factual representations of management relating to the organizational and ownership structure, nature of income, earnings and profits and distributions, composition of assets, and investments and operations of the Corporation relating to the Company's ability to satisfy the REIT requirements of Sections 856-860 of the Code.

Based upon and subject to the foregoing, we are of the following opinions:

1. The Company is organized in conformity with the requirements for qualification as a REIT under the Code and, its method of operation will enable it to continue to meet the requirements for qualification and taxation as a REIT under the Code.

2. The discussion contained in that portion of the Registration Statement under the caption "Federal Income Tax Consequences" fairly summarizes

the federal income tax considerations that are likely to be material to a holder of common stock of the Company.

This opinion is given as of the date hereof and is based on various statutory provisions, regulations promulgated thereunder and interpretations thereof by the Internal Revenue Service and the courts having jurisdiction over such matters, all of which are subject to change either prospectively or retroactively. Moreover, the Company's qualification and taxation as a REIT depend upon the Company's ability to meet -- through actual annual operating results -- requirements under the Code regarding income, distributions and diversity of stock ownership. Because the Company's satisfaction of these requirements will depend upon future events, no assurance can be given that the actual results of the Company's operation for any one taxable year will satisfy the tests necessary to qualify as or be taxed as a REIT under the Code.

This opinion is furnished to you solely for use in connection with the Registration Statement. We hereby consent to the filing of this opinion as an Exhibit to the Registration Statement and to

the use of our name under the caption "Material United States Federal Income Tax Considerations" in the Registration Statement.

We express no opinion as to any federal income tax issues or other matter except those set forth or confirmed above.

Very truly yours,

/s/ STROOCK & STROOCK & LAVAN LLP
- ----------------------------------
STROOCK & STROOCK & LAVAN LLP

EMPLOYMENT AGREEMENT

AGREEMENT made as of this 1st day of October, 2003, by and among Cedar Shopping Centers, Inc., a Maryland corporation (the "Corporation"), Cedar Shopping Centers Partnership, L.P., a Delaware limited partnership (the "Partnership"), and Leo S. Ullman (the "Executive").

1. Position and Responsibilities.

1.1 The Executive shall serve in an executive capacity as Chairman, President and Chief Executive Officer of both the Corporation and the Partnership with duties consistent therewith and shall perform such other functions and undertake such other responsibilities as are customarily associated with such capacity. The Executive shall also hold such directorships and officerships in the Corporation, the Partnership and any of their subsidiaries to which, from time to time, the Executive may be elected or appointed during the term of this Agreement.

1.2 The Executive shall devote Executive's full business time and skill to the business and affairs of the Corporation and the Partnership and to the promotion of their interests.

2. Term of Employment.

2.1 The term of employment shall be four years, commencing with the date hereof, unless sooner terminated as provided in this Agreement.

2.2 Notwithstanding the provisions of Section 2.1 hereof, each of the Corporation and the Partnership shall have the right, on written notice to the Executive, to terminate the Executive's employment for Cause (as defined in Section 2.3), such termination

to be effective as of the date on which notice is given or as of such later date otherwise specified in the notice and, upon such termination of employment for Cause, Executive shall not be entitled to receive any additional compensation hereunder. The Executive shall have the right, on written notice to the Corporation and the Partnership, to terminate the Executive's employment for Good Reason (as defined in Section 2.4), such termination to be effective as of the date on which notice is given or as of such later date otherwise specified in the notice; provided, however, the Executive's right to terminate Executive's employment shall lapse 60 days after the occurrence of any of the events specified in clauses (iii) or (iv) of the definition of Good Reason.

2.3 For purposes of this Agreement, the term "Cause" shall mean any of the following actions by the Executive: (a) failure to comply with any of the material terms of this Agreement, which shall not be cured within 10 days after written notice, or if the same is not of a nature that it can be completely cured within such 10 day period, if Executive shall have failed to commence to cure the same within such 10 day period and shall have failed to pursue the cure of the same diligently thereafter; (b) engagement in gross misconduct injurious to the business or reputation of the Corporation or the Partnership; (c) knowing and willful neglect or refusal to attend to the material duties assigned to the Executive by the Board of Directors of the Corporation, which shall not be cured within 10 days after written notice; (d) intentional misappropriation of property of the Corporation or the Partnership to the Executive's own use; (e) the commission by the Executive of an act of fraud or embezzlement; (f) Executive's conviction for a felony; (g) Executive's engaging in any activity which is prohibited pursuant to Section 5 of this Agreement, which shall not be cured within 10 days after written notice.

2.4 For purposes of this Agreement, the term "Good Reason" shall mean any of the following: (i) a material breach of this Agreement by the Corporation or the Partnership which shall not be cured within 10 days after written notice; (ii) a material reduction in the Executive's duties or responsibilities; (iii) the relocation of the Executive's office or the Corporation's or Partnership's executive offices to a location more than 30 miles from New York City; or (iv) a "Change in Control", as defined below. As used herein, a "Change in Control" shall be deemed to occur if: (i) there shall be consummated (x) any consolidation or merger of the Corporation or the Partnership in which the Corporation or the Partnership is not the continuing or surviving corporation or pursuant to which the stock of the Corporation or the units of the Partnership would be converted into cash, securities or other property, other than a merger or consolidation of the Corporation or Partnership in which the holders of the Corporation's stock immediately prior to the merger or consolidation hold more than fifty percent (50%) of the stock or other forms of equity of the surviving corporation immediately after the merger, or (y) any sale, lease, exchange or other transfer (in one transaction or series of related

transactions) of all, or substantially all, the assets of the Corporation or the Partnership; (ii) the Board approves any plan or proposal for liquidation or dissolution of the Corporation or the Partnership; or (iii) any person, other than Cedar Bay Company or an affiliated entity, acquires more than 29% of the issued and outstanding common stock of the Corporation.

3. Compensation.

3.1 The Partnership shall pay to the Executive for the services to be rendered by the Executive hereunder to the Corporation and the Partnership a base salary at the rate of $350,000 per annum. The base salary shall be payable in accordance with the Corporation's or

Partnership's normal payroll practices, but not less frequently than twice a month. Such base salary will be reviewed at least annually and may be increased (but not decreased) by the Board of Directors of the Corporation in its sole discretion. The Board of Directors of the Corporation in its sole discretion may grant to the Executive a bonus to be paid by the Corporation or Partnership, at any time and from time to time.

3.2 The Executive shall be entitled to participate in, and receive benefits from, on the basis comparable to other senior executives, any insurance, medical, disability, or other employee benefit plan of the Corporation, the Partnership or any of their subsidiaries which may be in effect at any time during the course of Executive's employment by the Corporation and the Partnership and which shall be generally available to senior executives of the Corporation, the Partnership or any of their subsidiaries.

3.3 The Partnership agrees to reimburse the Executive for all reasonable and necessary business expenses incurred by the Executive on behalf of the Corporation or the Partnership in the course of Executive's duties hereunder upon the presentation by the Executive of appropriate vouchers therefor, including continuing legal education, professional licenses and organizations and conferences approved by the Board of Directors (or a committee thereof).

3.4 The Executive shall be entitled each year of this Agreement to paid vacation in accordance with the Corporation's or Partnership's policies but not less than 4 weeks plus personal and floating holidays (and a ratable number of sick days), which if not taken during such year will be forfeited (unless management requests postponement).

3.5 In recognition of Executive's need for an automobile for business purposes, the Corporation or the Partnership will reimburse the Executive for Executive's use

of an automobile, including lease payments, if any, and all related costs, including maintenance, gasoline and insurance; provided, however, that such amount shall not exceed $450.00 a month. Insurance, maintenance and gas for business use is additional.

3.6 If, during the period of employment hereunder, because of illness or other incapacity, the Executive shall fail for a period of 90 consecutive days, or for shorter periods aggregating more than six months during the term of this Agreement, to render the services contemplated hereunder, then the Corporation or the Partnership, at either of their options, may terminate the term of employment hereunder by notice from the Corporation or the Partnership, as the case may be, to the Executive, effective on the giving of such notice. During any period of disability of Executive during the term hereof, the Corporation shall continue to pay to Executive the salary and bonus to which the Executive is entitled pursuant to Section 3.1 hereof.

3.7 In the event of the death of the Executive during the term hereof, the employment hereunder shall terminate on the date of death of the Executive.

3.8 Each of the Corporation and the Partnership shall have the right to obtain for their respective benefits an appropriate life insurance policy on the life of the Executive, naming the Corporation or the Partnership as the beneficiary. If requested by the Corporation or the Partnership, the Executive agrees to cooperate with the Corporation or the Partnership, as the case may be, in obtaining such policy.

4. Severance Compensation Upon Termination of Employment.

4.1 If the Executive's employment with the Corporation or the Partnership shall be terminated (a) by the Corporation or Partnership other than for Cause or pursuant to

Sections 3.6 or 3.7, or (b) by the Executive for Good Reason, then the Corporation and the Partnership shall:

(i) pay to the Executive as severance pay, within five days after termination, a lump sum payment equal to 250% of the sum of the Executive's annual salary at the rate applicable on the date of termination and the average of the Executive's annual bonus for the preceding two full fiscal years; provided, however, that the average of the Executive's annual bonus for (x) the first year of this Agreement shall be the Executive's annual salary and (y) during the second year of this Agreement shall be the actual annual bonus for such year. If the severance payment under this Section 4.1, either alone or together with other payments which the Executive has the right to receive from the Corporation would not be deductible (in whole or in part) by the Corporation as a result of such payment constituting a "parachute payment" (as defined in Section 280G of the Internal Revenue Code of 1986, as amended (the "Code")), such severance payment shall be reduced to the largest amount as will result in no portion of the severance payment under this Section 4.1 not being fully deductible by the Corporation as a result of Section 280G of the Code. The determination of any reduction in the severance payment under this Section 4.1 pursuant to the foregoing proviso shall be made exclusively by the Corporation's independent accountants (whose fees and expenses shall be borne by the Corporation), and such determination shall be conclusive and binding;

(ii) arrange to provide Executive, for a 12 month period (or such shorter period as Executive may elect), with disability, accident and health insurance substantially similar to those insurance benefits which Executive is receiving

immediately prior to the earlier of a Change in Control, if any, or the date of termination to the extent obtainable upon reasonable terms; provided, however, if it is not so obtainable the Corporation shall pay to the Executive in cash the annual amount paid by the Corporation or the Partnership for such benefits during the previous year of the Executive's employment. Benefits otherwise receivable by Executive pursuant to this Section 4.1(ii) shall be reduced to the extent comparable benefits are actually received by the Executive during such 12 month period following his termination (or such shorter period elected by the Executive), and any such benefits actually received by Executive shall be reported by the Executive to the Corporation; and

(iii) any options granted to Executive to acquire common stock of the Corporation which have not vested shall immediately vest on such termination.

4.2 (a) The Executive shall not be required to mitigate damages or the amount of any payment provided for under this Agreement by seeking other employment or otherwise, nor, except to the extent provided in Section 4.1 above, shall the amount of any payment provided for under this Agreement be reduced by any compensation earned by the Executive as a result of employment by another employer or by insurance benefits after the date of termination, or otherwise.

(a) The provisions of this Agreement, and any payment provided for hereunder, shall not reduce any amounts otherwise payable, or in any way diminish the Executive's existing rights, or rights which would accrue solely as a result of the passage of time, under any benefit plan of the Corporation or Partnership, or other contract, plan or arrangement.

5. Other Activities During Employment.

5.1 The Executive shall not during the term of this Agreement undertake or engage in any other employment, occupation or business enterprise. Subject to compliance with the provisions of this Agreement, the Executive may engage in reasonable activities with respect to personal investments of the Executive.

5.2 During the term of this Agreement, without the prior approval of the Board of Directors, neither the Executive nor any entity in which he may be interested as a partner, trustee, director, officer, employee, shareholder, option holder, lender of money or guarantor, shall be engaged directly or indirectly in any real estate development, leasing, marketing or management activities other than through the Corporation and the Partnership, except for activities existing on the date of this Agreement which have been disclosed to the Corporation; provided, however, that the foregoing shall not be deemed to

(a) prohibit the Executive from being on the Board of Directors of another entity, (b) prevent the Executive from investing in securities if such class of securities in which the investment is so made is listed on a national securities exchange or is issued by a company registered under Section 12(g) of the Securities Exchange Act of 1934, so long as such investment holdings do not, in the aggregate, constitute more than 1% of the voting stock of any company's securities or (c) prohibit passive investments, subject to any limitations contained in subparagraph (b) above.

5.3 The Executive shall not at any time during this Agreement or after the termination hereof directly or indirectly divulge, furnish, use, publish or make accessible to any person or entity any Confidential Information (as hereinafter defined), except pursuant to subpoena, court order or applicable law. Any records of Confidential Information prepared by

the Executive or which come into Executive's possession during this Agreement are and remain the property of the Corporation or the Partnership, as the case may be, and upon termination of Executive's employment all such records and copies thereof shall be either left with or returned to the Corporation or the Partnership, as the case may be.

5.4 The term "Confidential Information" shall mean information disclosed to the Executive or known, learned, created or observed by Executive as a consequence of or through employment by the Corporation and the Partnership, not generally known in the relevant trade or industry, about the Corporation's or the Partnership's business activities, services and processes, including but not limited to information concerning advertising, sales promotion, publicity, sales data, research, copy, leasing, other printed matter, artwork, photographs, reproductions, layout, finances, accounting, methods, processes, business plans, contractors, lessee and supplier lists and records, potential lessee and supplier lists, and contractor, lessee or supplier billing.

6. Post-Employment Activities.

6.1 During the term of employment hereunder, and for a period of one year after termination of employment, regardless of the reason for such termination other than by the Corporation or Partnership without Cause or by the Executive for Good Reason, the Executive shall not directly or indirectly become employed by, act as a consultant to, or otherwise render any services to any person, corporation, partnership or other entity which is engaged in, or about to become engaged in, the retail shopping center business or any other business which is competitive with the business of the Corporation, the Partnership or any of their subsidiaries nor shall Executive use Executive's talents to make any such business competitive with the business of the Corporation, the Partnership or any of their subsidiaries. For the purpose of this

Section, a retail shopping center business or other business shall be deemed to be competitive if it involves the ownership, operation, leasing or management of any retail shopping centers which draw from the same related trade area, which is deemed to be within a radius of 10 miles from the location of (a) any then existing shopping centers of the Corporation, the Partnership or any of their subsidiaries or (b) any proposed centers for which the site is owned or under contract, is under construction or is actively being negotiated. The Executive shall be deemed to be directly or indirectly engaged in a business if Executive participates therein as a director, officer, stockholder, employee, agent, consultant, manager, salesman, partner or individual proprietor, or as an investor who has made advances or loans, contributions to capital or expenditures for the purchase of stock, or in any capacity or manner whatsoever; provided, however, that the foregoing shall not be deemed to prevent the Executive from investing in securities if such class of securities in which the investment is so made is listed on a national securities exchange or is issued by a company registered under Section 12(g) of the Securities Exchange Act of 1934, so long as such investment holdings do not, in the aggregate, constitute more than 1% of the voting stock of any company's securities.

6.2 The Executive acknowledges that Executive has been employed for Executive's special talents and that Executive's leaving the employ of the Corporation and the Partnership would seriously hamper the business of the Corporation and the Partnership. The Executive agrees that the Corporation and the Partnership shall each be entitled to injunctive relief, in addition to all remedies permitted by law, to enforce the provisions of Sections 5 and 6 hereof. The Executive further acknowledges that Executive's training, experience and technical skills are of such breadth that they can be employed to advantage in other areas which are not competitive with the present business of the Corporation and the Partnership and

consequently the foregoing obligation will not unreasonably impair Executive's ability to engage in business activity after the termination of Executive's present employment.

6.3 The Executive will not, during the period of one year after termination of employment, regardless of the reason for such termination, hire or offer to hire or entice away or in any other manner persuade or attempt to persuade, either in Executive's individual capacity or as agent for another, any of the Corporation's, the Partnership's or any of their subsidiaries' officers, employees or agents to discontinue their relationship with the Corporation, the Partnership or any of their subsidiaries nor divert or attempt to divert from the Corporation, the Partnership or any of their subsidiaries any business whatsoever by influencing or attempting to influence any contractor, lessee or supplier of the Corporation, the Partnership or any of their subsidiaries.

7. Assignment. This Agreement shall inure to the benefit of and be binding upon the Corporation, the Partnership and their successors and assigns, and upon the Executive and Executive's heirs, executors, administrators and legal representatives. The Corporation and the Partnership will require any successor or assign to all or substantially all of their business or assets to assume and perform this Agreement in the same manner and to the same extent that the Corporation and the Partnership would be required to perform if no such succession or assignment had taken place. This Agreement shall not be assignable by the Executive.

8. No Third Party Beneficiaries. This Agreement does not create, and shall not be construed as creating, any rights enforceable by any person not a party to this Agreement, except as provided in Section 7 hereof.

9. Headings. The headings of the sections hereof are inserted for convenience only and shall not be deemed to constitute a part hereof nor to affect the meaning thereof.

10. Interpretation. In case any one or more of the provisions contained in this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provisions had never been contained herein. If, moreover, any one or more of the provisions contained in this Agreement shall for any reason be held to be excessively broad as to duration, geographical scope, activity or subject, it shall be construed by limiting and reducing it, so as to be enforceable to the extent compatible with the applicable law as it shall then appear.

11. Notices. All notices under this Agreement shall be in writing and shall be deemed to have been given at the time when mailed by registered or certified mail, addressed to the address below stated of the party to which notice is given, or to such changed address as such party may have fixed by notice:

To the Corporation
or the Partnership:

Cedar Shopping Centers, Inc.
44 South Bayles Avenue
Port Washington, NY 11050
Attn: President

To the Executive:

Leo S. Ullman
5 Sea Coast Lane
Sands Point, NY 11050

provided, however, that any notice of change of address shall be effective only upon receipt.

12. Waivers. If either party should waive any breach of any provision of this Agreement, he or it shall not thereby be deemed to have waived any preceding or succeeding breach of the same or any other provision of this Agreement.

13. Complete Agreement; Amendments. The foregoing is the entire agreement of the parties with respect to the subject matter hereof and may not be amended, supplemented, cancelled or discharged except by written instrument executed by both parties hereto.

14. Governing Law. This Agreement is to be governed by and construed in accordance with the laws of the State of New York without giving effect to principles of conflicts of law.

15. Counterparts. This Agreement may be executed in counterparts, all of which together shall constitute one agreement binding on all of the parties hereto, notwithstanding that all such parties are not signatories to the same counterpart.

16. Arbitration. Mindful of the high cost of litigation, not only in dollars but time and energy as well, the parties intend to and do hereby establish a quick, final and binding out-of-court dispute resolution procedure to be followed in the unlikely event any controversy should arise out of or concerning the performance of this Agreement. Accordingly, the parties do hereby covenant and agree that any controversy, dispute or claim of whatever nature arising out of, in connection with or in relation to the interpretation, performance or breach of this Agreement, including any claim based on contract, tort or statute, shall be settled, at the request of any party to this Agreement, through arbitration by a dispute resolution process administered by JAMS or any other mutually agreed upon arbitration firm involving final and binding arbitration conducted at a location determined by the arbitrator in New York City administered by and in accordance with the then existing rules of practice and procedure of such arbitration

firm and judgment upon any award rendered by the arbitrator may be entered by any state or federal court having jurisdiction thereof; provided, however, that the Corporation and the Partnership shall be entitled to seek judicial relief to enforce the provisions of Sections 5 and 6 of this Agreement.

17. Indemnification. During this Agreement and thereafter, the Corporation and the Partnership shall indemnify the Executive to the fullest extent permitted by law against any judgments, fine, amounts paid in settlement and reasonable expenses (including attorneys' fees) in connection with any claim, action or proceeding (whether civil or criminal) against the Executive as a result of the Executive serving as an officer or director of the Corporation or the Partnership, in or with regard to any other entity, employee benefit plan or enterprise (other than arising out of the Executive's act of willful misconduct, gross negligence, misappropriation of funds, fraud or breach of this Agreement). This indemnification shall be in addition to, and not in lieu of, any other indemnification the Executive shall be entitled to pursuant to the Corporation's or Partnership's Articles of Incorporation, By-Laws, Agreement of Limited Partnership or otherwise. Following the Executive's termination of employment, the Corporation and the Partnership shall continue to cover the Executive under the then existing director's and officer's insurance, if any, for the period during which the Executive may be subject to potential liability for any claim, action or proceeding (whether civil or criminal) as a result of his service as an officer or director of the Corporation or the Partnership or in any capacity at the request of the Corporation or the Partnership, in or with regard to any other entity, employee benefit plan or enterprise on the same terms such coverage was provided during this Agreement, at the highest level then maintained for any then current or former officer or director.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

Cedar Shopping Centers, Inc.

By: _____
Title:

Cedar Shopping Centers Partnership, L.P.

By: Cedar Shopping Centers, Inc.,
General Partner

By: _____
Title:

_____
Leo S. Ullman

EMPLOYMENT AGREEMENT

AGREEMENT made as of this 1st day of October, 2003, by and among Cedar Shopping Centers, Inc., a Maryland corporation (the "Corporation"), Cedar Shopping Centers Partnership, L.P., a Delaware limited partnership (the "Partnership"), and Brenda J. Walker (the "Executive").

1. Position and Responsibilities.

1.1 The Executive shall serve in an executive capacity as Vice President of both the Corporation and the Partnership with duties consistent therewith and shall perform such other functions and undertake such other responsibilities as are customarily associated with such capacity. The Executive shall also hold such directorships and officerships in the Corporation, the Partnership and any of their subsidiaries to which, from time to time, the Executive may be elected or appointed during the term of this Agreement.

1.2 The Executive shall devote Executive's full business time and skill to the business and affairs of the Corporation and the Partnership and to the promotion of their interests.

2. Term of Employment.

2.1 The term of employment shall be four years, commencing with the date hereof, unless sooner terminated as provided in this Agreement.

2.2 Notwithstanding the provisions of Section 2.1 hereof, each of the Corporation and the Partnership shall have the right, on written notice to the Executive, to terminate the Executive's employment for Cause (as defined in Section 2.3), such termination to be effective as of the date on which notice is given or as of such later date otherwise specified in the notice and, upon such termination of employment for Cause, Executive shall not be entitled to receive any additional compensation hereunder. The Executive shall have the right, on written notice to the Corporation and the Partnership, to terminate the Executive's employment for Good Reason (as defined in Section 2.4), such termination to be effective as of the date on which notice is given or as of such later date otherwise specified in the notice; provided, however, the Executive's right to terminate Executive's employment shall lapse 60 days after the occurrence of any of the events specified in clauses (iii) or (iv) of the definition of Good Reason.

2.3 For purposes of this Agreement, the term "Cause" shall mean any of the following actions by the Executive: (a) failure to comply with any of the material terms of this Agreement, which shall not be cured within 10 days after written notice, or if the same is not of a nature that it can be completely cured within such 10 day period, if Executive shall have failed to commence to cure the same within such 10 day period and shall have failed to pursue the cure of the same diligently thereafter; (b) engagement in gross misconduct injurious to the business or reputation of the Corporation or the Partnership; (c) knowing and willful neglect or refusal to attend to the material duties assigned to the Executive by the Board of Directors of the Corporation, which shall not be cured within 10 days after written notice; (d) intentional misappropriation of property of the Corporation or the Partnership to the Executive's own use; (e) the commission by the Executive of an act of fraud or embezzlement; (f) Executive's conviction for a felony; (g) Executive's engaging in any activity which is prohibited pursuant to Section 5 of this Agreement, which shall not be cured within 10 days after written notice.

2.4 For purposes of this Agreement, the term "Good Reason" shall mean any of the following: (i) a material breach of this Agreement by the Corporation or the Partnership

which shall not be cured within 10 days after written notice; (ii) a material reduction in the Executive's duties or responsibilities; (iii) the relocation of the Executive's office or the Corporation's or Partnership's executive offices to a location more than 30 miles from New York City; or (iv) a "Change in Control", as defined below. As used herein, a "Change in Control" shall be deemed to occur if: (i) there shall be consummated (x) any consolidation or merger of the Corporation or the Partnership in which the Corporation or the Partnership is not the continuing or surviving corporation or pursuant to which the stock of the Corporation or the units of the Partnership would be converted into cash, securities or other property, other than a merger or consolidation of the Corporation or Partnership in which the holders of the Corporation's stock immediately prior to the merger or consolidation hold more than fifty percent (50%) of the stock or other forms of equity of the surviving corporation immediately after the merger, or (y) any sale, lease, exchange or other transfer (in one transaction or series of related transactions) of all, or substantially all, the assets of the Corporation or the Partnership; (ii) the Board approves any plan or proposal for liquidation or dissolution of the Corporation or the Partnership; or (iii) any person, other than Cedar Bay Company or an affiliated

entity, acquires more than 29% of the issued and outstanding common stock of the Corporation.

3. Compensation.

3.1 The Partnership shall pay to the Executive for the services to be rendered by the Executive hereunder to the Corporation and the Partnership a base salary at the rate of $200,000 per annum. The base salary shall be payable in accordance with the Corporation's or Partnership's normal payroll practices, but not less frequently than twice a month. Such base salary will be reviewed at least annually and may be increased (but not decreased) by the Board

of Directors of the Corporation in its sole discretion. The Board of Directors of the Corporation in its sole discretion may grant to the Executive a bonus to be paid by the Corporation or Partnership, at any time and from time to time.

3.2 The Executive shall be entitled to participate in, and receive benefits from, on the basis comparable to other senior executives, any insurance, medical, disability, or other employee benefit plan of the Corporation, the Partnership or any of their subsidiaries which may be in effect at any time during the course of Executive's employment by the Corporation and the Partnership and which shall be generally available to senior executives of the Corporation, the Partnership or any of their subsidiaries.

3.3 The Partnership agrees to reimburse the Executive for all reasonable and necessary business expenses incurred by the Executive on behalf of the Corporation or the Partnership in the course of Executive's duties hereunder upon the presentation by the Executive of appropriate vouchers therefor, including continuing legal education, professional licenses and organizations and conferences approved by the CEO.

3.4 The Executive shall be entitled each year of this Agreement to paid vacation in accordance with the Corporation's or Partnership's policies but not less than 4 weeks plus personal and floating holidays (and a ratable number of sick days), which if not taken during such year will be forfeited (unless management requests postponement).

3.5 In recognition of Executive's need for an automobile for business purposes, the Corporation or the Partnership will reimburse the Executive for Executive's use of an automobile, including lease payments, if any, and all related costs, including maintenance, gasoline and insurance; provided, however, that such amount shall not exceed $450.00 a month. Insurance, maintenance and gas for business use is additional.

3.6 If, during the period of employment hereunder, because of illness or other incapacity, the Executive shall fail for a period of 90 consecutive days, or for shorter periods aggregating more than six months during the term of this Agreement, to render the services contemplated hereunder, then the Corporation or the Partnership, at either of their options, may terminate the term of employment hereunder by notice from the Corporation or the Partnership, as the case may be, to the Executive, effective on the giving of such notice. During any period of disability of Executive during the term hereof, the Corporation shall continue to pay to Executive the salary and bonus to which the Executive is entitled pursuant to Section 3.1 hereof.

3.7 In the event of the death of the Executive during the term hereof, the employment hereunder shall terminate on the date of death of the Executive.

3.8 Each of the Corporation and the Partnership shall have the right to obtain for their respective benefits an appropriate life insurance policy on the life of the Executive, naming the Corporation or the Partnership as the beneficiary. If requested by the Corporation or the Partnership, the Executive agrees to cooperate with the Corporation or the Partnership, as the case may be, in obtaining such policy.

4. Severance Compensation Upon Termination of Employment.

4.1 If the Executive's employment with the Corporation or the Partnership shall be terminated (a) by the Corporation or Partnership other than for Cause or pursuant to Sections 3.6 or 3.7, or (b) by the Executive for Good Reason, then the Corporation and the Partnership shall:

(i) pay to the Executive as severance pay, within five days after termination, a lump sum payment equal to 250% of the sum of the Executive's

annual salary at the rate applicable on the date of termination and the average of the Executive's annual bonus for the preceding two full fiscal years; provided, however, that the average of the Executive's annual bonus for (x) the first year of this Agreement shall be the Executive's annual

salary and (y) during the second year of this Agreement shall be the actual annual bonus for such year. If the severance payment under this Section 4.1, either alone or together with other payments which the Executive has the right to receive from the Corporation would not be deductible (in whole or in part) by the Corporation as a result of such payment constituting a "parachute payment" (as defined in Section 280G of the Internal Revenue Code of 1986, as amended (the "Code")), such severance payment shall be reduced to the largest amount as will result in no portion of the severance payment under this Section 4.1 not being fully deductible by the Corporation as a result of Section 280G of the Code. The determination of any reduction in the severance payment under this Section 4.1 pursuant to the foregoing proviso shall be made exclusively by the Corporation's independent accountants (whose fees and expenses shall be borne by the Corporation), and such determination shall be conclusive and binding;

(ii) arrange to provide Executive, for a 12 month period (or such shorter period as Executive may elect), with disability, accident and health insurance substantially similar to those insurance benefits which Executive is receiving immediately prior to the earlier of a Change in Control, if any, or the date of termination to the extent obtainable upon reasonable terms; provided, however, if it is not so obtainable the Corporation shall pay to the Executive in cash the annual amount paid by the Corporation or the Partnership for such benefits during the previous year of the

Executive's employment. Benefits otherwise receivable by Executive pursuant to this Section 4.1(ii) shall be reduced to the extent comparable benefits are actually received by the Executive during such 12 month period following his termination (or such shorter period elected by the Executive), and any such benefits actually received by Executive shall be reported by the Executive to the Corporation; and

(iii) any options granted to Executive to acquire common stock of the Corporation which have not vested shall immediately vest on such termination.

4.2 (a) The Executive shall not be required to mitigate damages or the amount of any payment provided for under this Agreement by seeking other employment or otherwise, nor, except to the extent provided in Section 4.1 above, shall the amount of any payment provided for under this Agreement be reduced by any compensation earned by the Executive as a result of employment by another employer or by insurance benefits after the date of termination, or otherwise.

(b) The provisions of this Agreement, and any payment provided for hereunder, shall not reduce any amounts otherwise payable, or in any way diminish the Executive's existing rights, or rights which would accrue solely as a result of the passage of time, under any benefit plan of the Corporation or Partnership, or other contract, plan or arrangement.

5. Other Activities During Employment.

5.1 The Executive shall not during the term of this Agreement undertake or engage in any other employment, occupation or business enterprise. Subject to compliance

with the provisions of this Agreement, the Executive may engage in reasonable activities with respect to personal investments of the Executive.

5.2 During the term of this Agreement, without the prior approval of the Board of Directors, neither the Executive nor any entity in which he may be interested as a partner, trustee, director, officer, employee, shareholder, option holder, lender of money or guarantor, shall be engaged directly or indirectly in any real estate development, leasing, marketing or management activities other than through the Corporation and the Partnership, except for activities existing on the date of this Agreement which have been disclosed to the Corporation; provided, however, that the foregoing shall not be deemed to (a) prohibit the Executive from being on the Board of Directors of another entity, (b) prevent the Executive from investing in securities if such class of securities in which the investment is so made is listed on a national securities exchange or is issued by a company registered under Section 12(g) of the Securities Exchange Act of 1934, so long as such investment holdings do not, in the aggregate, constitute more than 1% of the voting stock of any company's securities or (c) prohibit passive investments, subject to any limitations contained in subparagraph (b) above.

5.3 The Executive shall not at any time during this Agreement or after the termination hereof directly or indirectly divulge, furnish, use, publish or make accessible to any person or entity any Confidential Information (as hereinafter defined), except pursuant to subpoena, court order or applicable law. Any records of Confidential Information prepared by the Executive or which come into Executive's possession during this Agreement are and remain the

property of the Corporation or the Partnership, as the case may be, and upon

termination of Executive's employment all such records and copies thereof shall be either left with or returned to the Corporation or the Partnership, as the case may be.

5.4 The term "Confidential Information" shall mean information disclosed to the Executive or known, learned, created or observed by Executive as a consequence of or through employment by the Corporation and the Partnership, not generally known in the relevant trade or industry, about the Corporation's or the Partnership's business activities, services and processes, including but not limited to information concerning advertising, sales promotion, publicity, sales data, research, copy, leasing, other printed matter, artwork, photographs, reproductions, layout, finances, accounting, methods, processes, business plans, contractors, lessee and supplier lists and records, potential lessee and supplier lists, and contractor, lessee or supplier billing.

6. Post-Employment Activities.

6.1 During the term of employment hereunder, and for a period of one year after termination of employment, regardless of the reason for such termination other than by the Corporation or Partnership without Cause or by the Executive for Good Reason, the Executive shall not directly or indirectly become employed by, act as a consultant to, or otherwise render any services to any person, corporation, partnership or other entity which is engaged in, or about to become engaged in, the retail shopping center business or any other business which is competitive with the business of the Corporation, the Partnership or any of their subsidiaries nor shall Executive use Executive's talents to make any such business competitive with the business of the Corporation, the Partnership or any of their subsidiaries. For the purpose of this Section, a retail shopping center business or other business shall be deemed to be competitive if it involves the ownership, operation, leasing or management of any retail shopping centers

which draw from the same related trade area, which is deemed to be within a radius of 10 miles from the location of (a) any then existing shopping centers of the Corporation, the Partnership or any of their subsidiaries or (b) any proposed centers for which the site is owned or under contract, is under construction or is actively being negotiated. The Executive shall be deemed to be directly or indirectly engaged in a business if Executive participates therein as a director, officer, stockholder, employee, agent, consultant, manager, salesman, partner or individual proprietor, or as an investor who has made advances or loans, contributions to capital or expenditures for the purchase of stock, or in any capacity or manner whatsoever; provided, however, that the foregoing shall not be deemed to prevent the Executive from investing in securities if such class of securities in which the investment is so made is listed on a national securities exchange or is issued by a company registered under Section 12(g) of the Securities Exchange Act of 1934, so long as such investment holdings do not, in the aggregate, constitute more than 1% of the voting stock of any company's securities.

6.2 The Executive acknowledges that Executive has been employed for Executive's special talents and that Executive's leaving the employ of the Corporation and the Partnership would seriously hamper the business of the Corporation and the Partnership. The Executive agrees that the Corporation and the Partnership shall each be entitled to injunctive relief, in addition to all remedies permitted by law, to enforce the provisions of Sections 5 and 6 hereof. The Executive further acknowledges that Executive's training, experience and technical skills are of such breadth that they can be employed to advantage in other areas which are not competitive with the present business of the Corporation and the Partnership and consequently the foregoing obligation will not unreasonably impair Executive's ability to engage in business activity after the termination of Executive's present employment.

6.3 The Executive will not, during the period of one year after termination of employment, regardless of the reason for such termination, hire or offer to hire or entice away or in any other manner persuade or attempt to persuade, either in Executive's individual capacity or as agent for another, any of the Corporation's, the Partnership's or any of their subsidiaries' officers, employees or agents to discontinue their relationship with the Corporation, the Partnership or any of their subsidiaries nor divert or attempt to divert from the Corporation, the Partnership or any of their subsidiaries any business whatsoever by influencing or attempting to influence any contractor, lessee or supplier of the Corporation, the Partnership or any of their subsidiaries.

7. Assignment. This Agreement shall inure to the benefit of and be binding upon the Corporation, the Partnership and their successors and assigns, and upon the Executive and Executive's heirs, executors, administrators and legal representatives. The Corporation and the Partnership will require any successor or assign to all or substantially all of their business or assets to assume and

perform this Agreement in the same manner and to the same extent that the Corporation and the Partnership would be required to perform if no such succession or assignment had taken place. This Agreement shall not be assignable by the Executive.

8. No Third Party Beneficiaries. This Agreement does not create, and shall not be construed as creating, any rights enforceable by any person not a party to this Agreement, except as provided in Section 7 hereof.

9. Headings. The headings of the sections hereof are inserted for convenience only and shall not be deemed to constitute a part hereof nor to affect the meaning thereof.

10. Interpretation. In case any one or more of the provisions contained in this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect,

such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provisions had never been contained herein. If, moreover, any one or more of the provisions contained in this Agreement shall for any reason be held to be excessively broad as to duration, geographical scope, activity or subject, it shall be construed by limiting and reducing it, so as to be enforceable to the extent compatible with the applicable law as it shall then appear.

11. Notices. All notices under this Agreement shall be in writing and shall be deemed to have been given at the time when mailed by registered or certified mail, addressed to the address below stated of the party to which notice is given, or to such changed address as such party may have fixed by notice:

To the Corporation
or the Partnership:

Cedar Shopping Centers, Inc.
44 South Bayles Avenue
Port Washington, NY 11050
Attn: President

To the Executive:

Brenda J. Walker

provided, however, that any notice of change of address shall be effective only upon receipt.

12. Waivers. If either party should waive any breach of any provision of this Agreement, he or it shall not thereby be deemed to have waived any preceding or succeeding breach of the same or any other provision of this Agreement.

13. Complete Agreement; Amendments. The foregoing is the entire agreement of the parties with respect to the subject matter hereof and may not be amended, supplemented, cancelled or discharged except by written instrument executed by both parties hereto.

14. Governing Law. This Agreement is to be governed by and construed in accordance with the laws of the State of New York without giving effect to principles of conflicts of law.

15. Counterparts. This Agreement may be executed in counterparts, all of which together shall constitute one agreement binding on all of the parties hereto, notwithstanding that all such parties are not signatories to the same counterpart.

16. Arbitration. Mindful of the high cost of litigation, not only in dollars but time and energy as well, the parties intend to and do hereby establish a quick, final and binding out-of-court dispute resolution procedure to be followed in the unlikely event any controversy should arise out of or concerning the performance of this Agreement. Accordingly, the parties do hereby covenant and agree that any controversy, dispute or claim of whatever nature arising out of, in connection with or in relation to the interpretation, performance or breach of this Agreement, including any claim based on contract, tort or statute, shall be settled, at the request of any party to this Agreement, through arbitration by a dispute resolution process administered by JAMS or any other mutually agreed upon arbitration firm involving final and binding arbitration conducted at a location determined by the arbitrator in New York City administered by and in accordance with the then existing rules of practice and procedure of such arbitration firm and judgment upon any award rendered by the arbitrator may be entered by any state or federal court having jurisdiction thereof; provided, however, that the Corporation and the

Partnership shall be entitled to seek judicial relief to enforce the provisions of Sections 5 and 6 of this Agreement.

17. Indemnification. During this Agreement and thereafter, the Corporation and the Partnership shall indemnify the Executive to the fullest extent permitted by law against any judgments, fine, amounts paid in settlement and reasonable expenses (including attorneys' fees) in connection with any claim, action or proceeding (whether civil or criminal) against the Executive as a result of the Executive serving as an officer or director of the Corporation or the Partnership, in or with regard to any other entity, employee benefit plan or enterprise (other than arising out of the Executive's act of willful misconduct, gross negligence, misappropriation of funds, fraud or breach of this Agreement). This indemnification shall be in addition to, and not in lieu of, any other indemnification the Executive shall be entitled to pursuant to the Corporation's or Partnership's Articles of Incorporation, By-Laws, Agreement of Limited Partnership or otherwise. Following the Executive's termination of employment, the Corporation and the Partnership shall continue to cover the Executive under the then existing director's and officer's insurance, if any, for the period during which the Executive may be subject to potential liability for any claim, action or proceeding (whether civil or criminal) as a result of his service as an officer or director of the Corporation or the Partnership or in any capacity at the request of the Corporation or the Partnership, in or with regard to any other entity, employee benefit plan or enterprise on the same terms such coverage was provided during this Agreement, at the highest level then maintained for any then current or former officer or director.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

Cedar Shopping Centers, Inc.

By: _____
Title:

Cedar Shopping Centers Partnership, L.P.

By: Cedar Shopping Centers, Inc.,
General Partner

By: _____
Title:

_____
Brenda J. Walker

EMPLOYMENT AGREEMENT

AGREEMENT made as of this 1st day of October, 2003, by and among Cedar Shopping Centers, Inc., a Maryland corporation (the "Corporation"), Cedar Shopping Centers Partnership, L.P., a Delaware limited partnership (the "Partnership"), and Thomas J. O'Keeffe (the "Executive").

1. Position and Responsibilities.

1.1 The Executive shall serve in an executive capacity as Chief Financial Officer of both the Corporation and the Partnership with duties consistent therewith and shall perform such other functions and undertake such other responsibilities as are customarily associated with such capacity. The Executive shall also hold such directorships and officerships in the Corporation, the Partnership and any of their subsidiaries to which, from time to time, the Executive may be elected or appointed during the term of this Agreement.

1.2 The Executive shall devote Executive's full business time and skill to the business and affairs of the Corporation and the Partnership and to the promotion of their interests.

2. Term of Employment.

2.1 The term of employment shall be four years, commencing with the date hereof, unless sooner terminated as provided in this Agreement.

2.2 Notwithstanding the provisions of Section 2.1 hereof, each of the Corporation and the Partnership shall have the right, on written notice to the Executive, to terminate the Executive's employment for Cause (as defined in Section 2.3), such termination to be effective as of the date on which notice is given or as of such later date otherwise specified in the notice and, upon such termination of employment for Cause, Executive shall not be entitled to receive any additional compensation hereunder. The Executive shall have the right, on written notice to the Corporation and the Partnership, to terminate the Executive's employment for Good Reason (as defined in Section 2.4), such termination to be effective as of the date on which notice is given or as of such later date otherwise specified in the notice; provided, however, the Executive's right to terminate Executive's employment shall lapse 60 days after the occurrence of any of the events specified in clauses (iii) or (iv) of the definition of Good Reason.

2.3 For purposes of this Agreement, the term "Cause" shall mean any of the following actions by the Executive: (a) failure to comply with any of the material terms of this Agreement, which shall not be cured within 10 days after written notice, or if the same is not of a nature that it can be completely cured within such 10 day period, if Executive shall have failed to commence to cure the same within such 10 day period and shall have failed to pursue the cure of the same diligently thereafter; (b) engagement in gross misconduct injurious to the business or reputation of the Corporation or the Partnership; (c) knowing and willful neglect or refusal to attend to the material duties assigned to the Executive by the Board of Directors of the Corporation, which shall not be cured within 10 days after written notice; (d) intentional misappropriation of property of the Corporation or the Partnership to the Executive's own use; (e) the commission by the Executive of an act of fraud or embezzlement; (f) Executive's conviction for a felony; (g) Executive's engaging in any activity which is prohibited pursuant to Section 5 of this Agreement, which shall not be cured within 10 days after written notice.

2.4 For purposes of this Agreement, the term "Good Reason" shall mean any of the following: (i) a material breach of this Agreement by the Corporation or the Partnership

which shall not be cured within 10 days after written notice; (ii) a material reduction in the Executive's duties or responsibilities; (iii) the relocation of the Executive's office or the Corporation's or Partnership's executive offices to a location more than 30 miles from New York City; or (iv) a "Change in Control", as defined below. As used herein, a "Change in Control" shall be deemed to occur if: (i) there shall be consummated (x) any consolidation or merger of the Corporation or the Partnership in which the Corporation or the Partnership is not the continuing or surviving corporation or pursuant to which the stock of the Corporation or the units of the Partnership would be converted into cash, securities or other property, other than a merger or consolidation of the Corporation or Partnership in which the holders of the Corporation's stock immediately prior to the merger or consolidation hold more than fifty percent (50%) of the stock or other forms of equity of the surviving corporation immediately after the merger, or (y) any sale, lease, exchange or other transfer (in one transaction or series of related transactions) of all, or substantially all, the assets of the Corporation or the Partnership; (ii) the Board approves any plan or proposal for liquidation or dissolution of the Corporation or the

Partnership; or (iii) any person, other than Cedar Bay Company or an affiliated entity, acquires more than 29% of the issued and outstanding common stock of the Corporation.

3. Compensation.

3.1 The Partnership shall pay to the Executive for the services to be rendered by the Executive hereunder to the Corporation and the Partnership a base salary at the rate of $250,000 per annum. The base salary shall be payable in accordance with the Corporation's or Partnership's normal payroll practices, but not less frequently than twice a month. Such base salary will be reviewed at least annually and may be increased (but not decreased) by the Board

of Directors of the Corporation in its sole discretion. The Board of Directors of the Corporation in its sole discretion may grant to the Executive a bonus to be paid by the Corporation or Partnership, at any time and from time to time.

3.2 The Executive shall be entitled to participate in, and receive benefits from, on the basis comparable to other senior executives, any insurance, medical, disability, or other employee benefit plan of the Corporation, the Partnership or any of their subsidiaries which may be in effect at any time during the course of Executive's employment by the Corporation and the Partnership and which shall be generally available to senior executives of the Corporation, the Partnership or any of their subsidiaries.

3.3 The Partnership agrees to reimburse the Executive for all reasonable and necessary business expenses incurred by the Executive on behalf of the Corporation or the Partnership in the course of Executive's duties hereunder upon the presentation by the Executive of appropriate vouchers therefor, including continuing legal education, professional licenses and organizations and conferences approved by the CEO.

3.4 The Executive shall be entitled each year of this Agreement to paid vacation in accordance with the Corporation's or Partnership's policies but not less than 4 weeks plus personal and floating holidays (and a ratable number of sick days), which if not taken during such year will be forfeited (unless management requests postponement).

3.5 In recognition of Executive's need for an automobile for business purposes, the Corporation or the Partnership will reimburse the Executive for Executive's use of an automobile, including lease payments, if any, and all related costs, including maintenance, gasoline and insurance; provided, however, that such amount shall not exceed $450.00 a month. Insurance, maintenance and gas for business use is additional.

3.6 If, during the period of employment hereunder, because of illness or other incapacity, the Executive shall fail for a period of 90 consecutive days, or for shorter periods aggregating more than six months during the term of this Agreement, to render the services contemplated hereunder, then the Corporation or the Partnership, at either of their options, may terminate the term of employment hereunder by notice from the Corporation or the Partnership, as the case may be, to the Executive, effective on the giving of such notice. During any period of disability of Executive during the term hereof, the Corporation shall continue to pay to Executive the salary and bonus to which the Executive is entitled pursuant to Section 3.1 hereof.

3.7 In the event of the death of the Executive during the term hereof, the employment hereunder shall terminate on the date of death of the Executive.

3.8 Each of the Corporation and the Partnership shall have the right to obtain for their respective benefits an appropriate life insurance policy on the life of the Executive, naming the Corporation or the Partnership as the beneficiary. If requested by the Corporation or the Partnership, the Executive agrees to cooperate with the Corporation or the Partnership, as the case may be, in obtaining such policy.

4. Severance Compensation Upon Termination of Employment.

4.1 If the Executive's employment with the Corporation or the Partnership shall be terminated (a) by the Corporation or Partnership other than for Cause or pursuant to Sections 3.6 or 3.7, or (b) by the Executive for Good Reason, then the Corporation and the Partnership shall:

(i) pay to the Executive as severance pay, within five days after termination, a lump sum payment equal to 250% of the sum of the Executive's

annual salary at the rate applicable on the date of termination and the average of the Executive's annual bonus for the preceding two full fiscal years; provided, however, that the average of the Executive's annual bonus for (x) the first year of this Agreement shall be the Executive's annual salary and (y) during the second year of this Agreement shall be the actual annual bonus for such year. If the severance payment under this Section 4.1, either alone or

together with other payments which the Executive has the right to receive from the Corporation would not be deductible (in whole or in part) by the Corporation as a result of such payment constituting a "parachute payment" (as defined in Section 280G of the Internal Revenue Code of 1986, as amended (the "Code")), such severance payment shall be reduced to the largest amount as will result in no portion of the severance payment under this Section 4.1 not being fully deductible by the Corporation as a result of Section 280G of the Code. The determination of any reduction in the severance payment under this Section 4.1 pursuant to the foregoing proviso shall be made exclusively by the Corporation's independent accountants (whose fees and expenses shall be borne by the Corporation), and such determination shall be conclusive and binding;

(ii) arrange to provide Executive, for a 12 month period (or such shorter period as Executive may elect), with disability, accident and health insurance substantially similar to those insurance benefits which Executive is receiving immediately prior to the earlier of a Change in Control, if any, or the date of termination to the extent obtainable upon reasonable terms; provided, however, if it is not so obtainable the Corporation shall pay to the Executive in cash the annual amount paid by the Corporation or the Partnership for such benefits during the previous year of the

Executive's employment. Benefits otherwise receivable by Executive pursuant to this Section 4.1(ii) shall be reduced to the extent comparable benefits are actually received by the Executive during such 12 month period following his termination (or such shorter period elected by the Executive), and any such benefits actually received by Executive shall be reported by the Executive to the Corporation; and

(iii) any options granted to Executive to acquire common stock of the Corporation which have not vested shall immediately vest on such termination.

4.2 (a) The Executive shall not be required to mitigate damages or the amount of any payment provided for under this Agreement by seeking other employment or otherwise, nor, except to the extent provided in Section 4.1 above, shall the amount of any payment provided for under this Agreement be reduced by any compensation earned by the Executive as a result of employment by another employer or by insurance benefits after the date of termination, or otherwise.

(b) The provisions of this Agreement, and any payment provided for hereunder, shall not reduce any amounts otherwise payable, or in any way diminish the Executive's existing rights, or rights which would accrue solely as a result of the passage of time, under any benefit plan of the Corporation or Partnership, or other contract, plan or arrangement.

5. Other Activities During Employment.

5.1 The Executive shall not during the term of this Agreement undertake or engage in any other employment, occupation or business enterprise. Subject to compliance

with the provisions of this Agreement, the Executive may engage in reasonable activities with respect to personal investments of the Executive.

5.2 During the term of this Agreement, without the prior approval of the Board of Directors, neither the Executive nor any entity in which he may be interested as a partner, trustee, director, officer, employee, shareholder, option holder, lender of money or guarantor, shall be engaged directly or indirectly in any real estate development, leasing, marketing or management activities other than through the Corporation and the Partnership, except for activities existing on the date of this Agreement which have been disclosed to the Corporation; provided, however, that the foregoing shall not be deemed to (a) prohibit the Executive from being on the Board of Directors of another entity, (b) prevent the Executive from investing in securities if such class of securities in which the investment is so made is listed on a national securities exchange or is issued by a company registered under Section 12(g) of the Securities Exchange Act of 1934, so long as such investment holdings do not, in the aggregate, constitute more than 1% of the voting stock of any company's securities or (c) prohibit passive investments, subject to any limitations contained in subparagraph (b) above.

5.3 The Executive shall not at any time during this Agreement or after the termination hereof directly or indirectly divulge, furnish, use, publish or make accessible to any person or entity any Confidential Information (as hereinafter defined), except pursuant to subpoena, court order or applicable law. Any records of Confidential Information prepared by the Executive or which come into Executive's possession during this Agreement are and remain the property of the Corporation or the Partnership, as the case may be, and upon

termination of Executive's employment all such records and copies thereof shall be either left with or returned to the Corporation or the Partnership, as the case may be.

5.4 The term "Confidential Information" shall mean information disclosed to the Executive or known, learned, created or observed by Executive as a consequence of or through employment by the Corporation and the Partnership, not generally known in the relevant trade or industry, about the Corporation's or the Partnership's business activities, services and processes, including but not limited to information concerning advertising, sales promotion, publicity, sales data, research, copy, leasing, other printed matter, artwork, photographs, reproductions, layout, finances, accounting, methods, processes, business plans, contractors, lessee and supplier lists and records, potential lessee and supplier lists, and contractor, lessee or supplier billing.

6. Post-Employment Activities.

6.1 During the term of employment hereunder, and for a period of one year after termination of employment, regardless of the reason for such termination other than by the Corporation or Partnership without Cause or by the Executive for Good Reason, the Executive shall not directly or indirectly become employed by, act as a consultant to, or otherwise render any services to any person, corporation, partnership or other entity which is engaged in, or about to become engaged in, the retail shopping center business or any other business which is competitive with the business of the Corporation, the Partnership or any of their subsidiaries nor shall Executive use Executive's talents to make any such business competitive with the business of the Corporation, the Partnership or any of their subsidiaries. For the purpose of this Section, a retail shopping center business or other business shall be deemed to be competitive if it involves the ownership, operation, leasing or management of any retail shopping centers

which draw from the same related trade area, which is deemed to be within a radius of 10 miles from the location of (a) any then existing shopping centers of the Corporation, the Partnership or any of their subsidiaries or (b) any proposed centers for which the site is owned or under contract, is under construction or is actively being negotiated. The Executive shall be deemed to be directly or indirectly engaged in a business if Executive participates therein as a director, officer, stockholder, employee, agent, consultant, manager, salesman, partner or individual proprietor, or as an investor who has made advances or loans, contributions to capital or expenditures for the purchase of stock, or in any capacity or manner whatsoever; provided, however, that the foregoing shall not be deemed to prevent the Executive from investing in securities if such class of securities in which the investment is so made is listed on a national securities exchange or is issued by a company registered under Section 12(g) of the Securities Exchange Act of 1934, so long as such investment holdings do not, in the aggregate, constitute more than 1% of the voting stock of any company's securities.

6.2 The Executive acknowledges that Executive has been employed for Executive's special talents and that Executive's leaving the employ of the Corporation and the Partnership would seriously hamper the business of the Corporation and the Partnership. The Executive agrees that the Corporation and the Partnership shall each be entitled to injunctive relief, in addition to all remedies permitted by law, to enforce the provisions of Sections 5 and 6 hereof. The Executive further acknowledges that Executive's training, experience and technical skills are of such breadth that they can be employed to advantage in other areas which are not competitive with the present business of the Corporation and the Partnership and consequently the foregoing obligation will not unreasonably impair Executive's ability to engage in business activity after the termination of Executive's present employment.

6.3 The Executive will not, during the period of one year after termination of employment, regardless of the reason for such termination, hire or offer to hire or entice away or in any other manner persuade or attempt to persuade, either in Executive's individual capacity or as agent for another, any of the Corporation's, the Partnership's or any of their subsidiaries' officers, employees or agents to discontinue their relationship with the Corporation, the Partnership or any of their subsidiaries nor divert or attempt to divert from the Corporation, the Partnership or any of their subsidiaries any business whatsoever by influencing or attempting to influence any contractor, lessee or supplier of the Corporation, the Partnership or any of their subsidiaries.

7. Assignment. This Agreement shall inure to the benefit of and be binding upon the Corporation, the Partnership and their successors and assigns, and upon the Executive and Executive's heirs, executors, administrators and legal representatives. The Corporation and the Partnership will require any successor or assign to all or substantially all of their business or assets to assume and perform this Agreement in the same manner and to the same extent that the Corporation and the Partnership would be required to perform if no such succession or assignment had taken place. This Agreement shall not be assignable by the Executive.

8. No Third Party Beneficiaries. This Agreement does not create, and shall not be construed as creating, any rights enforceable by any person not a party to this Agreement, except as provided in Section 7 hereof.

9. Headings. The headings of the sections hereof are inserted for convenience only and shall not be deemed to constitute a part hereof nor to affect the meaning thereof.

10. Interpretation. In case any one or more of the provisions contained in this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect,

such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provisions had never been contained herein. If, moreover, any one or more of the provisions contained in this Agreement shall for any reason be held to be excessively broad as to duration, geographical scope, activity or subject, it shall be construed by limiting and reducing it, so as to be enforceable to the extent compatible with the applicable law as it shall then appear.

11. Notices. All notices under this Agreement shall be in writing and shall be deemed to have been given at the time when mailed by registered or certified mail, addressed to the address below stated of the party to which notice is given, or to such changed address as such party may have fixed by notice:

To the Corporation
or the Partnership:

Cedar Shopping Centers, Inc.
44 South Bayles Avenue
Port Washington, NY 11050
Attn: President

To the Executive:

Thomas J. O'Keeffe

provided, however, that any notice of change of address shall be effective only upon receipt.

12. Waivers. If either party should waive any breach of any provision of this Agreement, he or it shall not thereby be deemed to have waived any preceding or succeeding breach of the same or any other provision of this Agreement.

13. Complete Agreement; Amendments. The foregoing is the entire agreement of the parties with respect to the subject matter hereof and may not be amended, supplemented, cancelled or discharged except by written instrument executed by both parties hereto.

14. Governing Law. This Agreement is to be governed by and construed in accordance with the laws of the State of New York without giving effect to principles of conflicts of law.

15. Counterparts. This Agreement may be executed in counterparts, all of which together shall constitute one agreement binding on all of the parties hereto, notwithstanding that all such parties are not signatories to the same counterpart.

16. Arbitration. Mindful of the high cost of litigation, not only in dollars but time and energy as well, the parties intend to and do hereby establish a quick, final and binding out-of-court dispute resolution procedure to be followed in the unlikely event any controversy should arise out of or concerning the performance of this Agreement. Accordingly, the parties do hereby covenant and agree that any controversy, dispute or claim of whatever nature arising out of, in connection with or in relation to the interpretation, performance or breach of this Agreement, including any claim based on contract, tort or statute, shall be settled, at the request of any party to this Agreement, through arbitration by a dispute resolution process administered by JAMS or any other mutually agreed upon arbitration firm involving final and binding arbitration conducted at a location determined by the arbitrator in New York City administered by and in accordance with the then existing rules of practice and procedure of such arbitration firm and judgment upon any award rendered by the arbitrator may be entered by any state or federal court having jurisdiction thereof; provided, however, that the Corporation and the

Partnership shall be entitled to seek judicial relief to enforce the provisions of Sections 5 and 6 of this Agreement.

17. Indemnification. During this Agreement and thereafter, the Corporation and the Partnership shall indemnify the Executive to the fullest extent permitted by law against any judgments, fine, amounts paid in settlement and reasonable expenses (including attorneys' fees) in connection with any claim, action or proceeding (whether civil or criminal) against the Executive as a result of the Executive serving as an officer or director of the Corporation or

the Partnership, in or with regard to any other entity, employee benefit plan or enterprise (other than arising out of the Executive's act of willful misconduct, gross negligence, misappropriation of funds, fraud or breach of this Agreement). This indemnification shall be in addition to, and not in lieu of, any other indemnification the Executive shall be entitled to pursuant to the Corporation's or Partnership's Articles of Incorporation, By-Laws, Agreement of Limited Partnership or otherwise. Following the Executive's termination of employment, the Corporation and the Partnership shall continue to cover the Executive under the then existing director's and officer's insurance, if any, for the period during which the Executive may be subject to potential liability for any claim, action or proceeding (whether civil or criminal) as a result of his service as an officer or director of the Corporation or the Partnership or in any capacity at the request of the Corporation or the Partnership, in or with regard to any other entity, employee benefit plan or enterprise on the same terms such coverage was provided during this Agreement, at the highest level then maintained for any then current or former officer or director.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

Cedar Shopping Centers, Inc.

By: ---

Title:

Cedar Shopping Centers Partnership, L.P.

By: Cedar Shopping Centers, Inc.,
General Partner

By: ---

Title:

Thomas J. O'Keeffe

EMPLOYMENT AGREEMENT

AGREEMENT made as of this 1st day of October, 2003, by and among Cedar Shopping Centers, Inc., a Maryland corporation (the "Corporation"), Cedar Shopping Centers Partnership, L.P., a Delaware limited partnership (the "Partnership"), and Thomas B. Richey (the "Executive").

1. Position and Responsibilities.

1.1 The Executive shall serve in an executive capacity as Vice President and Director of Construction and Maintenance Services of both the Corporation and the Partnership with duties consistent therewith and shall perform such other functions and undertake such other responsibilities as are customarily associated with such capacity. The Executive shall also hold such directorships and officerships in the Corporation, the Partnership and any of their subsidiaries to which, from time to time, the Executive may be elected or appointed during the term of this Agreement.

1.2 The Executive shall devote Executive's full business time and skill to the business and affairs of the Corporation and the Partnership and to the promotion of their interests.

2. Term of Employment.

2.1 The term of employment shall be four years, commencing with the date hereof, unless sooner terminated as provided in this Agreement.

2.2 Notwithstanding the provisions of Section 2.1 hereof, each of the Corporation and the Partnership shall have the right, on written notice to the Executive, to terminate the Executive's employment for Cause (as defined in Section 2.3), such termination to be effective as of the date on which notice is given or as of such later date otherwise specified in the notice and, upon such termination of employment for Cause, Executive shall not be entitled to receive any additional compensation hereunder. The Executive shall have the right, on written notice to the Corporation and the Partnership, to terminate the Executive's employment for Good Reason (as defined in Section 2.4), such termination to be effective as of the date on which notice is given or as of such later date otherwise specified in the notice; provided, however, the Executive's right to terminate Executive's employment shall lapse 60 days after the occurrence of any of the events specified in clauses (iii) or (iv) of the definition of Good Reason.

2.3 For purposes of this Agreement, the term "Cause" shall mean any of the following actions by the Executive: (a) failure to comply with any of the material terms of this Agreement, which shall not be cured within 10 days after written notice, or if the same is not of a nature that it can be completely cured within such 10 day period, if Executive shall have failed to commence to cure the same within such 10 day period and shall have failed to pursue the cure of the same diligently thereafter; (b) engagement in gross misconduct injurious to the business or reputation of the Corporation or the Partnership; (c) knowing and willful neglect or refusal to attend to the material duties assigned to the Executive by the Board of Directors of the Corporation, which shall not be cured within 10 days after written notice; (d) intentional misappropriation of property of the Corporation or the Partnership to the Executive's own use; (e) the commission by the Executive of an act of fraud or embezzlement; (f) Executive's conviction for a felony; (g) Executive's engaging in any activity which is prohibited pursuant to Section 5 of this Agreement, which shall not be cured within 10 days after written notice.

2.4 For purposes of this Agreement, the term "Good Reason" shall mean any of the following: (i) a material breach of this Agreement by the Corporation or the Partnership which shall not be cured within 10 days after written notice; (ii) a material reduction in the Executive's duties or responsibilities; (iii) the relocation of the Executive's office or the Corporation's or Partnership's executive offices to a location more than 30 miles from New York City; or (iv) a "Change in Control", as defined below. As used herein, a "Change in Control" shall be deemed to occur if: (i) there shall be consummated (x) any consolidation or merger of the Corporation or the Partnership in which the Corporation or the Partnership is not the continuing or surviving corporation or pursuant to which the stock of the Corporation or the units of the Partnership would be converted into cash, securities or other property, other than a merger or consolidation of the Corporation or Partnership in which the holders of the Corporation's stock immediately prior to the merger or consolidation hold more than fifty percent (50%) of the stock or other forms of equity of the surviving corporation immediately after the merger, or (y) any sale, lease, exchange or other transfer (in one transaction or series of related transactions) of all, or substantially all, the assets of the Corporation or the Partnership; (ii) the Board approves any plan or proposal for liquidation or dissolution of the Corporation or the Partnership; or (iii) any person, other than Cedar Bay Company or an affiliated entity, acquires more than 29% of the

issued and outstanding common stock of the Corporation.

3. Compensation.

3.1 The Partnership shall pay to the Executive for the services to be rendered by the Executive hereunder to the Corporation and the Partnership a base salary at the rate of $175,000 per annum. The base salary shall be payable in accordance with the Corporation's or

Partnership's normal payroll practices, but not less frequently than twice a month. Such base salary will be reviewed at least annually and may be increased (but not decreased) by the Board of Directors of the Corporation in its sole discretion. The Board of Directors of the Corporation in its sole discretion may grant to the Executive a bonus to be paid by the Corporation or Partnership, at any time and from time to time.

3.2 The Executive shall be entitled to participate in, and receive benefits from, on the basis comparable to other senior executives, any insurance, medical, disability, or other employee benefit plan of the Corporation, the Partnership or any of their subsidiaries which may be in effect at any time during the course of Executive's employment by the Corporation and the Partnership and which shall be generally available to senior executives of the Corporation, the Partnership or any of their subsidiaries.

3.3 The Partnership agrees to reimburse the Executive for all reasonable and necessary business expenses incurred by the Executive on behalf of the Corporation or the Partnership in the course of Executive's duties hereunder upon the presentation by the Executive of appropriate vouchers therefor, including continuing legal education, professional licenses and organizations and conferences approved by the CEO.

3.4 The Executive shall be entitled each year of this Agreement to paid vacation in accordance with the Corporation's or Partnership's policies but not less than 4 weeks plus personal and floating holidays (and a ratable number of sick days), which if not taken during such year will be forfeited (unless management requests postponement).

3.5 In recognition of Executive's need for an automobile for business purposes, the Corporation or the Partnership will reimburse the Executive for Executive's use of an automobile, including lease payments, if any, and all related costs, including

maintenance, gasoline and insurance; provided, however, that such amount shall not exceed $450.00 a month. Insurance, maintenance and gas for business use is additional.

3.6 If, during the period of employment hereunder, because of illness or other incapacity, the Executive shall fail for a period of 90 consecutive days, or for shorter periods aggregating more than six months during the term of this Agreement, to render the services contemplated hereunder, then the Corporation or the Partnership, at either of their options, may terminate the term of employment hereunder by notice from the Corporation or the Partnership, as the case may be, to the Executive, effective on the giving of such notice. During any period of disability of Executive during the term hereof, the Corporation shall continue to pay to Executive the salary and bonus to which the Executive is entitled pursuant to Section 3.1 hereof.

3.7 In the event of the death of the Executive during the term hereof, the employment hereunder shall terminate on the date of death of the Executive.

3.8 Each of the Corporation and the Partnership shall have the right to obtain for their respective benefits an appropriate life insurance policy on the life of the Executive, naming the Corporation or the Partnership as the beneficiary. If requested by the Corporation or the Partnership, the Executive agrees to cooperate with the Corporation or the Partnership, as the case may be, in obtaining such policy.

4. Severance Compensation Upon Termination of Employment.

4.1 If the Executive's employment with the Corporation or the Partnership shall be terminated (a) by the Corporation or Partnership other than for Cause or pursuant to Sections 3.6 or 3.7, or (b) by the Executive for Good Reason, then the Corporation and the Partnership shall:

(i) pay to the Executive as severance pay, within five days after termination, a lump sum payment equal to 250% of the sum of the Executive's annual salary at the rate applicable on the date of termination and the average of the Executive's annual bonus for the

preceding two full fiscal years; provided, however, that the average of the Executive's annual bonus for (x) the first year of this Agreement shall be the Executive's annual salary and (y) during the second year of this Agreement shall be the actual annual bonus for such year. If the severance payment under this Section 4.1, either alone or together with other payments which the Executive has the right to receive from the Corporation would not be deductible (in whole or in part) by the Corporation as a result of such payment constituting a "parachute payment" (as defined in Section 280G of the Internal Revenue Code of 1986, as amended (the "Code")), such severance payment shall be reduced to the largest amount as will result in no portion of the severance payment under this Section 4.1 not being fully deductible by the Corporation as a result of Section 280G of the Code. The determination of any reduction in the severance payment under this Section 4.1 pursuant to the foregoing proviso shall be made exclusively by the Corporation's independent accountants (whose fees and expenses shall be borne by the Corporation), and such determination shall be conclusive and binding;

(ii) arrange to provide Executive, for a 12 month period (or such shorter period as Executive may elect), with disability, accident and health insurance substantially similar to those insurance benefits which Executive is receiving immediately prior to the earlier of a Change in Control, if any, or the date of termination to the extent obtainable upon reasonable terms; provided, however, if it is not so

obtainable the Corporation shall pay to the Executive in cash the annual amount paid by the Corporation or the Partnership for such benefits during the previous year of the Executive's employment. Benefits otherwise receivable by Executive pursuant to this Section 4.1(ii) shall be reduced to the extent comparable benefits are actually received by the Executive during such 12 month period following his termination (or such shorter period elected by the Executive), and any such benefits actually received by Executive shall be reported by the Executive to the Corporation; and

(iii) any options granted to Executive to acquire common stock of the Corporation which have not vested shall immediately vest on such termination.

4.2 (a) The Executive shall not be required to mitigate damages or the amount of any payment provided for under this Agreement by seeking other employment or otherwise, nor, except to the extent provided in Section 4.1 above, shall the amount of any payment provided for under this Agreement be reduced by any compensation earned by the Executive as a result of employment by another employer or by insurance benefits after the date of termination, or otherwise.

(b) The provisions of this Agreement, and any payment provided for hereunder, shall not reduce any amounts otherwise payable, or in any way diminish the Executive's existing rights, or rights which would accrue solely as a result of the passage of time, under any benefit plan of the Corporation or Partnership, or other contract, plan or arrangement.

5. Other Activities During Employment.

5.1 The Executive shall not during the term of this Agreement undertake or engage in any other employment, occupation or business enterprise. Subject to compliance with the provisions of this Agreement, the Executive may engage in reasonable activities with respect to personal investments of the Executive.

5.2 During the term of this Agreement, without the prior approval of the Board of Directors, neither the Executive nor any entity in which he may be interested as a partner, trustee, director, officer, employee, shareholder, option holder, lender of money or guarantor, shall be engaged directly or indirectly in any real estate development, leasing, marketing or management activities other than through the Corporation and the Partnership, except for activities existing on the date of this Agreement which have been disclosed to the Corporation; provided, however, that the foregoing shall not be deemed to (a) prohibit the Executive from being on the Board of Directors of another entity, (b) prevent the Executive from investing in securities if such class of securities in which the investment is so made is listed on a national securities exchange or is issued by a company registered under Section 12(g) of the Securities Exchange Act of 1934, so long as such investment holdings do not, in the aggregate, constitute more than 1% of the voting stock of any company's securities or (c) prohibit passive investments, subject to any limitations contained in subparagraph (b) above.

5.3 The Executive shall not at any time during this Agreement or after the termination hereof directly or indirectly divulge, furnish, use, publish or make accessible to any person or entity any Confidential Information (as hereinafter defined), except pursuant to subpoena, court order or applicable

law. Any records of Confidential Information prepared by

the Executive or which come into Executive's possession during this Agreement are and remain the property of the Corporation or the Partnership, as the case may be, and upon termination of Executive's employment all such records and copies thereof shall be either left with or returned to the Corporation or the Partnership, as the case may be.

5.4 The term "Confidential Information" shall mean information disclosed to the Executive or known, learned, created or observed by Executive as a consequence of or through employment by the Corporation and the Partnership, not generally known in the relevant trade or industry, about the Corporation's or the Partnership's business activities, services and processes, including but not limited to information concerning advertising, sales promotion, publicity, sales data, research, copy, leasing, other printed matter, artwork, photographs, reproductions, layout, finances, accounting, methods, processes, business plans, contractors, lessee and supplier lists and records, potential lessee and supplier lists, and contractor, lessee or supplier billing.

6. Post-Employment Activities.

6.1 During the term of employment hereunder, and for a period of one year after termination of employment, regardless of the reason for such termination other than by the Corporation or Partnership without Cause or by the Executive for Good Reason, the Executive shall not directly or indirectly become employed by, act as a consultant to, or otherwise render any services to any person, corporation, partnership or other entity which is engaged in, or about to become engaged in, the retail shopping center business or any other business which is competitive with the business of the Corporation, the Partnership or any of their subsidiaries nor shall Executive use Executive's talents to make any such business competitive with the business of the Corporation, the Partnership or any of their subsidiaries. For the purpose of this

Section, a retail shopping center business or other business shall be deemed to be competitive if it involves the ownership, operation, leasing or management of any retail shopping centers which draw from the same related trade area, which is deemed to be within a radius of 10 miles from the location of (a) any then existing shopping centers of the Corporation, the Partnership or any of their subsidiaries or (b) any proposed centers for which the site is owned or under contract, is under construction or is actively being negotiated. The Executive shall be deemed to be directly or indirectly engaged in a business if Executive participates therein as a director, officer, stockholder, employee, agent, consultant, manager, salesman, partner or individual proprietor, or as an investor who has made advances or loans, contributions to capital or expenditures for the purchase of stock, or in any capacity or manner whatsoever; provided, however, that the foregoing shall not be deemed to prevent the Executive from investing in securities if such class of securities in which the investment is so made is listed on a national securities exchange or is issued by a company registered under Section 12(g) of the Securities Exchange Act of 1934, so long as such investment holdings do not, in the aggregate, constitute more than 1% of the voting stock of any company's securities.

6.2 The Executive acknowledges that Executive has been employed for Executive's special talents and that Executive's leaving the employ of the Corporation and the Partnership would seriously hamper the business of the Corporation and the Partnership. The Executive agrees that the Corporation and the Partnership shall each be entitled to injunctive relief, in addition to all remedies permitted by law, to enforce the provisions of Sections 5 and 6 hereof. The Executive further acknowledges that Executive's training, experience and technical skills are of such breadth that they can be employed to advantage in other areas which are not competitive with the present business of the Corporation and the Partnership and

consequently the foregoing obligation will not unreasonably impair Executive's ability to engage in business activity after the termination of Executive's present employment.

6.3 The Executive will not, during the period of one year after termination of employment, regardless of the reason for such termination, hire or offer to hire or entice away or in any other manner persuade or attempt to persuade, either in Executive's individual capacity or as agent for another, any of the Corporation's, the Partnership's or any of their subsidiaries' officers, employees or agents to discontinue their relationship with the Corporation, the Partnership or any of their subsidiaries nor divert or attempt to divert from the Corporation, the Partnership or any of their subsidiaries any business whatsoever by influencing or attempting to influence any contractor, lessee or supplier of the Corporation, the Partnership or any of their subsidiaries.

7. Assignment. This Agreement shall inure to the benefit of and be binding

upon the Corporation, the Partnership and their successors and assigns, and upon the Executive and Executive's heirs, executors, administrators and legal representatives. The Corporation and the Partnership will require any successor or assign to all or substantially all of their business or assets to assume and perform this Agreement in the same manner and to the same extent that the Corporation and the Partnership would be required to perform if no such succession or assignment had taken place. This Agreement shall not be assignable by the Executive.

8. No Third Party Beneficiaries. This Agreement does not create, and shall not be construed as creating, any rights enforceable by any person not a party to this Agreement, except as provided in Section 7 hereof.

9. Headings. The headings of the sections hereof are inserted for convenience only and shall not be deemed to constitute a part hereof nor to affect the meaning thereof.

10. Interpretation. In case any one or more of the provisions contained in this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provisions had never been contained herein. If, moreover, any one or more of the provisions contained in this Agreement shall for any reason be held to be excessively broad as to duration, geographical scope, activity or subject, it shall be construed by limiting and reducing it, so as to be enforceable to the extent compatible with the applicable law as it shall then appear.

11. Notices. All notices under this Agreement shall be in writing and shall be deemed to have been given at the time when mailed by registered or certified mail, addressed to the address below stated of the party to which notice is given, or to such changed address as such party may have fixed by notice:

To the Corporation
or the Partnership:

Cedar Shopping Centers, Inc.
44 South Bayles Avenue
Port Washington, NY 11050
Attn: President

To the Executive:

Thomas B. Richey

provided, however, that any notice of change of address shall be effective only upon receipt.

12. Waivers. If either party should waive any breach of any provision of this Agreement, he or it shall not thereby be deemed to have waived any preceding or succeeding breach of the same or any other provision of this Agreement.

13. Complete Agreement; Amendments. The foregoing is the entire agreement of the parties with respect to the subject matter hereof and may not be amended, supplemented, cancelled or discharged except by written instrument executed by both parties hereto.

14. Governing Law. This Agreement is to be governed by and construed in accordance with the laws of the State of New York without giving effect to principles of conflicts of law.

15. Counterparts. This Agreement may be executed in counterparts, all of which together shall constitute one agreement binding on all of the parties hereto, notwithstanding that all such parties are not signatories to the same counterpart.

16. Arbitration. Mindful of the high cost of litigation, not only in dollars but time and energy as well, the parties intend to and do hereby establish a quick, final and binding out-of-court dispute resolution procedure to be followed in the unlikely event any controversy should arise out of or concerning the performance of this Agreement. Accordingly, the parties do hereby covenant and agree that any controversy, dispute or claim of whatever nature arising out of, in connection with or in relation to the interpretation, performance or breach of this Agreement, including any claim based on contract, tort or statute, shall be settled, at the request of any party to this Agreement, through arbitration by a dispute resolution process administered by JAMS or any other mutually agreed upon arbitration firm involving final and binding arbitration conducted at a location determined by the arbitrator in New York City administered by and in accordance with the then existing rules of practice and procedure of such arbitration firm and judgment upon any award rendered by the arbitrator may be entered by any state or federal court having jurisdiction thereof; provided, however, that the Corporation and the

Partnership shall be entitled to seek judicial relief to enforce the provisions of Sections 5 and 6 of this Agreement.

17. Indemnification. During this Agreement and thereafter, the Corporation and the Partnership shall indemnify the Executive to the fullest extent permitted by law against any judgments, fine, amounts paid in settlement and reasonable expenses (including attorneys' fees) in connection with any claim, action or proceeding (whether civil or criminal) against the Executive as a result of the Executive serving as an officer or director of the Corporation or the Partnership, in or with regard to any other entity, employee benefit plan or enterprise (other than arising out of the Executive's act of willful misconduct, gross negligence, misappropriation of funds, fraud or breach of this Agreement). This indemnification shall be in addition to, and not in lieu of, any other indemnification the Executive shall be entitled to pursuant to the Corporation's or Partnership's Articles of Incorporation, By-Laws, Agreement of Limited Partnership or otherwise. Following the Executive's termination of employment, the Corporation and the Partnership shall continue to cover the Executive under the then existing director's and officer's insurance, if any, for the period during which the Executive may be subject to potential liability for any claim, action or proceeding (whether civil or criminal) as a result of his service as an officer or director of the Corporation or the Partnership or in any capacity at the request of the Corporation or the Partnership, in or with regard to any other entity, employee benefit plan or enterprise on the same terms such coverage was provided during this Agreement, at the highest level then maintained for any then current or former officer or director.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

Cedar Shopping Centers, Inc.

By: _____
Title:

Cedar Shopping Centers Partnership, L.P.

By: Cedar Shopping Centers, Inc.,
General Partner

By: _____
Title:

_____
Thomas B. Richey

EMPLOYMENT AGREEMENT

AGREEMENT made as of this 1st day of October, 2003, by and among Cedar Shopping Centers, Inc., a Maryland corporation (the "Corporation"), Cedar Shopping Centers Partnership, L.P., a Delaware limited partnership (the "Partnership"), and Stuart H. Widowski, (the "Executive").

1. Position and Responsibilities.

1.1 The Executive shall serve in an executive capacity as General Counsel and Secretary of both the Corporation and the Partnership with duties consistent therewith and shall perform such other functions and undertake such other responsibilities as are customarily associated with such capacity. The Executive shall also hold such directorships and officerships in the Corporation, the Partnership and any of their subsidiaries to which, from time to time, the Executive may be elected or appointed during the term of this Agreement.

1.2 The Executive shall devote Executive's full business time and skill to the business and affairs of the Corporation and the Partnership and to the promotion of their interests.

2. Term of Employment.

2.1 The term of employment shall be four years, commencing with the date hereof, unless sooner terminated as provided in this Agreement.

2.2 Notwithstanding the provisions of Section 2.1 hereof, each of the Corporation and the Partnership shall have the right, on written notice to the Executive, to terminate the Executive's employment for Cause (as defined in Section 2.3), such termination to be effective as of the date on which notice is given or as of such later date otherwise specified in the notice and, upon such termination of employment for Cause, Executive shall not be entitled to receive any additional compensation hereunder. The Executive shall have the right, on written notice to the Corporation and the Partnership, to terminate the Executive's employment for Good Reason (as defined in Section 2.4), such termination to be effective as of the date on which notice is given or as of such later date otherwise specified in the notice; provided, however, the Executive's right to terminate Executive's employment shall lapse 60 days after the occurrence of any of the events specified in clauses (iii) or (iv) of the definition of Good Reason.

2.3 For purposes of this Agreement, the term "Cause" shall mean any of the following actions by the Executive: (a) failure to comply with any of the material terms of this Agreement, which shall not be cured within 10 days after written notice, or if the same is not of a nature that it can be completely cured within such 10 day period, if Executive shall have failed to commence to cure the same within such 10 day period and shall have failed to pursue the cure of the same diligently thereafter; (b) engagement in gross misconduct injurious to the business or reputation of the Corporation or the Partnership; (c) knowing and willful neglect or refusal to attend to the material duties assigned to the Executive by the Board of Directors of the Corporation, which shall not be cured within 10 days after written notice; (d) intentional misappropriation of property of the Corporation or the Partnership to the Executive's own use; (e) the commission by the Executive of an act of fraud or embezzlement; (f) Executive's conviction for a felony; (g) Executive's engaging in any activity which is prohibited pursuant to Section 5 of this Agreement, which shall not be cured within 10 days after written notice.

2.4 For purposes of this Agreement, the term "Good Reason" shall mean any of the following: (i) a material breach of this Agreement by the Corporation or the Partnership

which shall not be cured within 10 days after written notice; (ii) a material reduction in the Executive's duties or responsibilities; (iii) the relocation of the Executive's office or the Corporation's or Partnership's executive offices to a location more than 30 miles from New York City; or (iv) a "Change in Control", as defined below. As used herein, a "Change in Control" shall be deemed to occur if: (i) there shall be consummated (x) any consolidation or merger of the Corporation or the Partnership in which the Corporation or the Partnership is not the continuing or surviving corporation or pursuant to which the stock of the Corporation or the units of the Partnership would be converted into cash, securities or other property, other than a merger or consolidation of the Corporation or Partnership in which the holders of the Corporation's stock immediately prior to the merger or consolidation hold more than fifty percent (50%) of the stock or other forms of equity of the surviving corporation immediately after the merger, or (y) any sale, lease, exchange or other transfer (in one transaction or series of related transactions) of all, or substantially all, the assets of the Corporation or the Partnership; (ii) the Board approves any plan or proposal for liquidation or dissolution of the Corporation or the

Partnership; or (iii) any person, other than Cedar Bay Company or an affiliated entity, acquires more than 29% of the issued and outstanding common stock of the Corporation.

3. Compensation.

3.1 The Partnership shall pay to the Executive for the services to be rendered by the Executive hereunder to the Corporation and the Partnership a base salary at the rate of $175,000 per annum. The base salary shall be payable in accordance with the Corporation's or Partnership's normal payroll practices, but not less frequently than twice a month. Such base salary will be reviewed at least annually and may be increased (but not decreased) by the Board

of Directors of the Corporation in its sole discretion. The Board of Directors of the Corporation in its sole discretion may grant to the Executive a bonus to be paid by the Corporation or Partnership, at any time and from time to time.

3.2 The Executive shall be entitled to participate in, and receive benefits from, on the basis comparable to other senior executives, any insurance, medical, disability, or other employee benefit plan of the Corporation, the Partnership or any of their subsidiaries which may be in effect at any time during the course of Executive's employment by the Corporation and the Partnership and which shall be generally available to senior executives of the Corporation, the Partnership or any of their subsidiaries. The Executive shall be provided with Employed Lawyers Insurance in an amount not less than $_____ and a deductible not greater than $10,000.

3.3 The Partnership agrees to reimburse the Executive for all reasonable and necessary business expenses incurred by the Executive on behalf of the Corporation or the Partnership in the course of Executive's duties hereunder upon the presentation by the Executive of appropriate vouchers therefor, including continuing legal education, professional licenses and organizations and conferences approved by the CEO.

3.4 The Executive shall be entitled each year of this Agreement to paid vacation in accordance with the Corporation's or Partnership's policies but not less than 4 weeks plus personal and floating holidays (and a ratable number of sick days) which if not taken during such year will be forfeited (unless management requests postponement).

3.5 In recognition of Executive's need for an automobile for business purposes, the Corporation or the Partnership will reimburse the Executive for Executive's use of an automobile, including lease payments, if any, and all related costs, including

maintenance, gasoline and insurance; provided, however, that such amount shall not exceed $450.00 a month. Insurance, maintenance and gas for business use is additional.

3.6 If, during the period of employment hereunder, because of illness or other incapacity, the Executive shall fail for a period of 90 consecutive days, or for shorter periods aggregating more than six months during the term of this Agreement, to render the services contemplated hereunder, then the Corporation or the Partnership, at either of their options, may terminate the term of employment hereunder by notice from the Corporation or the Partnership, as the case may be, to the Executive, effective on the giving of such notice. During any period of disability of Executive during the term hereof, the Corporation shall continue to pay to Executive the salary and bonus to which the Executive is entitled pursuant to Section 3.1 hereof.

3.7 In the event of the death of the Executive during the term hereof, the employment hereunder shall terminate on the date of death of the Executive.

3.8 Each of the Corporation and the Partnership shall have the right to obtain for their respective benefits an appropriate life insurance policy on the life of the Executive, naming the Corporation or the Partnership as the beneficiary. If requested by the Corporation or the Partnership, the Executive agrees to cooperate with the Corporation or the Partnership, as the case may be, in obtaining such policy.

4. Severance Compensation Upon Termination of Employment.

4.1 If the Executive's employment with the Corporation or the Partnership shall be terminated (a) by the Corporation or Partnership other than for Cause or pursuant to Sections 3.6 or 3.7, or (b) by the Executive for Good Reason, then the Corporation and the Partnership shall:

(i) pay to the Executive as severance pay, within five days

after termination, a lump sum payment equal to 250% of the sum of the Executive's annual salary at the rate applicable on the date of termination and the average of the Executive's annual bonus for the preceding two full fiscal years; provided, however, that the average of the Executive's annual bonus for (x) the first year of this Agreement shall be the Executive's annual salary and (y) during the second year of this Agreement shall be the actual annual bonus for such year. If the severance payment under this Section 4.1, either alone or together with other payments which the Executive has the right to receive from the Corporation would not be deductible (in whole or in part) by the Corporation as a result of such payment constituting a "parachute payment" (as defined in Section 280G of the Internal Revenue Code of 1986, as amended (the "Code")), such severance payment shall be reduced to the largest amount as will result in no portion of the severance payment under this Section 4.1 not being fully deductible by the Corporation as a result of Section 280G of the Code. The determination of any reduction in the severance payment under this Section 4.1 pursuant to the foregoing proviso shall be made exclusively by the Corporation's independent accountants (whose fees and expenses shall be borne by the Corporation), and such determination shall be conclusive and binding;

(ii) arrange to provide Executive, for a 12 month period (or such shorter period as Executive may elect), with disability, accident and health insurance substantially similar to those insurance benefits which Executive is receiving immediately prior to the earlier of a Change in Control, if any, or the date of termination to the extent obtainable upon reasonable terms; provided, however, if it is not so

obtainable the Corporation shall pay to the Executive in cash the annual amount paid by the Corporation or the Partnership for such benefits during the previous year of the Executive's employment. Benefits otherwise receivable by Executive pursuant to this Section 4.1(ii) shall be reduced to the extent comparable benefits are actually received by the Executive during such 12 month period following his termination (or such shorter period elected by the Executive), and any such benefits actually received by Executive shall be reported by the Executive to the Corporation; and

(iii) any options granted to Executive to acquire common stock of the Corporation which have not vested shall immediately vest on such termination.

4.2 (a) The Executive shall not be required to mitigate damages or the amount of any payment provided for under this Agreement by seeking other employment or otherwise, nor, except to the extent provided in Section 4.1 above, shall the amount of any payment provided for under this Agreement be reduced by any compensation earned by the Executive as a result of employment by another employer or by insurance benefits after the date of termination, or otherwise.

(b) The provisions of this Agreement, and any payment provided for hereunder, shall not reduce any amounts otherwise payable, or in any way diminish the Executive's existing rights, or rights which would accrue solely as a result of the passage of time, under any benefit plan of the Corporation or Partnership, or other contract, plan or arrangement.

5. Other Activities During Employment.

5.1 The Executive shall not during the term of this Agreement undertake or engage in any other employment, occupation or business enterprise, provided that Executive may continue to act as Of Counsel to an outside law firm (so long as Executive shall not accept any engagement in conflict with any time commitments, business activities of the Corporation or services to be performed hereunder). Subject to compliance with the provisions of this Agreement, the Executive may engage in reasonable activities with respect to personal investments of the Executive. Executive shall provide to the CEO or his designee, a quarterly report within thirty (30) days after the end of each calendar quarter during the term hereof, of hours reported or billed to such firm for his services and of any amounts paid to Executive or accrued for his benefit.

5.2 During the term of this Agreement, without the prior approval of the Board of Directors, neither the Executive nor any entity in which he may be interested as a partner, trustee, director, officer, employee, shareholder, option holder, lender of money or guarantor, shall be engaged directly or indirectly in any real estate development, leasing, marketing or management activities other than through the Corporation and the Partnership, except for activities existing on the date of this Agreement which have been disclosed to the Corporation; provided, however, that the foregoing shall not be deemed to (a) prohibit the Executive from being on the Board of Directors of another entity, (b) prevent the Executive from investing in securities if such class of securities in which the investment is so made is listed on a national securities exchange or is issued by a company registered under Section 12(g) of the

Securities Exchange Act of 1934, so long as such investment holdings do not, in the aggregate, constitute more than 1% of the voting stock of any company's securities or

(c) prohibit passive investments, subject to any limitations contained in subparagraph (b) above.

5.3 The Executive shall not at any time during this Agreement or after the termination hereof directly or indirectly divulge, furnish, use, publish or make accessible to any person or entity any Confidential Information (as hereinafter defined), except pursuant to subpoena, court order or applicable law. Any records of Confidential Information prepared by the Executive or which come into Executive's possession during this Agreement are and remain the property of the Corporation or the Partnership, as the case may be, and upon termination of Executive's employment all such records and copies thereof shall be either left with or returned to the Corporation or the Partnership, as the case may be. The foregoing notwithstanding, no provision of this Agreement shall be deemed to alter the obligations and responsibilities under the cannons of professional responsibility, disciplinary rules or applicable law.

5.4 The term "Confidential Information" shall mean information disclosed to the Executive or known, learned, created or observed by Executive as a consequence of or through employment by the Corporation and the Partnership, not generally known in or otherwise available to the relevant trade or industry, about the Corporation's or the Partnership's business activities, services and processes, including but not limited to information concerning advertising, sales promotion, publicity, sales data, research, copy, leasing, other printed matter, artwork, photographs, reproductions, layout, finances, accounting, methods, processes, business plans, contractors, lessee and supplier lists and records, potential lessee and supplier lists, and contractor, lessee or supplier billing.

6. Post-Employment Activities.

6.1 During the term of employment hereunder, and for a period of one year after termination of employment, regardless of the reason for such termination other than by the Corporation or Partnership without Cause or by the Executive for Good Reason, the Executive shall not directly or indirectly become employed by, act as a consultant to, or otherwise render any services to any person, corporation, partnership or other entity which is engaged in, or about to become engaged in, the retail shopping center business or any other business which is competitive with the business of the Corporation, the Partnership or any of their subsidiaries nor shall Executive use Executive's talents to make any such business competitive with the business of the Corporation, the Partnership or any of their subsidiaries. For the purpose of this Section, a retail shopping center business or other business shall be deemed to be competitive if it involves the ownership, operation, leasing or management of any retail shopping centers which draw from the same related trade area, which is deemed to be within a radius of 10 miles from the location of (a) any then existing shopping centers of the Corporation, the Partnership or any of their subsidiaries or (b) any proposed centers for which the site is owned or under contract, is under construction or is actively being negotiated. The Executive shall be deemed to be directly or indirectly engaged in a business if Executive participates therein as a director, officer, stockholder, employee, agent, consultant, manager, salesman, partner or individual proprietor, or as an investor who has made advances or loans, contributions to capital or expenditures for the purchase of stock, or in any capacity or manner whatsoever; provided, however, that the foregoing shall not be deemed to prevent the Executive from investing in securities if such class of securities in which the investment is so made is listed on a national securities exchange or is issued by a company registered under Section 12(g) of the Securities

Exchange Act of 1934, so long as such investment holdings do not, in the aggregate, constitute more than 1% of the voting stock of any company's securities. Notwithstanding any provision to the contrary herein, no provision of this Agreement shall be deemed to restrict the right of the Executive to practice law, after termination of employment, for any client(s), subject only to the applicable confidentiality requirements.

6.2 The Executive acknowledges that Executive has been employed for Executive's special talents and that Executive's leaving the employ of the Corporation and the Partnership would seriously hamper the business of the Corporation and the Partnership. The Executive agrees that the Corporation and the Partnership shall each be entitled to injunctive relief, in addition to all remedies permitted by law, to enforce the provisions of Sections 5 and 6 hereof. The Executive further acknowledges that Executive's training, experience and technical skills are of such breadth that they can be employed to advantage in other areas which are not competitive with the present business of the Corporation and the Partnership and consequently the foregoing obligation will

not unreasonably impair Executive's ability to engage in business activity after the termination of Executive's present employment.

6.3 The Executive will not, during the period of one year after termination of employment, regardless of the reason for such termination, hire or offer to hire or entice away or in any other manner persuade or attempt to persuade, either in Executive's individual capacity or as agent for another, any of the Corporation's, the Partnership's or any of their subsidiaries' officers, employees or agents to discontinue their relationship with the Corporation, the Partnership or any of their subsidiaries nor divert or attempt to divert from the Corporation, the Partnership or any of their subsidiaries any business whatsoever by

influencing or attempting to influence any contractor, lessee or supplier of the Corporation, the Partnership or any of their subsidiaries.

7. Assignment. This Agreement shall inure to the benefit of and be binding upon the Corporation, the Partnership and their successors and assigns, and upon the Executive and Executive's heirs, executors, administrators and legal representatives. The Corporation and the Partnership will require any successor or assign to all or substantially all of their business or assets to assume and perform this Agreement in the same manner and to the same extent that the Corporation and the Partnership would be required to perform if no such succession or assignment had taken place. This Agreement shall not be assignable by the Executive.

8. No Third Party Beneficiaries. This Agreement does not create, and shall not be construed as creating, any rights enforceable by any person not a party to this Agreement, except as provided in Section 7 hereof.

9. Headings. The headings of the sections hereof are inserted for convenience only and shall not be deemed to constitute a part hereof nor to affect the meaning thereof.

10. Interpretation. In case any one or more of the provisions contained in this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provisions had never been contained herein. If, moreover, any one or more of the provisions contained in this Agreement shall for any reason be held to be excessively broad as to duration, geographical scope, activity or subject, it shall be construed by limiting and reducing it, so as to be enforceable to the extent compatible with the applicable law as it shall then appear.

11. Notices. All notices under this Agreement shall be in writing and shall be deemed to have been given at the time when mailed by registered or certified mail, addressed to the address below stated of the party to which notice is given, or to such changed address as such party may have fixed by notice:

To the Corporation
or the Partnership:

Cedar Shopping Centers, Inc.
44 South Bayles Avenue
Port Washington, NY 11050
Attn: President

To the Executive:

Stuart H. Widowski
178 East 80th Street, Apt. 25E
New York, NY 10021

provided, however, that any notice of change of address shall be effective only upon receipt.

12. Waivers. If either party should waive any breach of any provision of this Agreement, he or it shall not thereby be deemed to have waived any preceding or succeeding breach of the same or any other provision of this Agreement.

13. Complete Agreement; Amendments. The foregoing is the entire agreement of the parties with respect to the subject matter hereof and may not be amended, supplemented, cancelled or discharged except by written instrument executed by both parties hereto.

14. Governing Law. This Agreement is to be governed by and construed in accordance with the laws of the State of New York without giving effect to principles of conflicts of law.

15. Counterparts. This Agreement may be executed in counterparts, all of

which together shall constitute one agreement binding on all of the parties hereto, notwithstanding that all such parties are not signatories to the same counterpart.

16. Arbitration. Mindful of the high cost of litigation, not only in dollars but time and energy as well, the parties intend to and do hereby establish a quick, final and binding out-of-court dispute resolution procedure to be followed in the unlikely event any controversy should arise out of or concerning the performance of this Agreement. Accordingly, the parties do hereby covenant and agree that any controversy, dispute or claim of whatever nature arising out of, in connection with or in relation to the interpretation, performance or breach of this Agreement, including any claim based on contract, tort or statute, shall be settled, at the request of any party to this Agreement, through arbitration by a dispute resolution process administered by JAMS or any other mutually agreed upon arbitration firm involving final and binding arbitration conducted at a location determined by the arbitrator in New York City administered by and in accordance with the then existing rules of practice and procedure of such arbitration firm and judgment upon any award rendered by the arbitrator may be entered by any state or federal court having jurisdiction thereof; provided, however, that the Corporation and the Partnership shall be entitled to seek judicial relief to enforce the provisions of Sections 5 and 6 of this Agreement.

17. Indemnification. During this Agreement and thereafter, the Corporation and the Partnership shall indemnify the Executive to the fullest extent permitted by law against any judgments, fine, amounts paid in settlement and reasonable expenses (including attorneys' fees) in connection with any claim, action or proceeding (whether civil or criminal) against the Executive as a result of the Executive serving as an officer or director of the Corporation or the

Partnership, in or with regard to any other entity, employee benefit plan or enterprise (other than arising out of the Executive's act of willful misconduct, gross negligence, misappropriation of funds, fraud or breach of this Agreement). This indemnification shall be in addition to, and not in lieu of, any other indemnification the Executive shall be entitled to pursuant to the Corporation's or Partnership's Articles of Incorporation, By-Laws, Agreement of Limited Partnership or otherwise. Following the Executive's termination of employment, the Corporation and the Partnership shall continue to cover the Executive under the then existing director's and officer's insurance, if any, for the period during which the Executive may be subject to potential liability for any claim, action or proceeding (whether civil or criminal) as a result of his service as an officer or director of the Corporation or the Partnership or in any capacity at the request of the Corporation or the Partnership, in or with regard to any other entity, employee benefit plan or enterprise on the same terms such coverage was provided during this Agreement, at the highest level then maintained for any then current or former officer or director.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

Cedar Shopping Centers, Inc.

By:

Title:

Cedar Shopping Centers Partnership, L.P.

By: Cedar Shopping Centers, Inc.,
General Partner

By:

Title:

Stuart H. Widowski, Esq.

CONTRIBUTION AGREEMENT

AGREEMENT (this "Agreement") made as of this 2nd day of October, 2003 by and among FIREHOUSE REALTY CORP., a Pennsylvania corporation ("Firehouse"), REED DEVELOPMENT ASSOCIATES, INC., a Pennsylvania corporation ("Reed"), SOUTH RIVER VIEW PLAZA, INC., a Pennsylvania corporation ("South"), RIVER VIEW DEVELOPMENT CORP., a Pennsylvania corporation ("Development"), RIVERVIEW COMMONS, INC., a Pennsylvania corporation ("Commons"; and together with Firehouse, Reed, South and Development, the "Owners", or each individually, an "Owner") and CSC-RIVERVIEW LLC ("Cedar").

W I T N E S S E T H

WHEREAS, the Owners and Cedar desire to form a Pennsylvania limited partnership (the "Partnership");

WHEREAS, the Owners are the owners in fee of the Fee Property (as hereinafter defined) and the owners of a leasehold estate in the Leasehold Property (as hereinafter defined);

WHEREAS, the Owners desire to contribute the Property (as hereinafter defined) to the Partnership, in exchange for preferred interests in and to the Partnership; and

WHEREAS, Cedar desires to contribute the Initial Funding Amount (as hereinafter defined) to the Partnership in exchange for common interests in and to the Partnership.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

ARTICLE I

Issuance of Interests

1.1 Interests. The Owners and Cedar hereby agree to form the Partnership, to contribute the Property and the Initial Funding Amount to the Partnership and to cause the Partnership to issue interests in and to the Partnership to Owners and Cedar (and to an affiliate of Cedar) so that said formation, contribution and issuance (collectively, the "Contribution") will result in:

A. Said affiliate of Cedar becoming the general partner of the Partnership, owning one percent (1%) of the common interests in and to the Partnership ("Cedar GP Interests");

B. Cedar becoming a limited partner of the Partnership, owning ninety-nine percent (99%) of the common interests in and to the Partnership ("Cedar LP Interests" and, together with Cedar GP Interests, the "Interests"); and

C. The Owners becoming limited preferred partners of the Partnership, owning a preferred interest (the "Preferred Interest").

1.2 Permitted Exceptions. Upon the Contribution, the Property shall be subject only to those matters set forth on EXHIBIT A annexed hereto (collectively, the "Permitted Exceptions").

1.3 Other Agreement.

The parties acknowledge that, pursuant to the terms of that certain Recapitalization Agreement (the "Other Agreement"), among Delaware 1851 Associates, LP, Indenture of Trust of Bart Blatstein dated as of June 9, 1998 ("1998 Trust"), Irrevocable Indenture of Trust of Barton Blatstein dated July 13, 1999 ("1999 Trust"; and together with 1998 Trust, "Original LPs"), Welsh-Square, Inc. ("WSI"; and together with Original LPs, the "Other Agreement Owners"), and CSC-Columbus LLC (the "Other Agreement Buyer"), the Other Agreement Owners have agreed to consummate the transaction as more particularly described in the Other Agreement (the closing of such transaction, the "Other Agreement Closing"). Notwithstanding anything to the contrary contained herein or in the Other Agreement, the Closing under this Agreement is specifically contingent, as set forth in Sections 7.2.1(L) and 7.2.2(C) hereof, upon the Other Agreement Closing (which shall include, without limitation, the making of the loan contemplated by the Other Agreement (the "Other Agreement Owners Loan")). It is expressly understood and agreed that the Closing and the Other Agreement Closing shall occur simultaneously and that, if the Other Agreement is terminated in accordance with its terms, then this Agreement shall similarly terminate and, in connection with any such termination, if (i) the Other Agreement Owners are entitled to the downpayment under the Other Agreement in connection with such termination, then, in such case, the Owners shall be entitled to the Downpayment in connection with such a termination under this

Agreement, and (ii) the Other Agreement Buyer is entitled to a refund of the downpayment under the Other Agreement in connection with such termination, then, in such case, Cedar shall be entitled to a refund of the Downpayment. A default by the Other Agreement Owners under the Other Agreement shall be deemed to be a default by Owners under this Agreement and a default by the Other Agreement Buyer under the Other Agreement shall be deemed to be a default by Cedar under this Agreement.

ARTICLE II

Initial Funding Amount

2.1 Initial Funding Amount. In consideration for (i) the contribution by the Owners of the Property to the Partnership, and (ii) the issuance of the Interests to Cedar, Cedar shall (i) loan to Owners an amount equal to Twenty Six Million Seven Hundred Forty-Three Thousand ($26,743,000.00) Dollars (the "Owners Loan"), on a nonrecourse basis, secured by the Preferred Interest, and (ii) contribute to the Partnership an initial capital amount equal to the sum of all legal fees, title insurance premiums and other closing costs to be paid by Cedar in connection with the Closing (as hereinafter defined), as the same may be adjusted pursuant to the terms of

this Agreement (the "Initial Capital Amount"). The Owners Loan and the Initial Capital Amount are sometimes collectively referred to herein as the "Initial Funding Amount".

2.2 Property Contribution. In consideration for (i) the issuance of the Preferred Interest to the Owners, (ii) the making by Cedar of the Owners Loan, and (iii) the contribution by Cedar of the Initial Capital Amount to the Partnership, Owners shall contribute to the Partnership (a) their fee interest in certain real property located at 1100, 1300 and 1400 South Christopher Columbus Boulevard, Philadelphia, Pennsylvania and 1401 South Water Street, Philadelphia, Pennsylvania (also collectively known as Riverview Shopping Center) all as more particularly described on EXHIBIT B annexed hereto together with all improvements located thereon, subject only to the Permitted Exceptions (the "Fee Property") and (b) their right, title and interest in (A) that certain Lease dated October 16, 1991 by and between Interstate Land Management Corporation ("Interstate") and Commons, as amended by that certain First Amendment to Lease dated June 24, 1992 (as so amended, "Parking Lease I"), with respect to the premises particularly described on EXHIBIT B-1 annexed hereto, (B) that certain Lease dated June 24, 1992 by and between Interstate and Commons, as amended by that certain First Amendment to Lease dated February 10, 1993 (as so amended, "Parking Lease II"), with respect to the premises particularly described on EXHIBIT B-2 annexed hereto (the leased property described on EXHIBIT B-1 and EXHIBIT B-2 together with all improvements located thereon, collectively, the "Leasehold Property"), (C) the Personal Property (as that term is hereinafter defined), (D) the Leases (as that term is hereinafter defined), (E) all easements and rights appurtenant to the Fee Property and/or the Leasehold Property, if any, (F) to the extent assignable, the Permits (as that term is hereinafter defined), other than that certain liquor license, LID No. 47678 owned by Reed (the "Liquor License"), (G) and all Records and Plans (as that term is hereinafter defined) in the Owners' possession or control. The Fee Property, together with the foregoing items (A) through (G), are hereinafter referred to collectively as, the "Property".

2.3 Method of Payment. The Initial Funding Amount shall be disbursed as follows: simultaneously with the execution and delivery of this Agreement, Five Hundred Thousand and 00/100 Dollars ($500,000.00) (the "Downpayment") by wire transfer of immediately available federal funds to the account of Escrow Agent (as hereinafter defined) in accordance with the wire instructions set forth on EXHIBIT C annexed hereto, to be held in escrow pursuant to the provisions of Article IX hereof; and (b) at the closing of the transactions contemplated hereby (the "Closing"), the balance of the Owners Loan in the sum of Twenty Six Million Two Hundred Forty-Three Thousand ($26,243,000.00) Dollars, subject to a credit to Cedar for the interest earned on the Downpayment and subject to other apportionments and other adjustments required to be made pursuant to this Agreement (the "Balance of the Initial Funding Amount") by wire transfer of immediately available federal funds to the bank account, designated in writing by the Owners prior to Closing. Except as otherwise expressly provided in this Agreement, the Downpayment shall be fully non-refundable.

2.4 Downpayment. The party or parties hereunder that shall be entitled to receive the Downpayment shall receive all interest that shall have accrued thereon; provided, however, that if the Closing shall occur, the amount of any interest earned on the Downpayment shall be

credited in favor of Cedar against the Balance of the Initial Funding Amount.

The Downpayment, together with all interest thereon, shall be held by Escrow Agent in accordance with Article IX hereof.

ARTICLE III

Disclaimer

3.1 Disclaimer of Warranties. Cedar is acquiring the Interests with the Property being "AS IS" with all faults and defects. Except as specifically stated in this Agreement, the Owners hereby specifically disclaim any representation or warranty, oral or written, including, but not limited to, those concerning (i) the nature and condition of the Property, (ii) the manner, construction, condition and state of repair or lack of repair of any improvements located on the Property, (iii) the compliance of the Property or its operation with any laws, rules, ordinances, or regulations of any government or other body, it being specifically understood that Cedar has had the full opportunity to determine for itself the condition of the Property, and (iv) the income and expenses of the Property. The issuance of the Interests as provided for herein is made with the understanding that Cedar has inspected the Property, is aware of the condition thereof, and has apprised itself of all information with respect to the Property and that, except as otherwise provided herein, the issuance is made with the Property in an "as is" condition. Cedar expressly acknowledges that in consideration of the agreements of the Owners herein, except as otherwise specified herein, THE OWNERS MAKE NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, OR ARISING BY DECLARATION OF LAW, INCLUDING, BUT IN NO WAY LIMITED TO, ANY WARRANTY OF QUANTITY, QUALITY, CONDITION, HABITABILITY, MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OF THE PROPERTY, THE INTERESTS, ANY IMPROVEMENTS, THE PERSONALTY OR SOIL CONDITIONS. The Owners are not liable or bound in any manner by expressed or implied warranties, guarantees, promises, statements, representations or information pertaining to the Interests or the Property made or furnished by any real estate broker, agent, employee, servant or other Person (as hereinafter defined) representing or purporting to represent the Owners unless such representations are expressly and specifically set forth herein. For purposes of this Agreement, the term "Person" shall mean any individual, partnership, corporation, limited liability company, trust or other entity.

ARTICLE IV

The Owners' Representations and Covenants

4.1 The Owners jointly and severally represent as follows:

A. Firehouse is a corporation duly organized and validly existing under and by virtue of the laws of the Commonwealth of Pennsylvania and is in good standing in the Commonwealth of Pennsylvania. Firehouse has all requisite power and authority to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby. Annexed hereto as EXHIBIT D is a true, correct and complete copy of the Certificate of

Incorporation of Firehouse, which Certificate of Incorporation has not been amended or modified. The sole asset of Firehouse is Firehouse's interest in the Property.

B. Reed is a corporation duly organized and validly existing under and by virtue of the laws of the Commonwealth of Pennsylvania and is in good standing in the Commonwealth of Pennsylvania. Reed has all requisite power and authority to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby. Annexed hereto as EXHIBIT E is a true, correct and complete copy of the Certificate of Incorporation of Reed, which Certificate of Incorporation has not been amended or modified. The sole asset of Reed is the Liquor License and Reed's interest in the Property.

C. South is a corporation duly organized and validly existing under and by virtue of the laws of the Commonwealth of Pennsylvania and is in good standing in the Commonwealth of Pennsylvania. South has all requisite power and authority to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby. Annexed hereto as EXHIBIT F is a true, correct and complete copy of the Certificate of Incorporation of South, which Certificate of Incorporation has not been amended or modified. The sole asset of South is South's interest in the Property.

D. Development is a corporation duly organized and validly existing under and by virtue of the laws of the Commonwealth of Pennsylvania and is in good standing in the Commonwealth of Pennsylvania. Development has all requisite power and authority to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby. Annexed hereto as EXHIBIT G is a true, correct and complete copy of the Certificate of Incorporation of Development, which Certificate of Incorporation has not been amended or modified. The sole asset of Development is Development's interest in the

Property.

E. Commons is a corporation duly organized and validly existing under and by virtue of the laws of the Commonwealth of Pennsylvania and is in good standing in the Commonwealth of Pennsylvania. Commons has all requisite power and authority to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby. Annexed hereto as EXHIBIT H is a true, correct and complete copy of the Certificate of Incorporation of Commons, which Certificate of Incorporation has not been amended or modified. The sole asset of Commons is Commons' interest in the Property.

F. The Owners are the owner in fee of the Fee Property, subject only at Closing to the Permitted Exceptions. Commons is the owner of a leasehold estate in the Leased Property.

G. This Agreement (i) has been duly authorized, executed and delivered by the Owners and no other proceedings on the part of the Owners are necessary to authorize this Agreement or to consummate the transactions contemplated hereby, and (ii) is the legal, valid and binding obligation of the Owners enforceable against the Owners in accordance with its

terms (subject to bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally).

H. The execution, delivery, observance and performance by the Owners of this Agreement and the transactions contemplated hereby will not (i) result in any violation of the organizational documents of any of the Owners, (ii) violate any material contractual provision, law, statute, ordinance, rule, regulation, judgment, decree or order applicable to any of the Owners, (iii) conflict with, or cause a breach of, or a default under, or result in a termination, modification, or acceleration of, any material obligation of any of the Owners.

I. The Property is encumbered by a first mortgage (the "Mortgage") securing a loan in the original principal amount of Twenty-Four Million and 00/100 Dollars ($24,000,000) (the "Mortgage Loan"), made by First Union National Bank of North Carolina ("Mortgagee")to the Owners on March 25, 1997 assigned to State Street Bank and Trust Co. A true, correct and complete schedule of the documents evidencing the Mortgage Loan (the "Mortgage Loan Documents") is annexed hereto as EXHIBIT I. True, accurate and complete copies of the Mortgage Loan Documents in all material respects have been delivered to Cedar. The Mortgage Loan Documents are in full force and effect and have not been amended. As of the date hereof, no default exists under any of the Mortgage Loan Documents. The outstanding principal balance of the Mortgage Loan as of the date hereof is Twenty Two Million Four Hundred Eighteen Thousand Eight Hundred Eighty Four ($22,418,884.00) Dollars. The portion of the November 2003 payment under the Mortgage Loan Documents that will be applied in reduction of the outstanding principal balance of the Mortgage Loan is Twenty Nine Thousand Two Hundred Eighty Two ($29,282.00) Dollars. There is no prepayment penalty or other fee payable in connection with a voluntary prepayment of the Mortgage Loan other than a prepayment fee (the "Prepayment Fee") in an amount equal to the greater of (i) one percent (1%) of the outstanding principal balance of the Mortgage Loan and (ii) the positive excess of (1) the present value, as of the date of such prepayment, of all future installments of principal and interest due under the Mortgage Loan Documents absent any such prepayment including the principal amount due at maturity, discounted at an interest rate per annum equal to the Treasury Constant Maturity Yield Index (as defined in the Mortgage Loan Documents) published during the second full week preceding the date on which such premium is payable for instruments having a maturity coterminous with the remaining term of the Mortgage Loan, over (2) the then outstanding principal balance hereof immediately before such prepayment (as more fully set forth in the Mortgage Loan Documents). Upon the payment of the Prepayment Fee, the Mortgage Loan may be freely pre-paid and the Mortgage discharged.

J. The Property is not subject to any mortgages, liens or encumbrances other than (i) the Mortgage Loan, (ii) the Permitted Exceptions (upon Closing), and (iii) that certain mortgage made to Fleet Bank, dated Sept 2, 2002, in connection with a line of credit made by Fleet Bank, which such mortgage is freely terminable and shall be discharged by the Owners, at their sole cost and expense, at or prior to the Closing.

K. No consent, approval, waiver, license, authorization or declaration of, or filing or registration with, any Person is or will be required in connection with the execution, delivery and performance of this Agreement by the Owners.

L. There are no material contracts or agreements, written or oral, which affect the Property, except those described either in this Agreement or set forth in Exhibits to this Agreement.

M. There are no takings, condemnations, betterments, assessments, actions, suits, arbitrations, claims, attachments, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings, actual or proposed, pending or, to the best of the Owners' knowledge, threatened against the Property or the Owners except for claims covered under applicable insurance policies.

N. No tax certiorari proceeds with respect to the Property are presently pending or remain outstanding, other than that certain Real Estate Market Value Appeal for Tax Year 2004, dated September 24, 2003, filed on September 24. 2003, alleging overvaluation of the portion of the Property owned by Firehouse with respect to the Property to be properly reflected in Board of Revision of Taxes Notice of Proposed Changes in Market Value for Real Estate Taxes in 2004, dated August 1, 2003.

O. True, correct and complete copies (in all material respects) of the leases, licenses or other occupancy agreements affecting the Property (collectively, the "Leases") and subleases affecting the Property (collectively, the "Subleases") have been delivered to Cedar. The information set forth on EXHIBIT J annexed hereto (the "Schedule of Leases") is true, complete and correct in all material respects, and the Leases and the Subleases are in full force and effect and have not been amended, except as set forth in the Schedule of Leases. The Schedule of Leases sets forth the amount of all security deposits (plus accrued interest thereon, if any, required to be paid to the respective tenants under the Leases (the "Tenants")) made by Tenants under the Leases and held by or on behalf of the landlord thereunder. The rent roll (the "Rent Roll") annexed hereto as EXHIBIT K is true, correct and complete in all material respects based upon the current operation of the Property and the rents set forth on the Rent Roll are the rents currently being collected. All of the landlord's obligations under the Leases which the landlord is obligated to perform in all material respects prior to the Closing have or will have been performed.

P. Except as set forth on the Schedule of Leases:

(a) there are no Leases or Subleases and no Person, other than the Owners, the Tenants and subtenants under the Subleases (the "Subtenants"), has any right of possession of the Property;

(b) there are no unsatisfied "Take-Over" space obligations or "Take-Back" space obligations ("Take-Over" space obligations mean rent

obligations of the Tenant in other buildings assumed by the landlord, and "Take-Back" space obligations mean obligations imposed upon the landlord to sublet or otherwise be responsible for the obligations of a Tenant under a Lease);

(c) To the Owners' knowledge there are no disputes with Tenants as to the amount of their rental obligations;

(d) the rents set forth on the Rent Roll were actually collected for the month of September, 2003;

(e) there are no arrearages under any of the Leases;

(f) no Tenant or Subtenant has any option to purchase the Property;

(g) none of the Owners has received from any Tenant any written notice claiming any material default by the landlord under its Lease which has not been complied with, and none of the Owners has delivered to Tenant any written notice claiming a default by Tenant under a Lease which has not been complied with, and, to the best knowledge of the Owners, there are no circumstances which, after notice and the expiration of any applicable grace period, would constitute a default by either the landlord or any Tenant under the Leases in any material respect;

(h) no Tenant has any right of first offer, right of first refusal, option or other preferential right

to expand its premises; and

(i) no Tenant has asserted offsets or claims against, or has any defense to, rental payable or obligations under the Leases.

Q. No guarantor of any of the Leases has been released or discharged voluntarily (or, to the best of the Owners' knowledge either involuntarily or by operation of law) from any obligation related to the Lease. All of the improvements to be constructed by the landlord, if any, contemplated under the Leases or as required therein and in all collateral agreements and plans and specifications respecting same have been completed as so required in all material respects, and any fees, costs, allowances, advances or other expenses to be paid by the landlord for tenant improvements or tenant finish work have been paid in full. None of the rentals due or to become due under the Leases has been or will be, at the closing, assigned, encumbered or subject to any liens.

R. There are no management, service, supply, equipment rental, and similar agreements affecting the Property, and there are no month-to-month service arrangements on

expired or automatic renewable contracts (collectively, the "Service Contracts") which will bind the Property, the Partnership, Cedar or the Owners after the Closing.

S. All federal, state and local tax returns required to be filed by the Owners have been timely, duly and accurately completed and filed, and all federal, state and local taxes required to be paid by the Owners have been paid in full in connection with all filed returns.

T. The Owners have no material liabilities or obligations of any nature, other than in the ordinary course of business (whether known or unknown and whether absolute, accrued, contingent or otherwise) except for the Mortgage Loan. Except in connection with the Mortgage Loan, the interests of the Owners in the Property have not been pledged or transferred.

U. Other than as contemplated by this Agreement, there are no outstanding options to purchase, rights of first offer, rights of first refusal, warrants, calls, commitments, conversion rights, rights of exchange, plans or other agreements of any character, absolute or contingent, to acquire all, or any portion of, the Property or the Interests.

V. As of the date hereof, none of the Owners has entered into any brokerage agreements or lease commission agreements, other that certain listing agreement between Reed and Seligsohn, Soens, Hess, dated as of May 1, 2003 (the "Seligsohn Agreement"). No leasing commission is now or will hereafter become due or owing in connection with any of the Leases, including, without limitation, pursuant to the Seligsohn Agreement, or in connection with any renewals or extensions of the term of any of the Leases, other than any commissions incurred, between the date of this Agreement and Closing, pursuant to Cedar's prior written consent, in connection with new Lease executed (with the prior written consent of Cedar) during the period between the date of this Agreement and the Closing. Any commissions incurred resulting from a new Lease so approved by Cedar and executed, shall be paid by Cedar.

W. The Personal Property (as hereinafter defined) has not been assigned or conveyed to any other party (other than as security for the Mortgage Loan). For purposes of this Agreement, the term "Personal Property" shall mean all equipment, appliances, tools, machinery, supplies, building materials and other personal property of every kind and character owned by the Owners and attached to, appurtenant to, located in or used in connection with the operation of the Property, other than the Liquor License.

X. The Owners have received no written notice of any violation or any alleged violation of any Environmental Laws has been issued or given by any Governmental Authority (as hereinafter defined) which remains uncured. For purposes of this Agreement, the term "Hazardous Materials" shall mean (a) any toxic substance, hazardous waste, hazardous substance or related hazardous material; (b) asbestos in any form which is or could become friable, urea formaldehyde foam insulation, transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls in excess of presently existing federal, state or local safety guidelines, whichever are more stringent; and (c) any substance, material or chemical which is defined as or included in the definition of "hazardous substances",

"toxic substances", "hazardous materials", "hazardous wastes" or words of similar import under any federal, state or local statute, law, code, or ordinance or under the regulations adopted or guidelines promulgated pursuant thereto, including, but not limited to, the Environmental Laws. For purposes of this Agreement, the term "Environmental Laws" shall mean the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Section 9061, et seq.; the Hazardous Materials Transportation Act, as amended, 49 U.S.C. Section 1801, et seq.; the Resource Conservation and Recovery Act, as amended, 42 U.S.C. Section 6901, et seq.; and the Federal Water Pollution Control Act, as amended, 33 U.S.C. Section 1251, et seq., as any of the foregoing may be amended from time to time, and any other federal, state and local laws and regulations, codes, statutes, orders, decrees, guidance documents, judgments or injunctions, now or hereafter issued, promulgated, approved or entered thereunder, relating to pollution, contamination or protection of the environment, including, without limitation, laws relating to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals or industrial, toxic or hazardous substances or wastes into the environment or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials. For purposes of this Agreement, the term "Governmental Authority" shall mean the United States government, any state, regional, local or any other political subdivision of any of the foregoing, and any agency, department, commission, board, court bureau or instrumentality of any of them having jurisdiction over the Property or any of the Owners.

Y. The Owners have delivered to Cedar a true, correct and complete copy of the Phase I Environmental Report, dated as of September 27, 2001, prepared by IVI Environmental, Inc., as updated by that certain Phase I Environmental Site Assessment dated as of August 8, 2003, prepared by IVI Environmental, Inc. directly for Cedar.

Z. [intentionally omitted]

AA. There are, and at the Closing there will be, no employees and no employment contracts, operating agreements, management contracts, listing agreements, consulting agreements, union contracts, labor agreements, pension plans, profit sharing plans or employee benefit plans which relate to any of the Owners or the Property (collectively, "Operating Agreements"), other than the Seligsohn Agreement. True, correct and complete copies of the Selligs Agreement has been delivered to Cedar. Neither the Owners, nor to the Owners' best knowledge, any other party is in default with respect to any of its obligations or liabilities pertaining to the Seligsohn Agreement. There are, and at Closing will be, no unpaid fees or commissions owing with respect to the Property, other than any fees incurred, between the date of this Agreement and Closing, pursuant to Cedar's prior written consent, in connection with new Lease executed (with the prior written consent of Cedar) during the period between the date of this Agreement and the Closing. Any fees incurred resulting from a new Lease so approved by Cedar and executed, shall be paid by Cedar.

BB. The Owners maintain insurance with respect to the Property as set forth on EXHIBIT L annexed hereto. True, correct, and complete copies of these policies have been

delivered to Cedar and are in full force and effect. True, correct, and complete copies of all policies of liability insurance held in connection with the Property during the Owners' tenure of ownership of the Property have been delivered by the Owners to Cedar. None of the Owners has received any written notice from any insurance company which has issued a policy with respect to the Property or from Mortgagee requesting or requiring performance of any structural or other major repair or alteration to the Property which has not been complied with.

CC. None of the Owners is a "foreign person" as defined pursuant to Section 1445 of the Internal Revenue Code of 1986, as amended.

DD. All Records and Plans in the possession or control of the Owners have been made available to Cedar. For purposes of this Agreement the term "Records and Plans" shall mean all of the following items which are in the possession of or under the control of the Owners: (A) all accounting, tax, financial, and other books and records (including tax returns) maintained in connection with the renovation, construction, use, maintenance, repair, leasing and operation of the Property and the formation, existence and operation of the Owners, (B) all building plans and specifications (including "as-built" drawings) with respect to the improvements and (C) all structural reviews, architectural drawings and engineering, soil, seismic, geologic and architectural reports, studies and certificates and other documents pertaining to the Property. Records and Plans also means such additional books, records, plans, specifications, reports, studies and other documents maintained or prepared after the date of this Agreement. Except as expressly provided herein, no representations are given regarding the accuracy or completeness of the Records and Plans.

EE. A true, correct and complete schedule in all material respects of the lease documents evidencing the Owners leasehold estate in the Leasehold Property (the "Leasehold Documents") is annexed hereto as EXHIBIT M. True, accurate and complete copies of the Leasehold Documents have been delivered to Cedar. The Leasehold Documents are in full force and effect and have not been amended, except as set forth on EXHIBIT M. As of the date hereof, no default exists under any of the Leasehold Documents and, to the knowledge of the Owners, no condition exists which, with the giving of notice or the passage of time would give rise to a default under any of the Leasehold Documents. The Owners know of no reason why Interstate would not agree to execute and deliver the Parking Lease Memoranda (as that term is hereinafter defined), it being understood that the Owners have not yet engaged in dialogue with Intrastate in connection with the Parking Lease Memoranda,

The representations and warranties made in this Section 4.1 shall survive the Closing shall survive the Closing and remain in full force and effect for a period of four (4) months after the date of the Closing. The Owners shall have no liability to Cedar in respect of said representations and warranties unless Cedar shall have delivered to the Owners, within such four (4) month period, a claim specifying the alleged breach of any one or more of such representations, in which case the Owner's liability shall survive with respect to the matters alleged in such claim until resolution thereof. For purposes of this Agreement the term "material" shall mean (unless the context clearly indicates otherwise) any fact or condition, the

presence or absence of which, has or could have a significant adverse effect on the financial condition or value of the Property or the continued use and enjoyment thereof.

4.2 Cedar represents as follows:

A. Cedar is a limited liability company duly organized and validly existing under and by virtue of the laws of the State of Delaware and is in good standing in the State of Delaware. Cedar has all requisite power and authority to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby.

B. This Agreement (i) has been duly authorized, executed and delivered by Cedar and no other proceedings on the part of Cedar are necessary to authorize this Agreement or to consummate the transactions contemplated hereby, and (ii) is the legal, valid and binding obligation of Cedar enforceable against Cedar in accordance with its terms (subject to bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally).

C. The execution, delivery, observance and performance by Cedar of this Agreement and the transactions contemplated hereby will not (i) result in any violation of the organizational documents of Cedar, (ii) violate any contractual provision, law, statute, ordinance, rule, regulation, judgment, decree or order applicable to Cedar, (iii) conflict with, or cause a breach of, or a default under, or result in a termination, modification, or acceleration of, any obligation of Cedar, or (iv) permit any other party to terminate or modify any agreement or instrument to which Cedar is a party or by which any of them is bound.

4.3 The Owners hereby covenant and agree with Cedar as follows:

A. At all times up to the Closing Date, the Owners shall maintain or cause to be maintained insurance upon the Property in the same coverages and amounts as the insurance policies on the Property on the date hereof.

B. At all times up to the Closing Date, the Owners shall operate and maintain the Property in substantially the same manner as it is now operated and maintained, and the Owners shall use reasonable efforts to maintain the physical condition of the Property in its current condition, reasonable and ordinary wear and tear and damage by fire and casualty excepted.

C. The Owners shall neither transfer nor remove any Personal Property (other than the Liquor License) or fixtures from the Property subsequent to the date hereof, unless the same are no longer needed for the maintenance and operation of the Property or except for purposes of replacement thereof, in which case such replacements shall be promptly installed prior to Closing and shall be comparable in quality to the items being replaced.

D. The Owners shall not without the prior written consent of Cedar, which consent may be granted or withheld in Cedar's sole discretion, to (i) enter into any Lease nor modify, renew, extend, replace, terminate or

otherwise change any of the terms, conditions or covenants of any existing Lease, or (ii) consent to any Sublease or any modification, renewal, replacement, termination or other change of any of the terms, conditions or covenants of any existing Sublease.

E. The Owners shall not enter into any new Service Contract after the date hereof without the prior written consent of Cedar, which consent may be granted or withheld in Cedar's sole discretion.

F. The Owners shall not enter into any Operating Agreement after the date hereof without the prior written consent of Cedar, which consent may be granted or withheld in Cedar's sole discretion.

G. The Owners shall not amend or modify any Permits with respect to the Property and shall keep in full force and effect and/or renew all Permits. For purposes of this Agreement, the term "Permits" shall mean all approvals, consents, registrations, franchises, permits, licenses, variances, certificates of occupancy and other authorizations with regard to zoning, landmark, ecological, environmental, air quality, subdivision, planning, building or land use required by any Governmental Authority for the construction, lawful occupancy and operation of the Improvements and the actual use thereof.

H. The Owners shall timely comply with all Legal Requirements in all material respects. For purposes of this Agreement, the term "Legal Requirements" shall mean any law, statute, ordinance, order, rule, regulation, decree or other requirement of a Governmental Authority, and all conditions of any Permit.

I. The Owners shall pay all obligations and trade creditors in the normal course of business and not defer any expenses or costs which would be paid or incurred in the normal course of business.

J. The Owners shall not, without the written consent of Cedar, convey any interest, directly or indirectly, in the Property.

K. The Owners shall not withdraw, settle or otherwise compromise any protest or reduction proceeding affecting real estate taxes assessed against the Property for any fiscal period in which the Closing is to occur or any subsequent fiscal period without the consent of Cedar, which consent may be granted or withheld in Cedar's sole discretion.

L. The Owners shall not create, assume, incur or suffer to exist any lien (other than the Permitted Exceptions).

M. The Owners shall use good faith efforts to obtain the Tenant Estoppel Certificates, the Landlord Consent, and the Landlord Estoppel (as those terms are defined in Section 7.2.1).

N. The Owners shall not bring (or permit to be brought) any Hazardous Materials in, upon, under, over or from the Property in violation of Environmental Laws.

O. The Owners shall not remove or dispose of (or permit to be removed or disposed of) any Hazardous Materials in, upon, under, over or from the Property in violation of Environmental Laws.

P. The Owners shall not hereafter engage any new employees for any of the Owners or the Property.

Q. The Owners shall make all payments as required by the Mortgage Loan.

R. The Owners shall, at Cedar's sole cost and expense, cooperate with Cedar with regard to any financing that is arranged for by Cedar in connection with the transactions contemplated by this Agreement, and the Owners will execute all documents reasonably required pursuant to such financing, provided same do not impose cost or liability on the Owners.

S. The Owners shall not collect any rent under any Lease more than one (1) month in advance.

T. The Owners shall not make any material alterations to the Property.

4.4 The Owners acknowledge that Cedar desires that a memorandum of lease be placed of record prior to the Closing with respect to each of Parking Lease I and Parking Lease II. Accordingly, the Owners covenant and agree that they shall, within five (5) days of the date hereof, contact Interstate and thereafter shall use their reasonable and good faith efforts to obtain from Interstate as soon as possible, a memorandum of lease, in form (i) suitable for

recording, (ii) satisfying any applicable statutory requirements, and (iii) reasonably acceptable to Cedar, with respect to each of Parking Lease I and Parking Lease II (collectively, the "Parking Lease Memoranda"). Upon obtaining the Parking Lease Memoranda from Interstate, the Owners shall countersign such documents, shall deliver same to the Title Company to be placed of record and shall deliver a duplicate original of each to Cedar at the Closing. The Owners shall promptly deliver to Cedar copies of all correspondence sent to or received from Interstate in connection with the Parking Lease Memoranda and shall otherwise keep Cedar informed with respect to the Owners' progress with respect to obtaining the Parking Lease Memoranda from Interstate. Nothing contained in this paragraph shall be deemed to require the Owners to obtain the Parking Lease Memoranda as a condition of Closing.

ARTICLE V

Brokerage

5.1 The parties agree that Michael Salove Company (the "Broker") is the broker in connection with this transaction. The Owners agree to pay any commission payable to the Broker in connection with this transaction by separate agreement. Provided the Closing occurs, Cedar shall, at the Closing, reimburse the Owners for a portion of the fee paid to the Broker in the amount of Two Hundred Fifty Thousand ($250,000.00) Dollars.

5.2 Cedar hereby agrees to indemnify, defend and hold the Owners harmless from and against any and all claims, losses, liability, costs and expenses (including reasonable attorneys' fees) resulting from any claim that may be made against the Owners by any broker (other than the Broker), or any other person claiming a commission fee or other compensation by reason of this transaction, if the same shall arise by, through or on account of any alleged act of Cedar or Cedar's representatives.

5.3 The Owners hereby agree to jointly and severally indemnify, defend and hold Cedar harmless from and against any and all claims, losses, liability, costs and expenses (including reasonable attorneys' fees) resulting from any claim that may be made against Cedar by any broker (including the Broker), or any other person, claiming a commission fee or other compensation by reason of this transaction, if the same shall arise by, through or on account of any alleged act of the Owners or the Owners' representatives.

5.4 The obligations under this Article V shall survive the Closing or a termination of this Agreement.

ARTICLE VI

Title and Due Diligence

6.1 Title.

6.1.1 Title Commitment; Title Objections. The Owners have ordered and have caused to be delivered to Cedar, a title insurance report and commitment (the "Commitment") for the Title Policy (as hereinafter defined) from Legal Abstract Co., 2200 Walnut Street, Philadelphia, Pennsylvania 19103 (the "Title Company"). Upon receipt of any updates or revisions to the Commitment, Cedar shall furnish copies thereof to the Owners' attorneys. The parties acknowledge and agree that the Commitment contains certain objections to title which are not Permitted Exceptions (the "Title Objections"). If any supplement, amendment or modification of the Commitment contains any additional Title Objections not contained in the original Commitment, Cedar shall give notice to the Owners, within ten (10) days of its receipt of such supplement, amendment or modification, setting forth such additional Title Objections contained therein. In the event Cedar fails to give notice within such ten (10) days following its receipt of such supplement, amendment or modification, Cedar shall be deemed to have waived its right to object thereto.

6.1.2 Encumbrances to Eliminate. The Owners shall be required to eliminate (a) all mortgages (other than the Mortgage), (b) unpaid water charges and assessments, (c) any other Title Objections which are in a liquidated amount and which may be satisfied by the payment of money, and (d) any other Title Objections that were contained in the original Commitment.

6.1.3 Other Exceptions. Except as set forth in Section 6.1.2 above, the Owners shall not be required to bring any action or institute any proceeding, or to otherwise incur any costs or expenses in order to attempt to eliminate any Title Objections. If the Owners fail to eliminate any and all Title Objections (other than those encumbrances set forth in Section 6.1.2 above which the Owners shall be obligated to remove), then, Cedar may elect, as its

sole right and remedy, to either (i) proceed with the transactions contemplated hereby subject to such exceptions, and Cedar shall close hereunder, without reduction of the Initial Capital Amount, notwithstanding the existence of same, and the Owners shall have no obligations whatsoever after the Closing Date with respect to the Owners' failure to eliminate such exceptions, or (ii) terminate this Agreement by notice given to Owners, in which event Cedar shall be entitled to a return of, and Escrow Agent shall promptly deliver, the Downpayment to Cedar. Upon such return and delivery, this Agreement shall terminate and neither party hereto shall have any further obligations hereunder other than pursuant to those provisions that expressly survive a termination of this Agreement.

6.2 Liens, Judgments and Encumbrances. If, at the Closing, the Property is subject to any mortgage or mortgages, unpaid taxes, water charges and assessments, or any other liens, judgments and monetary encumbrances, the existence thereof shall not constitute a Title Objection provided that such mortgage(s), unpaid taxes, water charges and assessments, or any other liens, judgments and encumbrances are paid by the Owners to the Title Company and the Title Company shall omit the same from the Title Policy.

6.3 Affidavits. If the Commitment, or any supplement, amendment or modification thereof, discloses judgments, bankruptcies or other returns against other persons having names the same as, or similar to, that of any of the Owners, the Owners shall deliver to the Title Company affidavits showing that such judgments, bankruptcies or other returns are not against the Owners in order to induce the Title Company to omit exceptions with respect to such judgments, bankruptcies or other returns. In addition, the Owners shall deliver to the Title Company an affidavit required to cause the Title Company to issue a non-imputation endorsement to the Title Policy and all other affidavits customarily required of sellers of property similar to the Property.

6.4 Violations. Notwithstanding anything to the contrary contained herein, Owners shall cure and eliminate (and pay all related fines and penalties and any accrued interest thereon), at Owners' cost and expense, any violations assessed against the Property as of the Closing Date.

6.5 [intentionally omitted]

6.6 [intentionally omitted]

6.7 Ongoing Site Visits. Cedar and its employees, agents, contractors, consultants and representatives ("Consultants") shall have reasonable access to the Property on at least one (1) Business Day's (as that term is hereinafter defined) prior notice to Owners (which notice may be delivered by telephone to Brian Friedman of Tower Investments, Inc. at (215) 467-4600), during reasonable times as mutually agreed upon by Owners and Cedar solely for the purpose of (i) inspecting the physical and structural condition of the Property and conducting non-intrusive physical inspections and tests (non-intrusive physical inspections and tests shall include, for example, taking de minimis samples of building materials), and (ii) monitoring the ongoing operations of the Property (including, without limitation, the performance by Tenants of their respective obligations under the Leases). If Cedar desires to conduct any intrusive physical inspections and tests, including a Phase II environmental inspection of the Property, Cedar shall identify in writing the procedures Cedar desires to perform and request Owner's consent. If Owners object to the inspections and tests requested by Cedar, Owners shall describe the basis for their objection to Cedar and propose to Cedar a reasonable alternative for resolving the issue giving rise to Cedar's request for intrusive physical inspections or tests. If Owners consent to the inspections and tests requested by Cedar, Cedar and Consultants shall, in performing intrusive physical inspections or tests, (a) comply with any and all statutes, laws, ordinances, rules and regulations applicable to the Property, and (b) restore the Property to the condition, in all material respects, in which the same was found before inspection or testing was undertaken, but in no event later than ten (10) Business Days after such inspection or testing occurs.

6.8 Interviews. Cedar may communicate or conduct interviews with any Tenant without the requirement of having received the prior consent of Owners; provided, however, that with respect to any interview to be conducted at the Property, Cedar shall notify Owners (which notice may be delivered by telephone to Brian Friedman of Tower Investments, Inc. at (215) 467-4600) at least one (1) Business Day in advance of any such interview. With respect to interviews conducted at the Property, any such interview shall not unreasonably disrupt or disturb (i) the on-going operation of the Property, or (ii) the quiet possession of Tenants.

6.9 Access to Books and Records. Cedar and the Consultants shall, on at least one (1) Business Day's prior notice to Owners (which notice may be delivered by telephone to Brian Friedman of Tower Investments, Inc. at (215) 467-4600), during reasonable times as mutually agreed upon by Owners and Cedar, have access to all books and records of with respect to the Property as Cedar reasonably requires, and Owners shall lend their reasonable assistance to Cedar

and the Consultants in connection with any such examination or audit.

ARTICLE VII

The Closing

7.1 Closing Date.

7.1.1 The transaction contemplated herein shall be consummated at the Closing which shall take place at the offices of the Title Company or at such other place as shall be mutually agreed upon by the Owners and Cedar on the earlier of (i) five (5) Business Days after

the receipt by Cedar Income Fund Partnership, L.P. or any related entity of the proceeds of a new public offering of common stock or shares of beneficial interest (the "Offering Receipt Date"), and (ii) October 31, 2003 (the actual date of the Closing being herein referred to as the "Closing Date").

7.1.2 The parties acknowledge and agree that, it is a condition precedent to Cedar's obligations to consummate the transactions contemplated by this Agreement that Cedar (i) shall have received certain Tenant Estoppel Certificates, as more particularly set forth in Section 7.2.1(B) (such condition, the "Tenant Estoppel Condition"), and (ii) shall receive at Closing the Good Standing Certificates or the Service Company Affidavits (as those terms are hereinafter defined). If the day which is five (5) Business Days after the Scheduled Receipts Date occurs prior to October 31, 2003, and, as of such date, the Tenant Estoppel Condition has not yet been fully satisfied and/or the Good Standing Certificates or the Service Company Affidavits shall not have yet been obtained by the Owners, then, in such event, the Closing shall be adjourned until October 31, 2003 (or such earlier date upon which the Tenant Estoppel Condition shall have been fully satisfied and the Good Standing Certificates or the Service Company Affidavits obtained by the Owners).

7.2 Conditions to the Closing.

7.2.1 Conditions Precedent to Cedar's Obligations. The Closing and Cedar's obligations with respect to the transaction contemplated by this Agreement are subject to the satisfaction of the following conditions and the obligations of the parties with respect to such conditions are as follows:

A. Title.

(a) Cedar shall not have exercised its rights, pursuant to Section 6.1.3 hereof, to terminate this Agreement.

(b) Upon payment of all premiums by the party responsible for such cost pursuant to the terms of Section 8.6 hereof, the Title Company shall be willing to issue a title insurance policy insuring in the Partnership good and marketable fee title to the Property (subject only to the Permitted Exceptions), which policy shall include a non-imputation endorsement, and otherwise be in accordance with the provisions of Article VI hereof (the "Title Policy").

B. Tenant Estoppel Certificates. The Owners shall request, and Cedar shall have received estoppel certificates certified to the Partnership and Cedar and dated not more than thirty (30) days prior to the Closing Date ("Tenant Estoppel Certificates") duly executed by (i) each Major Tenant and (ii) such other Tenants so that Tenant Estoppel Certificates shall have been received from Tenants occupying, in the aggregate (including the space demised to Major Tenants), at least 80% of the rentable square footage of the Property (the foregoing condition, the

"Estoppel Condition"). "Major Tenants" mean those Tenants set forth on EXHIBIT N annexed hereto. The Tenant Estoppel Certificates shall be substantially in the form of and upon substantially the terms set forth on EXHIBIT O annexed hereto. The Owners shall deliver the original executed Tenant Estoppel Certificates to Cedar as and when the same shall be delivered to the Owners, but in no event later than two (2) Business Days prior to the Closing Date. If any Tenant Estoppel Certificate shall have been modified or qualified in any fashion that, individually or in connection with other Tenant Estoppel Certificates, reveals facts, conditions or circumstances which result or may result in a material adverse change in the financial condition of the Property, or are inconsistent

in any material respect with the representations of the Owners set forth in Section 4.1 above, then Cedar may disapprove the same (such disapproved Tenant Estoppel Certificates, the "Unacceptable Certificates") by notice delivered to the Owners promptly following Cedar's receipt of such Unacceptable Certificate, and, for purposes of establishing whether the Estoppel Condition has been satisfied, any Unacceptable Certificates shall be deemed not to have been received.

C. [intentionally omitted]

D. Landlord Consent. Cedar shall have received a consent duly executed by Interstate (the "Landlord Consent"), to be dated not more than ten (10) days prior to the Closing Date, authorizing Owners' contribution of the Leasehold Property, assignment of the Leasehold Documents to the Partnership, and the form of Leasehold Assignment (as hereinafter defined).

E. Landlord Estoppel. Cedar shall have received an estoppel certificate (the "Landlord Estoppel") duly executed by Interstate to be dated not more than thirty (30) days prior to the Closing Date. The Landlord Estoppel shall certify the annual base rent and additional rent for the Leasehold Property, that the Leasehold Documents are in full force and effect, and that Interstate (i) has not delivered any notice of default under the Leasehold Documents that remains uncured, and (ii) does not have knowledge of any default under the Leasehold Documents. The Owners shall deliver the original executed Landlord Estoppel to Cedar as and when the same is received by the Owners, but in no event later than five (5) Business Days prior to the Closing Date. If the Landlord Estoppel shall reveal facts, conditions or circumstances which result or may result in a material adverse change in the financial condition of the Property, or are inconsistent in any material respect with the representations of the Owners set forth in Section 4.1 above, then Cedar may disapprove the same by notice delivered to the Owners promptly following Cedar's receipt of the Landlord Estoppel, in which case the condition set forth in this Section 7.2.1E shall be deemed not to have been satisfied.

F. Casualty or Condemnation Event. No Material Loss shall have occurred pursuant to which Cedar shall have exercised its rights, pursuant to the provisions of Section 7.5 hereof, to termination this Agreement.

G. Representations, Warranties and Covenants of the Owners. The Owners shall have duly performed in all material respects, each and every agreement to be performed by

the Owners under this Agreement and the Owners' representations, warranties and covenants set forth in this Agreement shall be true and correct as of the Closing Date.

H. No Material Changes. On the Closing Date, there shall have been no material adverse changes in the physical condition of the Property and there shall have been no material adverse change in the financial condition of any of the Owners.

I. Manager Termination. Cedar shall have received a termination, in form reasonably satisfactory to Cedar (the "Manager Termination") of the management agreement, dated as of March 24, 1997, entered into with Tower Investments, Inc. ("Existing Property Manager"), duly executed by Existing Property Manager and the Owners to be dated as of the Closing Date.

J. Release. Cedar shall have received a release (the "Release"), in form reasonably satisfactory to Cedar, duly executed by Existing Property Manager to be dated as of the Closing Date.

K. The Owners' Deliveries. The Owners shall have delivered the items described in Section 7.3 below.

L. The Other Agreement. Without modifying the provisions of Section 1.3, the transactions contemplated by the Other Agreement shall occur simultaneously with the Closing and the proceeds of the Other Agreement Owners Loan shall have been disbursed in accordance with the terms of the Other Agreement.

The conditions set forth in this Section 7.2.1 are solely for the benefit of Cedar and may be waived only by Cedar. Cedar shall at all times have the right to waive any condition. Such waiver or waivers shall be in writing. The waiver by Cedar of any condition shall not relieve the Owners of any liability or obligation as respects any representation, warranty or covenant of the Owners unless Cedar shall so agree in writing. Neither the Owners nor Cedar shall act or fail to act for the purpose of permitting or causing any condition to fail (except to the extent Cedar, in its own discretion, exercises its right to disapprove or not to waive any such items or matters). The occurrence of the Closing shall constitute approval by Cedar of all matters to which Cedar has a right of approval under this Agreement and a waiver of all conditions precedent

under this Agreement.

7.2.2 Conditions Precedent to the Owners' Obligations. The Closing and the Owners' obligations with respect to the transaction contemplated by this Agreement are subject to the satisfaction of the following conditions and the obligations of the parties with respect to such conditions are as follows:

A. Cedar's Deliveries. Cedar shall have delivered the items described in Section 7.4 below.

B. Covenants of Cedar. Cedar shall have duly performed each and every agreement to be performed by Cedar under this Agreement.

C. The Other Agreement. Without modifying the provisions of Section 1.3, the transactions contemplated by the Other Agreement shall occur simultaneously with the Closing and the proceeds of the Other Agreement Owners Loan shall have been disbursed in accordance with the terms thereof.

The conditions set forth in this Section 7.2.2 are solely for the benefit of the Owners and may be waived only by the Owners. The Owners shall at all times have the right to waive any condition. Such waiver or waivers shall be in writing. The waiver by the Owners of any condition shall not relieve Cedar of any liability or obligation as respects any covenant of Cedar unless the Owners shall so agree in writing. Neither the Owners nor Cedar shall act or fail to act for the purpose of permitting or causing any condition under this Section 7.2.2 to fail (except to the extent the Owners, in its own discretion, exercise its right not to waive any such items or matters). The occurrence of the Closing shall constitute approval by the Owners of all matters to which the Owners has a right of approval under this Agreement and a waiver of all conditions precedent under this Agreement.

7.3 At the Closing, the Owners shall deliver or cause to be delivered each of the following items to Cedar:

A. A special warranty deed, duly executed by the Owners and acknowledged by a notary public, conveying to the Partnership good and marketable fee simple title to the Property in form suitable for recording.

B. A counterpart of the Agreement of Limited Partnership (the "Partnership Agreement"), in the form annexed hereto as EXHIBIT P, duly executed by the Owners, it being understood that any remaining blanks and bracketed provisions in the Partnership Agreement shall be accurately completed.

C. Affidavits executed by each of the Owners in accordance with the provisions of Section 1445 of the Internal Revenue Code of 1986, as amended, if required.

D. A Certificate of Good Standing of each of the Owners issued by the Secretary of State of the state of organization for each such entity, dated not more than thirty (30) days prior to the Closing, and Certificates of Good Standing of the Owners issued by the Secretaries of State of the State in which the Property is located and of the state that each of the Owners is organized, dated not more than thirty (30) days prior to the Closing ("Good Standing Certificates"). Notwithstanding the foregoing, provided the Owners shall have diligently attempted to obtain Good Standing Certificates, if same shall not have been timely issued by the Secretary of State, in lieu of the Good Standing Certificates, Owners shall deliver affidavits or certifications with respect to each entity (collectively "Service Company Affidavits") from a reputable legal information services company (i) stating that it has received oral confirmation

from the Secretary of State that such entities are in good standing, and (ii) agreeing to promptly forward to Cedar the Good Standing Certificates when same are received.

E. Requisite affidavits and consents that each of the Owners is authorized to complete the transaction contemplated by this Agreement, become a member of the Partnership owning the Preferred Interest and take all other action contemplated by this Agreement, including, without limitation, an incumbency certificate for each of the individuals executing a document on behalf of each of the Owners, and resolutions of the board of directors for each of the Owners.

F. The Landlord Consent.

G. The Tenant Estoppel Certificates.

H. The Landlord Estoppel.

I. The Manager Termination.

J. The Release.

K. The Parking Lease Memoranda, provided the Owners shall have obtained same from Interstate pursuant to the provisions of Section 4.4 hereto.

L. The Title Policy in the form required by Section 7.2.1(A) hereof, together with all customary affidavits required by the Title Company in connection with the issuance of the policy.

M. The Owners shall execute and deliver to Cedar the documents evidencing and securing the Owners Loan, including, without limitation, a note, a pledge agreement and UCC-1 financing statements (the "Owners Loan Documents") in accordance with the documents attached hereto as EXHIBIT Q.

N. The shareholders of each of the Owners shall deliver a consent to the Owners Loan Documents.

O. Bart Blatstein shall deliver a "bad boy" guaranty to Cedar in the form of EXHIBIT R annexed hereto.

P. A license agreement (the "Tower License Agreement"), executed by Tower Investments, Inc., between the Partnership, as landlord and Tower Investments Inc., as tenant, for the space at the Premises presently occupied by Tower Investments, Inc., substantially in the form of EXHIBIT S annexed hereto.

Q. A fee agreement (the "Administrative Services Agreement"), in form reasonably satisfactory to the Owners and Cedar, which shall provide for an annual fee, in the

amount of Eight Thousand Seven Hundred Fifty ($8,750.00) Dollars per year, to be made by the Owners to the Cedar GP, on account of administrative services rendered by the Cedar GP, duly executed by the Owners.

R. A certificate of the Owners, dated as of the Closing Date, certifying that all of the representations and warranties of the Owners set forth in Section 4.1 hereof are true and correct in all material respects as of the Closing Date.

S. A counterpart duly executed by Owners of an assignment and assumption agreement, in form reasonably acceptable to the Owners and Cedar, pursuant to which the Leasehold Documents shall be assigned by the Owners to the Partnership and the Partnership shall, from and after the Closing, be bound by all of the terms of the Leasehold Documents and shall perform all of the obligations of lessee under the Leasehold Documents arising or accruing from and after the Closing Date (the "Leasehold Assignment").

T. A counterpart duly executed by Owners of an assignment and assumption agreement, in form reasonably acceptable to the Owners and Cedar (the "Assignment of Leases"), pursuant to which the Leases and security deposits thereunder shall be assigned by the Owners to the Partnership and the Partnership shall, from and after the Closing, be bound by all of the terms of the Leases and shall perform all of the obligations of landlord under the Leases arising or accruing from and after the Closing Date.

U. A counterpart duly executed by Owners of a bill of sale and general assignment, in form reasonably satisfactory to the Owners and Cedar, which conveys to the Partnership, all of the Owners rights, if any, in and for all Personal Property and, to the extent assignable, the Permits.

V. In the event any Service Contract or Operating Agreement is entered into after the date hereof (and approved by Cedar pursuant to Section 4.3 hereof), a counterpart duly executed by Owners of an assignment of such agreements , in form reasonably acceptable to the Owners and Cedar (the "Omnibus Assignment"), pursuant to which such Service Contracts and/or Operating Agreements shall be assigned by the Owners to the Partnership and the Partnership shall, from and after the Closing, be bound by all of the terms thereof and shall perform all of the obligations of owner thereunder arising or accruing from and after the Closing Date.

W. All applicable transfer tax forms, if any, duly executed by the Owners.

X. Such further instruments as may be necessary to record

the Deed.

Y. Notices to each of the Tenants (the "Tenant Notices"), in form reasonably satisfactory to the Owners and Cedar, duly executed by the Owners, advising the Tenants of the conveyance of the Property to the Partnership and directing the Tenants to make all payments under the Leases to Cedar, or as Cedar may direct.

Z. The Records and Plans, in the possession or control of the Owners.

AA. Original counterparts of the Leases, any Service Contract or Operating Agreement entered into after the date hereof (and approved by Cedar pursuant to Section 4.3 hereof), the Permits that shall be in the Owners' possession or control (other than those Permits that must remain at the Premises), and original counterparts of all other documents and materials in the Owners' possession or control relating to the Property, including, without limitation, all leasing and property files and keys.

BB. A certificate from the City of Philadelphia confirming that there are no outstanding violations and that the present uses of the Property are in conformity with applicable zoning requirements.

CC. A mutual easement agreement (the "Easement"), in substantially in the form of Exhibit U annexed hereto, between the Partnership and the fee owner of the four (4) story warehouse building located adjacent to the Property, duly executed by such fee owner and in form suitable for recording.

DD. An Right of First Refusal Agreement (the "Right of First Refusal", is substantially the form of Exhibit V annexed hereto, between the Owners and the Partnership, duly executed by the Owners and in form suitable for recording.

EE. All documents and moneys required pursuant to the terms of the Other Agreement to be delivered by the Other Agreement Owners at the Other Agreement Closing.

FF. All sums required to be paid by the Owners under this Agreement.

7.4 At the Closing, Cedar shall deliver or cause to be delivered each of the following items:

A. The Balance of the Owners Loan Amount and all other sums required to be paid by Cedar under this Agreement (including the payment of the Prepayment Fee).

B. Requisite affidavits and consents that Cedar is authorized to complete the transaction, become a member of the Partnership owning the Interests and take all other action contemplated by this Agreement.

C. A counterpart of the Partnership Agreement, in the form annexed hereto as EXHIBIT P, duly executed by Cedar, it being understood that any remaining blanks and bracketed provisions in the Partnership Agreement shall be accurately completed.

D. The management agreement with respect to the management of the Property, substantially in the form annexed hereto as EXHIBIT T, duly executed by Cedar, or its affiliate, on behalf of the Partnership and on behalf of the property manager.

E. The Administrative Services Agreement, duly executed by Cedar GP.

F. A certificate of Cedar, dated as of the Closing Date, certifying that all of the representations and warranties of Cedar set forth in Section 4.2 hereof are true and correct in all material respects as of the Closing Date.

G. A counterpart duly executed by the Partnership of the Leasehold Assignment.

H. A counterpart duly executed by the Partnership of the Assignment of Leases.

I. If applicable, a counterpart duly executed by the

Partnership of the Omnibus Assignment.

J. The Tenant Notices, duly executed by the Partnership.

K. All applicable transfer tax forms, if any, duly executed by the Partnership.

L. A counterpart duly executed by the Partnership of the Tower Lease.

M. The Easement, duly executed by the Partnership and in form suitable for recording.

N. The Right of First Refusal Agreement, duly executed by the Partnership and in form suitable for recording.

O. Such further instruments as may be necessary to record the Deed.

P. All documents and moneys required pursuant to the terms of the Other Agreement to be delivered by Other Agreement Buyers at the Other Agreement Closing.

7.5 Casualty and Condemnation. If, prior to the Closing, either any portion of the Property is taken pursuant to eminent domain proceedings or condemnation or any of the improvements on the Property are damaged or destroyed by fire or other casualty, such that the casualty or taking affects in excess of ten (10%) percent of the rentable square feet of the Property or materially adversely affects ingress to or egress from the Property (if either of such events occurs, the affect or result is a "Material Loss"), Cedar may elect in its sole discretion to (x) terminate this Agreement by notice to the Owners, or (y) proceed with the Closing. In the event of a termination of this Agreement pursuant to clause (x) of this Section 7.5, the Owners and Cedar shall promptly so notify the Escrow Agent and make written request that the Downpayment be returned to Cedar, and this Agreement, upon such return, shall be of no further force and effect, except for those provisions which expressly survive the termination of this Agreement. If (i) Cedar does not elect to terminate this Agreement pursuant to clause (x) of this Section 7.5 or (ii) a casualty or condemnation occurs which does not result in a Material Loss,

any net awards or net proceeds received by the Owners in connection with a condemnation, or the net proceeds of any insurance collected by the Owners in connection with a casualty and not previously applied to restoration, shall be paid at the Closing by the Owners to the Partnership (and the Owners shall not receive any capital account credit on account thereof) and shall be applied only towards the cost or repairs or rebuilding required by such condemnation or casualty.

ARTICLE VIII

Prorations and Adjustments

8.1 Prior to Closing, the Owners and Cedar shall prepare a schedule of (i) those expenses that shall have been paid by the Owners prior to the Closing Date but are attributable to a period from and after the Closing Date (the "Prepaid Expenses"), and (ii) those revenues that shall have been received by the Owners prior to the Closing Date but are attributable to a period from and after the Closing Date (the "Prepaid Revenues").

8.2 To the extent that the Prepaid Expenses shall exceed the Prepaid Revenues (such excess, the "Prepaid Expense Excess"), (i) at Closing Cedar shall pay to the Owners an amount equal to the Prepaid Expense Excess, and (ii) Cedar shall be deemed to have made a capital contribution to the Partnership (the "Closing Adjustment Capital Contribution") equal to the amount of the Prepaid Expense Excess.

8.3 To the extent that the Prepaid Revenues shall exceed the Prepaid Expenses, such excess shall be contributed by the Owners to the Partnership, and the Owners shall not receive capital account credit on account thereof.

8.4 The following prorations and adjustments shall be made between the parties as of 11:59 p.m. on the day preceding the Closing Date (the "Proration Date") on the basis of the actual number of days elapsed over the applicable period:

A. (i) All fixed rents under Leases which are collected on or prior to the Proration Date in respect of the month (or other applicable collection period) in which the Closing occurs (the "Current Month"), shall be adjusted on a per diem basis based upon the number of days in the Current Month prior to the Proration Date and the number of days in the Current Month on and

after the Proration Date. Any such rents that are allocable to the period from and after the Proration Date shall be deemed to be Prepaid Revenues.

(ii) If, on the Proration Date, any fixed rents are past due by any Tenant, and provided the Owners have delivered to Cedar, in reasonable detail, a breakdown of all such past due amounts as of the Proration Date, Cedar agrees that the first moneys received by the Partnership from each such Tenant shall be disbursed as follows:

(1) first, such moneys shall be applied to fixed rents in respect of the Current Month, it being agreed that one hundred percent (100%) of the fixed rent that is

attributable to the portion of the Current Month prior to the Proration Date shall be paid to the Owners and the balance shall be retained by the Partnership;

(2) second, to the Partnership until all fixed rents owing by all such Tenants for any period after the Current Month through the month in which payment is received have been paid in full;

(3) third, to the Owners until all fixed rents owing by all such Tenants for periods prior to the Current Month have been paid in full; and

(4) fourth, the balance, if any, shall be paid to the Partnership.

Each party agrees to remit reasonably promptly to the other the amount of such rents to which such party is so entitled and to account to the other party monthly in respect of same. The fixed rents received by the Partnership after the Proration Date shall be apportioned and remitted, if applicable, as hereinabove provided.

(iii) If the Proration Date shall occur prior to the time when any rental payments for fuel pass-alongs, so-called escalation rent or charges based upon real estate taxes, operating expenses, labor costs, cost of living increases, electrical charges, water and sewer charges or like items (collectively, "Overage Rent") are payable, then such Overage Rent for the applicable accounting period in which the Proration Date occurs shall be apportioned subsequent to the Closing, based upon the portion of such accounting period which occurs prior to the Proration Date (to the extent not theretofore collected by the Partnership, on account of such Overage Rent prior to the Proration Date), it being agreed that one hundred percent (100%) of the Overage Rent that is attributable to the portion of such accounting period that shall occur prior to the Proration Date shall be paid to the Owners and the balance shall be retained by the Partnership. In addition, the Partnership shall pay to the Owners one hundred percent (100%) of all Overage Rent that is paid subsequent to the Proration Date with respect to an accounting period which expired prior to the Proration Date, within thirty (30) days after receipt thereof by the Partnership. If, prior to the Closing, the Owners shall collect any sums on account of Overage Rent or fixed rent for a year or other period, or any portion of such year or other period, beginning prior to but ending on or after the Proration Date, the portion of such sum allocable to the period from and after the Proration Date shall be deemed to be a Prepaid Revenue.

(iv) Overage Rent payable by Tenants based on an estimated amount and subject to adjustment or reconciliation pursuant to the related Leases subsequent to the Proration Date shall be apportioned as provided in subsection (iii) above and shall be re-apportioned as and when the applicable Tenant's actual obligation for such Overage Rent is reconciled pursuant to the applicable Lease.

(v) One Hundred Fifty Thousand ($150,000) Dollars on account of percentage rent owing by UA Theatres shall be deemed to be a Prepaid Expense and the Owners shall be entitled to a credit on account thereof at Closing, subject to adjustment or reconciliation

subsequent to the Proration Date when such Tenant's actual obligation for such percentage rent is reconciled pursuant to the terms of such Tenant's Lease.

(vi) Without duplication of any adjustment made pursuant to Section 8.4(A)(i) above, all prepaid fixed rent and Overage Rent that shall be received by the Owners as of the Proration Date for periods on and after the Proration Date shall be deemed to be Prepaid Revenues.

B. All real estate taxes, BID taxes, unmetered water and sewer charges, elevator inspection fees, pest control charges and vault charges, if any, and any and all other municipal or governmental assessments of any and every nature levied or imposed upon the Property (collectively, "Taxes") in respect of the current fiscal year of the applicable taxing authority in which the Closing occurs (the "Current Tax Year") (other than real estate taxes, water and sewer charges and any other municipal or governmental assessments payable by any Tenant directly to the taxing authority under any Lease), shall be allocated on a per diem basis based upon the number of days in the Current Tax Year prior to the Proration Date and the number of days in the Current Tax Year on and after the Proration Date. If, as of the Proration Date, Taxes for the Current Tax Year shall not have been paid with respect to the period prior to the Proration Date, the amount equal to the unpaid Taxes for the period prior to the Proration Date shall be paid by the Owners to the Partnership at the Closing, but the Owners shall not receive any capital account credit on account thereof. If, as of the Proration Date, Taxes with respect to any period from and after the Proration Date shall have been paid, the amount equal to the prepaid Taxes shall be deemed to be a Prepaid Expense. If the Closing shall occur before the tax rate for the Current Tax Year is fixed, the apportionment of Taxes shall be upon the basis of the tax rate for the next preceding fiscal period applied to the latest assessed valuation. Promptly after the new tax rate is fixed for the fiscal period in which the Closing takes place, the apportionment of Taxes shall be recomputed. In the event that any assessments levied or imposed upon the Property are payable in installments, the installment for the Current Tax Year shall be prorated in the manner set forth above.

C. All charges and fees due under contracts, that are not being terminated at the Closing, for the supply to the Property of heat, steam, electric power, gas and light and telephone (collectively, "Charges"), if any, in respect of the billing period of the related service provider in which the Closing occurs (the "Current Billing Period") shall be allocated on a per diem basis based upon the number of days in the Current Billing Period prior to the Proration Date and the number of days in the Current Billing Period on and after the Proration Date and assuming that all charges are incurred uniformly during the Current Billing Period. If, as of the Proration Date, Charges for the Current Billing Period shall not have been paid with respect to the period prior to the Proration Date, the amount equal to the unpaid Charges for the period prior to the Proration Date shall be paid by the Owners to the Partnership at the Closing, but the Owners shall not receive any capital account credit on account thereof. If, as of the Proration Date, Charges with respect to any period from and after the Proration Date shall have been paid, the amount of such prepaid Charges shall be deemed to be a Prepaid Expense.

D. Any charges or fees for transferable licenses and permits relating to the Property (but without duplication of items apportioned pursuant to any other provision of this Article VIII) (collectively, "Permit Charges") in respect of the Current Billing Period shall be allocated on a per diem basis based upon the number of days in the Current Billing Period prior to the Proration Date and the number of days in the Current Billing Period on and after the Proration Date and assuming that all charges are incurred uniformly during the Current Billing Period. If, as of the Proration Date, Permit Charges for the Current Billing Period shall not have been paid with respect to the period prior to the Proration Date, the unpaid Permit Charges for the period prior to the Proration Date shall be paid by the Owners to the Partnership at the Closing, but the Owners shall not receive any capital account credit on account thereof. If on the Proration Date, Permit Charges with respect to any period from and after the Proration Date shall have been paid, the amount equal to such prepaid Permit Charges shall be deemed to be a Prepaid Expense.

E. To the extent same are executed after the date hereof and approved by Cedar pursuant to Section 4.3 hereof, any charges payable under Service Contracts, Operating Agreements and other contracts relating to the Property (but without duplication of items apportioned pursuant to any other provision of this Article VIII) (collectively, "Service Contract Charges"), as applicable (including, without limitation, salary, bonuses, vacation and sick day allowances and pension or other benefit fund contributions), in respect of the Current Billing Period shall be allocated on a per diem basis based upon the number of days in the Current Billing Period prior to the Proration Date and the number of days in the Current Billing Period on and after the Proration Date and assuming that all charges are incurred uniformly during the Current Billing Period. If, as of the Proration Date, Service Contract Charges for the Current Billing Period shall not have been paid with respect to the period prior to the Proration Date, an amount equal to the unpaid Service Contract Charges for the period prior to the Proration Date shall be paid by the Owners to the Partnership at the Closing, but the Owners shall not receive any capital account credit on account thereof. If, as of the Proration Date, Service Contract Charges with respect to any period from and after the Proration Date shall have been paid, the amount equal to such prepaid Service Contract Charges shall be deemed to be a Prepaid Expense.

F. If there is a fuel meter or meters on the Property (other than meters measuring consumption costs which are the obligation of any Tenants), the Owners shall endeavor to furnish a reading to a date not more than thirty (30) days prior to the Proration Date, and the unfixed meter charges, if any, based thereon for the intervening time shall be apportioned on the basis of such last reading. If the Owners fail or are unable to obtain such reading, the amount equal to the value of all fuel, if any, then stored at the Property shall be calculated on the basis of the Owners' last costs therefor, including sales tax, as evidenced by written statements of the fuel oil supplier(s) for the Property, which statements shall be conclusive as to quantity and cost, absent fraud. Any unpaid fuel charges attributable to the period prior to the Proration Date shall be paid by the Owners to the Partnership at the Closing, but the Owners shall not

receive any capital account credit on account thereof, and the value of any prepaid fuel stored on the property shall be deemed to be a Prepaid Expense.

G. If there is a water meter or meters on the Property (other than meters measuring consumption costs which are the obligation of any Tenants), the Owners shall endeavor to furnish a reading to a date not more than thirty (30) days prior to the Proration Date, and the unfixed meter charges and the unfixed sewer rents, if any, based thereon for the intervening time shall be apportioned on the basis of such last reading. If the Owners fail or are unable to obtain such reading, the amount of the meter charges and sewer rents shall be determined on the basis of the last readings and bills received by the Owners, and the same shall be appropriately readjusted after the Closing on the basis of the next subsequent bills. Any unpaid water or sewer charges attributable to the period prior to the Proration Date shall be paid by the Owners to the Partnership at the Closing, but the Owners shall not receive any capital account credit on account thereof.

H. All brokerage commissions and expenses for work to be done for tenant improvements in connection with any leases entered into on or prior to the Proration Date which commissions and expenses were not paid prior to the Proration Date shall be paid by the Owners to the Partnership at the Closing, but the Owners shall not receive any capital account credit on account thereof. The foregoing shall not apply to any commissions and expenses incurred between the date of this Agreement and Closing, pursuant to Cedar's prior written consent, in connection with new Lease executed (with the prior written consent of Cedar) during the period between the date of this Agreement and the Closing, for which Cedar shall be responsible and with respect to which Cedar shall receive capital account credit.

I. All accrued fees pursuant to the Existing Property Management Agreement shall be paid by the Owners at or prior to Closing, but the Owners shall not receive any capital account credit on account thereof.

J. The Prepayment Fee and servicer cost associated therewith shall be paid by Cedar and Cedar shall receive capital account credit on account thereof.

K. All security deposits held by the Owners under the Leases shall be paid by the Owners to the Partnership, but the Owners shall not receive any capital account credit on account thereof.

L. The amount of deposits held at the time of the Closing by the Mortgagee in connection with the Mortgage Loan, including reserves for capital improvements, tenant improvements or otherwise, and/or impounds for taxes and insurance (with respect to periods after the Closing), shall be deemed to be a Prepaid Expense.

M. Any other items customarily apportioned in connection with sales of similar property in the Commonwealth of Pennsylvania shall be so apportioned.

8.5 Post Closing Prorations.

8.5.1 If any of the items described in this Article VIII cannot be apportioned at the Closing because of the unavailability of information as to the amounts which are to be apportioned or otherwise, or are incorrectly apportioned at Closing or subsequent thereto, such items shall be apportioned or reapportioned, as the case may be, as soon as practicable after the Proration Date or the date such error is discovered, as applicable. The parties shall make the appropriate adjusting payment between them within thirty (30) days after presentment of the calculation. All books and records of the Owners which relate

to the Property, and particularly to any items to be prorated or allocated under this Agreement in connection with the Closing, shall be made available to both the Owners and Cedar and their respective Consultants. Any such inspection shall be at reasonable intervals, during business hours, upon reasonable notice, and at the inspecting party's sole cost and expense.

8.5.2 In the event that Owners shall owe money to Cedar on account of post-closing adjustments, the Owners shall within thirty (30) days after Cedar shall have delivered to the Owners a written demand indicating the amount of money owed on account of such post-closing adjustments and containing reasonable back-up documentation with respect thereto (an "Adjustment Demand"), subject to the rights of the Owners to contest such obligation, as hereinafter set forth, make such payments to Cedar. The Owners shall not receive capital account credit on account of any payment by the Owners pursuant to this Section 8.5.2. Notwithstanding the foregoing, in the event that, within five (5) Business Days after receipt of an Adjustment Demand, the Owners shall deliver written notice to Cedar disputing the accuracy of the Adjustment Demand (which notice shall contain a reasonably detailed basis for such dispute), then the Owners and Cedar shall, in good faith, attempt to promptly resolve any such dispute and, if such attempt is unsuccessful, each of the Owners and Cedar shall have the right to submit such dispute to binding arbitration in accordance with Section 10.3.3 hereof.

8.5.3 In the event that Cedar shall owe money to the Owners on account of post-closing adjustments, Cedar shall, within thirty days after the Owners shall have delivered to Cedar an Adjustment Demand, make such payments to the Owners. Cedar shall be entitled to capital account credit on account of any payment made by Cedar pursuant to this Section 8.5.3 hereof. Notwithstanding the foregoing, in the event that, within ten (10) Business Days after receipt of an Adjustment Demand, Cedar shall deliver written notice to the Owners disputing the accuracy of the Adjustment Demand (which notice shall contain a reasonably detailed basis for such dispute), then the Owners and Cedar shall, in good faith, attempt to promptly resolve any such dispute and, if such attempt is unsuccessful, each of the Owners and Cedar shall have the right to submit such dispute to binding arbitration in accordance with Section 10.3.3 hereof.

8.5.4 The provisions of Section 8.5 shall survive the Closing and shall remain in full force and effect for a period of twelve (12) months after the date of the Closing, unless, within such twelve (12) month period, an Adjustment Demand shall have been delivered, in which case, liability with respect to the matters addressed in the Adjustment Demand shall survive until resolution thereof.

8.6 Closing Costs. Cedar shall pay the title insurance premium for the Title Policy and the cost of all endorsements to the Title Policy including, without limitation, the non-imputation endorsement. The Owners and Cedar shall pay their respective legal, consulting and professional fees and expenses incurred in connection with this Agreement and the transaction contemplated hereby.

8.7 Tax Certiorari Proceedings. The Owners shall not hereafter institute any proceedings for the reduction of the assessed valuation of the Property without the prior written consent of Cedar. The net refund of taxes received in connection with any tax certiorari proceedings shall be apportioned to provide that the net refund (as hereinafter defined) of taxes for a period prior to the Proration Date shall be the property of the Owners and that any refund for any period after the Proration Date shall be the property of the Partnership. The "net refund" is the amount of the tax refund after deducting therefrom any refunds due to tenants pursuant to their leases, a pro rata share of all expenses, including counsel fees necessarily incurred in obtaining such refund, the allocation of such expenses to be based upon the total refund obtained in the proceeding and in any other proceeding simultaneously involved in the trial or settlement. All of same shall be apportioned as of the Proration Date and the apportionment made as herein set forth.

8.8 Transfer Tax. All transfer, stamp or other similar taxes attributable to the Contribution shall be shared equally between the Owners and Cedar and shall be paid contemporaneously with the Closing.

ARTICLE IX
Escrow Terms

9.1 Depository. The Downpayment shall be held in escrow by Legal Abstract Co. ("Escrow Agent"), in a special interest bearing commercial bank account, designated as a "trust account" or an "escrow account", at Royal Bank of Pennsylvania (or its successor) located at 732 Montgomery Avenue, Narberth, PA 19072.

9.2 Escrow Instructions. If the Closing takes place, then Escrow Agent shall deliver the Downpayment to, or upon the instructions of, the Owners at the Closing. If this Agreement is terminated in accordance with the terms hereof,

then, subject to Section 9.4 hereof, Escrow Agent shall pay the Downpayment to, or upon the instructions of, the party entitled thereto in accordance with the provisions of this Agreement. If the Closing does not occur by reason of the failure of either party to comply with such party's obligations hereunder, then, subject to Section 9.4 hereof, Escrow Agent shall pay the Downpayment to, or upon the instructions of, the party entitled thereto in accordance with the provisions of this Agreement.

9.3 Scope of Duties. The duties of Escrow Agent shall be only as herein specifically provided, and are purely ministerial in nature. Escrow Agent shall incur no liability whatever except for willful misconduct or gross negligence, as long as Escrow Agent has acted in good faith. The Owners and Cedar acknowledge that Escrow Agent is serving without compensation

and solely as an accommodation to the parties hereto. Escrow Agent shall not be liable or responsible for the funds being held in escrow or for the collection of the proceeds of the check for the Downpayment or for the interest earned thereon. In the performance of its duties hereunder, Escrow Agent shall be entitled to rely upon the authenticity of any signature and the genuineness and validity of any writing received by Escrow Agent pursuant to or otherwise relating to this Agreement. Escrow Agent may assume that any Person purporting to give any notice or instructions in accordance with the provisions hereof has been duly authorized to do so. Escrow Agent shall not be bound by any modification, cancellation or rescission of this Agreement unless (i) such modification, cancellation or rescission is in writing and signed by the Owners and Cedar, and (ii) a copy of such modification, cancellation or rescission is delivered to Escrow Agent. Escrow Agent shall not be bound in any way by any other contract or understanding between the parties hereto, whether or not Escrow Agent has knowledge thereof or consents thereto, unless such consent is given in writing.

9.4 Dispute. Escrow Agent is acting as a stakeholder only with respect to the Downpayment and the interest earned thereon. If a party requests disbursement of the Downpayment for any reason other than the Closing having occurred, then Escrow Agent shall give written notice to the other party of such request. Such other party shall have the right to dispute the disbursement of the Downpayment to the requesting party only by delivering notice thereof to Escrow Agent (a "Dispute Notice") on or prior to the fifth (5th) day after the date when Escrow Agent gives such notice. Cedar acknowledges and agrees that Cedar shall not deliver a Dispute Notice unless (i) any of the conditions precedent to Cedar's obligation to consummate the transactions contemplated by this Agreement (as set forth in Section 7.2.1) or (ii) any of the conditions precedent to the Other Agreement Buyer's obligation to consummate the transactions contemplated by the Other Agreement (as set forth in Section 7.2.1 thereof), shall not have occurred or been satisfied. Notwithstanding anything to the contrary contained herein, Escrow Agent shall not disburse the Downpayment until the day immediately following the last day of such ten (10) day period. If there is any dispute as to whether Escrow Agent is obligated to deliver the Downpayment or as to whom said Downpayment is to be delivered, then Escrow Agent shall not make any delivery, but in such event Escrow Agent shall hold the same until Escrow Agent receives (a) notice from the objecting party withdrawing the objection, or (b) a notice signed by both parties directing disposition of the Downpayment, or (c) a non-appealable judgment or order of a court of competent jurisdiction. If such notice is not received, or proceedings for such determination are not begun, within thirty (30) calendar days after the date set forth herein for the Closing (as the same may have been changed by agreement of the parties) and diligently continued, then Escrow Agent shall have the right to (w) hold and retain all or any part of the Downpayment until such dispute is settled or finally determined by litigation, arbitration or otherwise, or (x) deposit the Downpayment, together with the interest earned thereon, in an appropriate court of law, following which Escrow Agent shall thereby and thereafter be relieved and released from any liability or obligation under this Agreement, or (y) institute an action in interpleader or other similar action permitted by stakeholders in the Commonwealth of Pennsylvania, or (z) interplead any of the parties in any action or proceeding

which may be brought to determine the rights of the parties to all or any part of the Downpayment.

9.5 Indemnity. The Owners and Cedar hereby agree to, jointly and severally, indemnify, defend and hold Escrow Agent harmless from and against any liabilities, damages, losses, costs or expenses incurred by, or claims or charges made against, Escrow Agent (including reasonable counsel fees and court costs) by reason of Escrow Agent's acting or failing to act in connection with any of the matters contemplated by this Agreement or in carrying out the terms of this Agreement, except as a result of Escrow Agent's bad faith, gross negligence or willful misconduct. This Section 9.5 shall not limit the right of Cedar and the Owners to assert claims against each other with respect to said indemnity.

9.6 Release from Liability. Upon the disbursement of the Downpayment,

together with the interest earned thereon, in accordance with this Agreement, Escrow Agent shall be relieved and released from any liability hereunder.

9.7 Resignation. Escrow Agent may resign at any time upon at least ten (10) days prior written notice to the parties hereto. If, prior to the effective date of such resignation, the parties hereto shall all have approved, in writing, a successor escrow agent, then upon the resignation of Escrow Agent, Escrow Agent shall deliver the Downpayment, together with the interest earned thereon, to such successor escrow agent. From and after such resignation and the delivery of the Downpayment, together with the interest earned thereon, to such successor escrow agent, Escrow Agent shall be fully relieved of all of its duties, responsibilities and obligations under this Agreement, all of which duties, responsibilities and obligations shall be performed by the appointed successor escrow agent. If for any reason the parties hereto shall not approve a successor escrow agent within such period, Escrow Agent may bring any appropriate action or proceeding for leave to deposit the Downpayment, together with the interest earned thereon, with a court of competent jurisdiction, pending the approval of a successor escrow agent, and upon such deposit Escrow Agent shall be fully relieved of all of its duties, responsibilities and obligations under this Agreement.

9.8 Execution of Agreement by Escrow Agent. Escrow Agent has executed this Agreement solely to confirm that Escrow Agent has received a check (subject to collection) or a wire transfer for the Downpayment and shall hold the Downpayment in escrow, pursuant to the provisions of this Agreement.

9.9 Loss of Downpayment. Escrow Agent shall not have any liability or obligation for loss of all or any portion of the Downpayment by reason of the insolvency or failure of the institution of depository with whom the escrow account is maintained.

9.10 Taxpayer Identification Numbers. Each the Owners and Cedar represents that its respective taxpayer identification number is as set forth on EXHIBIT W annexed hereto.

ARTICLE X
Remedies

10.1 If Cedar shall default in the payment of the Balance of the Initial Funding Amount, the Owners may terminate this Agreement and retain the Downpayment. Cedar acknowledges that, if Cedar shall default under this Agreement as aforesaid, the Owners will suffer substantial adverse financial consequences as a result thereof. Accordingly, the Owners' sole and exclusive remedy against Cedar shall be the right to retain the Downpayment, as and for its sole and full and complete liquidated damages, it being agreed that the Owners' damages are difficult, if not impossible, to ascertain, and Cedar and the Owners shall have no further rights or obligations under this Agreement, except those expressly provided herein to survive the termination of this Agreement.

10.2 If the Owners shall fail to satisfy one or more of the conditions precedent to Cedar's obligation to consummate the transactions contemplated by this Agreement (as set forth in Section 7.2.1) or if the Other Agreement Owners shall fail to satisfy one of the conditions precedent to the Other Agreement Buyer's obligations to consummate the transactions contemplated by the other Agreement (as set forth in Section 7.2.1 thereof), Cedar may elect, as its sole and exclusive remedy, to either (x) prosecute an action for specific performance of this Agreement, or (y) terminate this Agreement, in which event, Cedar shall be entitled to receive from the Escrow Agent, a return of the Downpayment, and thereupon neither party shall have any further rights or obligations under this Agreement, except with respect to those provisions provided herein to survive the termination of this Agreement. It is acknowledged and agreed that each of Cedar and the Other Agreement Buyer shall both be obligated to elect the same option as its remedy.

10.3 Surviving Representations.

10.3.1 In the event after the Closing, Cedar (subject to the survival periods provided in Article IV) alleges that the Owners breached a representation made in Article IV hereof that survives the Closing (a "Surviving Representation"), as indicated in a written notice delivered by Cedar to the Owners, which notice shall indicate the amount of loss, cost, expense or damage suffered by Cedar, Owners shall, subject to their rights pursuant to Section 10.3.3, promptly pay to Cedar (without any capital account credit on account thereof), the amount of the loss, cost, expense or damage (other than consequential, incidental, exemplary, or punitive damage) suffered as a result of such breach by the Owners.

10.3.2 In the event after the Closing, the Owners (subject to the survival periods provided in Article IV) allege that Cedar shall have breached a Surviving Representation, as indicated in a written notice delivered by the Owners to Cedar, which notice shall indicate the amount of loss, cost, expense or damage suffered by the Owners as a result thereof, then, in such case, Cedar

shall, subject to its rights pursuant to Section 10.3.3, promptly pay to the Owners (without any capital account credit to Cedar on account thereof), the amount of the loss, cost,

expense or damage (other than consequential, incidental, exemplary, or punitive damage) suffered as a result of such breach by Cedar.

10.3.3 In the event that, within ten (10) Business Days after receipt of notice pursuant to Sections 10.3.1 or 10.3.2 hereof, the party in receipt of such notice (the "Recipient Party") shall dispute whether such Recipient Party shall have breached a Surviving Representation, or the amount of the damage suffered by the party delivering such notice (the "Delivering Party") as a result thereof, then either the Recipient Party or the Delivering Party shall have the right to submit such dispute to binding arbitration under the Expedited Procedures provisions (Rules E-1 through E-10 in the current edition) of the Commercial Arbitration Rules of the American Arbitration Association ("AAA"). In cases where the parties utilize such arbitration: (i) the dispute shall be heard by three (rather than one) arbitrators in Philadelphia, Pennsylvania, (ii) all of the arbitrators on the list submitted by the AAA shall have reasonable expertise and experience with respect to the commercial real estate market in the Philadelphia, Pennsylvania area, (iii) the parties will have no right to object if the appointed arbitrators were on the list submitted by the AAA and were not objected to in accordance with Rule E-5, (iv) the arbitrators shall be selected within three (3) Business Days following submission of such dispute to arbitration, (v) the arbitrators shall render their final decision not later than three (3) Business Days after the last hearing, (vi) the first hearing shall be held within five (5) Business Days after the completion of discovery, and the last hearing shall be held within fifteen (15) Business Days after the appointment of the arbitrators, (v) any finding or determination of the arbitrators shall be deemed final and binding (except that the arbitrators shall not have the power to add to, modify or change any of the provisions of this Agreement), and (vi) the losing party in such arbitration shall pay the arbitration costs charged by AAA and/or the arbitrators.

10.3.4 The provisions of this Section 10.3 shall survive the Closing and remain in full force and effect for a period of four (4) months after the date of the Closing, unless, within such four (4) month period, Cedar shall have delivered notice to the Owners of the existence of a mechanics' lien of the nature contemplated by this Section 10.3, in which case, the Owner's liability with respect to such lien shall survive with respect to the matters alleged in such claim until resolution thereof.

ARTICLE XI
Miscellaneous

11.1 Survival. Except as expressly provided herein, all representations, warranties, covenants and agreements of Cedar and the Owners contained in this Agreement shall merge into the documents executed at Closing and shall not survive the Closing.

11.2 Notices. Any notice required or permitted to be delivered herein shall be deemed to be delivered (a) when received by the addressee if delivered by courier service, (b) if mailed, two days after deposit in the United States Mail, postage prepaid, certified mail, return receipt requested, (c) if sent by recognized overnight service (such as US Express Mail, Federal Express, UPS, Airborne, etc.), then one day after delivery of same to an authorized representative or

agency of the said overnight service or (d) if sent by a telecopier, when transmission is received by the addressee with electronic or telephonic confirmation, in each such case addressed or telecopied to the Owners or Cedar, as the case may be, at the address or telecopy number set forth opposite the signature of such party hereto. Notifications are as follows:

TO OWNERS: Firehouse Realty Corp.
River View Development Corp.
South River View Plaza, Inc.
Reed Development Associates, Inc.
Riverview Commons, Inc.
c/o Tower Investments, Inc.
One Reed Street
Philadelphia, Pennsylvania 19147
Attention: Mr. Bart Blatstein and Brian K. Friedman, Esq.
Telecopier: (215) 755-8666

with a copy to: Mr. Robert C. Jacobs
1700 Walnut Street, Suite 200
Philadelphia, Pennsylvania 19103
Telecopier: (215) 545-1559

TO CEDAR: CSC-Riverview LLC
44 South Bayles Avenue
Port Washington, New York 11050
Attention: Leo S. Ullman
Telecopier: (516) 767-6497

with a copy to: Stroock & Stroock & Lavan LLP
180 Maiden Lane
New York, New York 10038
Attention: Mark A. Levy, Esq.
Telecopier: (212) 806-6006

TO ESCROW AGENT: Legal Abstract Co.
2200 Walnut Street
Philadelphia, Pennsylvania 19103
Attention: Mr. Ellis Cook
Telecopier: (215) 985-1926

11.3 Gender; Numbers. Words of any gender used in this Agreement shall be held and construed to include any other gender, and words in the singular number shall be held to include the plural and vice versa unless the context requires otherwise.

11.4 Headings. The captions used in connection with the articles and sections of this Agreement are for convenience only and shall not be deemed to construe or limit the meaning of the language of this Agreement.

11.5 Days. Except where business days are expressly referred to, references in this Agreement to days are to calendar days, not business days. "Business Day" means any calendar day except a Saturday, Sunday or banking holiday.

11.6 Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE, WITHOUT REGARD TO THE CONFLICTS OF LAW PRINCIPLES OF SUCH STATE.

12.6. Waiver of Trial by Jury. THE PARTIES HERETO HEREBY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER ARISING IN TORT OR CONTRACT) BROUGHT BY ANY PARTY AGAINST ANOTHER ON ANY MATTER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS AGREEMENT.

11.7 Holidays. If the final date of any period provided for herein for the performance of an obligation or for the taking of any action falls on a Saturday, Sunday or banking holiday, then the time of such period shall be deemed extended to the next day which is not a Saturday, Sunday or banking holiday.

11.8 Interpretation. The parties acknowledge that each party and its counsel have reviewed this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any amendments or exhibits hereto.

11.9 Severability. If any provisions of this Agreement are held to be illegal, invalid or unenforceable under present or future laws, such provision shall be fully severable, and this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of this Agreement, and the remaining provisions of this Agreement shall remain in full force and effect and not be affected by the illegal, invalid or unenforceable provision or by its severance from this Agreement, provided that both parties may still effectively realize the complete benefit of the transaction contemplated hereby.

11.10 Amendments. No modification or amendment of this Agreement shall be effective unless made in writing and executed by both the Owners and Cedar. In the event any approval or consent is required pursuant to any provision of this Agreement, such approval or

consent shall be deemed given only if it is in writing, executed by the party whose approval or consent is required.

11.11 Confidentiality. Neither the Owners nor Cedar shall, without the prior consent of the other party, take out any advertisement to publicize the transaction contemplated by this Agreement. Both prior to and following the Closing, each party shall keep the terms and conditions of this Agreement confidential. The foregoing shall not be interpreted as intending to prevent

Cedar from disclosing the terms and conditions of this Agreement to its attorneys, prospective lenders, or accountants or from making such other disclosures as may be required by law or by the rules and regulations of any regulatory body having jurisdiction with respect to Cedar, the Partnership, or the Property or from describing the transactions contemplated by this Agreement in any registration statement submitted by any affiliate of Cedar or from filing this Agreement as an exhibit to such registration statement. The provisions of this Section shall survive the Closing or earlier termination of this Agreement.

11.12 Entire Agreement. This Agreement embodies the entire agreement between the parties and cannot be varied except by the written agreement of the parties. The Owners make no representations, warranties or agreements with respect to Property, except as set forth in this Agreement.

11.13 Further Assurances. In addition to the acts and deeds recited herein and contemplated to be performed, executed and/or delivered by the Owners to Cedar at Closing, the Owners agree to perform, execute and/or deliver or cause to be delivered, executed and/or delivered, but without any obligation to incur any additional liability or expense, on or after the Closing any and all further acts, deeds and assurances as may be reasonably necessary to consummate the transactions contemplated hereby.

11.14 Joint and Several. The liability of the Owners under this Agreement shall be joint and several.

ARTICLE XII
Assignment of Contract

12.1 Assignment. Cedar may assign Cedar's rights or delegate Cedar's duties under this Agreement but only to one or more entities which are majority owned and controlled by Cedar Shopping Centers, Inc. The said assignee shall assume all obligations of Cedar under this Agreement by a written instrument approved in form and substance by the Owners which approval shall not be unreasonably withheld or delayed. Except as hereinbefore set forth, this Agreement may not be assigned by Cedar.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement as of the date first above written.

FIREHOUSE REALTY CORP.

By: _____
Name:
Title:

RIVER VIEW DEVELOPMENT CORP.

By: _____
Name:
Title:

SOUTH RIVER VIEW PLAZA, INC.

By: _____
Name:
Title:

REED DEVELOPMENT ASSOCIATES, INC.

By: _____
Name:
Title:

RIVERVIEW COMMONS, INC.

By: _____
Name:
Title:

CSC-RIVERVIEW LLC

By: CEDAR SHOPPING CENTERS PARTNERSHIP, L.P., ITS MEMBER

By: CEDAR SHOPPING CENTERS, INC., ITS GENERAL PARTNER

By: _____
Name: Leo S. Ullman
Title: President

ESCROW AGENT (and to acknowledge agreement with Article IX)
LEGAL ABSTRACT CO.

By: _____
Name:
Title:

RECAPITALIZATION AGREEMENT

AGREEMENT (this "Agreement") made as of this 2nd day of October, 2003 by and among DELAWARE 1851 ASSOCIATES, LP, a Pennsylvania limited partnership (the "Partnership"), INDENTURE OF TRUST OF BART BLATSTEIN DATED AS OF JUNE 9, 1998, a Pennsylvania trust ("1998 Trust"), IRREVOCABLE INDENTURE OF TRUST OF BARTON BLATSTEIN DATED JULY 13, 1999, a Pennsylvania trust ("1999 Trust"; and together with 1998 Trust, "Original LPs"), WELSH-SQUARE, INC., a Pennsylvania corporation ("Original GP"; Original LPs and Original GP are sometimes collectively referred to herein as the "Owners", or each individually, an "Owner") and CSC-COLUMBUS LLC ("Cedar").

W I T N E S S E T H

WHEREAS, pursuant to that certain Limited Partners Agreement of the Partnership, dated April 21, 1999, by and between Original GP and The Blatstein Family Trust II; as amended and corrected by that certain Amendment to Limited Partners Agreement of the Partnership dated as of December 19, 2000 and that certain Limited Partners Agreement of the Partnership executed on December 19, 2000 to be effective as of April 21, 1999; as further amended by that certain Assignment, Assumption and Modification Agreement dated as of December 19, 2000; and as further amended by that certain Amendment to Limited Partnership of the Partnership, dated June 24, 2002 (as so amended, the "Partnership Agreement"); Original GP is the general partner and Original LPs are limited partners in the Partnership which owns the Property (as hereinafter defined);

WHEREAS, the Owners desire to recapitalize their interests in and to the Partnership; and

WHEREAS, Cedar desires that the Partnership issue to Cedar interests in and to the Partnership in exchange for the payments by Cedar (in the form of capital contributions and loans, as more particularly set forth herein) of an initial funding amount as determined and governed by the terms and provisions of this Agreement (such recapitalization and issuance being herein referred to as the "Recapitalization").

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

ARTICLE I
Issuance of Interests

1.1 Interests. The Owners hereby agree to cause the Partnership to recapitalize the existing Partnership interests of the Owners and to issue interests in and to the Partnership to Cedar (and to an affiliate of Cedar) so that said recapitalization and issuance will result in:

A. Said affiliate of Cedar becoming the general partner of the Partnership, owning one percent (1%) of the common interests in and to the Partnership ("Cedar GP Interests");

B. Cedar becoming a limited partner of the Partnership, owning ninety-nine percent (99%) of the common interests in and to the Partnership ("Cedar LP Interests" and, together with Cedar GP Interests, the "Interests"); and

C. All of the Owners' interests in the Partnership being recapitalized into a preferred interest (the "Preferred Interest").

1.2 Permitted Exceptions. Upon the issuance of the Interests, the Property shall be subject only to those matters set forth on EXHIBIT A annexed hereto (collectively, the "Permitted Exceptions").

1.3 Other Agreement.

The parties acknowledge that, pursuant to the terms of that certain Contribution Agreement (the "Other Agreement"), among Firehouse Realty Corp. ("Firehouse"), Reed Development Associates, Inc. ("Reed"), South River View Plaza, Inc. ("South"), Riverview Development Corp. ("Development"), Riverview Commons, Inc. ("Commons"; and together with Firehouse, Reed, South and Development, the "Other Agreement Owners"), and CSC-Riverview LLC (the "Other Agreement Buyer"), the Other Agreement Owners have agreed to consummate the transaction more particularly described in the Other Agreement (the closing of such other transaction, the "Other Agreement Closing"). Notwithstanding anything to the contrary contained herein or in the Other Agreement, the Closing under this Agreement is specifically contingent, as set forth in Sections 7.2.1(H) and 7.2.2(C) hereof, upon the Other Agreement Closing (which shall include, without limitation, the making of the loan contemplated by the Other Agreement (the "Other Agreement Owners Loan")). It is expressly understood and agreed that the Closing and the Other Agreement Closing shall occur simultaneously and that, if the Other Agreement is terminated in accordance with its terms, then this

Agreement shall similarly terminate and, in connection with any such termination, if (i) the Other Agreement Owners are entitled to the downpayment under the Other Agreement in connection with such termination, then, in such case, the Owners shall be entitled to the Downpayment in connection with such a termination under this Agreement, and (ii) the Other Agreement Buyer is entitled to a refund of the downpayment under the Other Agreement in connection with such termination, then, in such case, Cedar shall be entitled to a refund of the Downpayment. A default by the Other Agreement Owners under the Other Agreement shall be deemed to be a default by Owners under this Agreement and a default by the Other Agreement Buyer under the Other Agreement shall be deemed to be a default by Cedar under this Agreement.

ARTICLE II
Initial Funding Amount

2.1 Initial Funding Amount. In consideration for the issuance of the Interests to Cedar, Cedar shall (i) loan to Owners an amount equal to Six Million Three Hundred Sixty Seven Thousand ($6,367,000) Dollars (the "Owners Loan"), on a nonrecourse basis, secured by the Preferred Interest, and (ii) contribute to the Partnership an initial capital amount equal to the sum of all legal fees, title insurance premiums and other closing costs to be paid by Cedar in connection with the Closing (as hereinafter defined), as the same may be adjusted pursuant to the terms of this Agreement (the "Initial Capital Amount"). The Owners Loan and the Initial Capital Amount are sometimes collectively referred to herein as the "Initial Funding Amount".

2.2 Method of Payment. The Initial Funding Amount shall be disbursed as follows: (a) simultaneously with the execution and delivery of this Agreement, Five Hundred Thousand and 00/100 Dollars ($500,000.00) (the "Downpayment") by wire transfer of immediately available federal funds to the account of Escrow Agent (as hereinafter defined) in accordance with the wire instructions set forth on EXHIBIT B annexed hereto to be held in escrow pursuant to the provisions of Article IX hereof; and (b) at the closing of the transactions contemplated hereby (the "Closing"), the balance of the Owners Loan in the sum of Five Million Eight Hundred Sixty Seven Thousand ($5,867,000) Dollars, subject to a credit to Cedar for the interest earned on the Downpayment and subject to other apportionments and other adjustments required to be made pursuant to this Agreement (the "Balance of the Initial Funding Amount") by wire transfer of immediately available federal funds to the bank account designated in writing by the Owners prior to the Closing. Except as otherwise expressly provided in this Agreement, the Downpayment is fully non-refundable.

2.3 Downpayment. The party or parties hereunder that shall be entitled to receive the Downpayment shall receive all interest that shall have accrued thereon; provided, however, that if the Closing shall occur, the amount of any interest earned on the Downpayment shall be credited in favor of Cedar against the Balance of the Initial Funding Amount. The Downpayment, together with all interest thereon, shall be held by Escrow Agent in accordance with Article IX hereof.

ARTICLE III
Disclaimer

3.1 Disclaimer of Warranties. Cedar is acquiring the Interests with the Property being "AS IS" with all faults and defects. Except as specifically stated in this Agreement, the Owners hereby specifically disclaim any representation or warranty, oral or written, including, but not limited to, those concerning (i) the nature and condition of the Property, (ii) the manner, construction, condition and state of repair or lack of repair of any improvements located on the Property, (iii) the compliance of the Property or its operation with any laws, rules, ordinances, or regulations of any government or other body, it being specifically understood that Cedar has had the full opportunity to determine for itself the condition of the Property, and (iv) the income and

expenses of the Property. The issuance of the Interests as provided for herein is made with the understanding that Cedar has inspected the Property, is aware of the condition thereof, and has apprised itself of all information with respect to the Property and that, except as otherwise provided herein, the issuance is made with the Property in an "as is" condition. Cedar expressly acknowledges that in consideration of the agreements of the Owners herein, except as otherwise specified herein, THE OWNERS MAKE NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, OR ARISING BY DECLARATION OF LAW, INCLUDING, BUT IN NO WAY LIMITED TO, ANY WARRANTY OF QUANTITY, QUALITY, CONDITION, HABITABILITY, MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OF THE PROPERTY, THE INTERESTS, ANY IMPROVEMENTS, THE PERSONALTY OR SOIL CONDITIONS. The Owners are not liable or bound in any manner by expressed or implied warranties, guarantees, promises, statements, representations or information pertaining to the Interests or the Property made or furnished by any real estate broker, agent, employee, servant or other Person (as hereinafter defined) representing or purporting to represent the Owners unless such representations are expressly and specifically set forth herein. For purposes of this Agreement, the term "Person" shall mean any individual, partnership,

corporation, limited liability company, trust or other entity.

ARTICLE IV
The Owners' Representations and Covenants

4.1 The Owners jointly and severally represent as follows:

A. Original GP is a corporation duly organized and validly existing under and by virtue of the laws of the Commonwealth of Pennsylvania and is in good standing in the Commonwealth of Pennsylvania. Original GP has all requisite power and authority to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby. Annexed hereto as EXHIBIT C is a true, correct and complete copy of the Certificate of Incorporation of Original GP, which Certificate of Incorporation has not been amended or modified, except as set forth on EXHIBIT C. True, correct and complete copies of all minute books, stock books and stock transfer records of Original GP have been delivered to Cedar. The sole asset of Original GP is Original GP's partnership interest in the Partnership.

B. 1998 Trust is a trust validly existing under and by virtue of the laws of the Commonwealth of Pennsylvania. 1998 Trust has all requisite power and authority to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby. Annexed hereto as EXHIBIT D is a true, correct and complete copy of the Indenture of Trust of 1998 Trust, which Indenture of Trust has not been amended or modified. The trustees presently serving are Jil Blatstein, Brian K. Friedman and Joseph W. Seidle. Jil Blatstein, Brian K. Friedman and Joseph W. Seidle are duly authorized to execute and deliver this Agreement on behalf of 1998 Trust.

C. 1999 Trust is a trust validly existing under and by virtue of the laws of the Commonwealth of Pennsylvania. 1999 Trust has all requisite power and authority to execute,

deliver and perform this Agreement and to consummate the transactions contemplated hereby. Annexed hereto as EXHIBIT E is a true, correct and complete copy of the Irrevocable Indenture of Trust of 1999 Trust, which Irrevocable Indenture of Trust has not been amended or modified. The trustees presently serving are Brian K. Friedman and Joseph W. Seidle. Brian K. Friedman and Joseph W. Seidle are duly authorized to execute and deliver this Agreement on behalf of 1999 Trust.

D. The Partnership has been and continues to be treated as a "partnership" for all federal, state and local income tax purposes.

E. The Partnership is the owner in fee of certain real property located at 1851 South Christopher Columbus Boulevard, Philadelphia, Pennsylvania 19148 (also known as Columbus Crossing Shopping Center) together with all improvements located thereon (the "Fee Property"), more particularly described in EXHIBIT F annexed hereto, subject only to the Permitted Exceptions. The Fee Property, together with (a) the Personal Property (as that term is hereinafter defined), (b) the Leases (as that term is hereinafter defined), (c) all easements and rights appurtenant to the Fee Property, if any, (d) to the extent assignable, the Permits, and (e) all Records and Plans in the possession or control of the Owners or the Partnership, are collectively referred to as the "Property").

F. The Partnership is duly organized and validly existing under and by virtue of the laws of the Commonwealth of Pennsylvania and is in good standing in the Commonwealth of Pennsylvania. A true, correct and complete copy of the Certificate of Limited Partnership of the Partnership, which Certificate of Limited Partnership has not been amended or modified, is annexed hereto as EXHIBIT G. A true, correct and complete copy of the Partnership Agreement, which Partnership Agreement has not been further amended or modified, is annexed hereto as EXHIBIT G. The Owners are the legal and beneficial owners of 100% of the partnership interests in the Partnership, Original GP is the sole general partner of the Partnership, and Original LPs are the sole limited partners of the Partnership. The Owners own their interests in the Partnership free and clear of any liens other than as created pursuant to the Mortgage Loan. No portion of such partnership interests is subject to any warrant to acquire, option, call, put or other right issued or outstanding pursuant to which such partnership interests may be purchased or additional partnership interests may be issued, and no Person other than the Owners has any voting rights in respect of the Partnership. The Partnership has the full power and authority to own the Property. The sole assets of the Partnership are the Property and any cash, certificates of deposit and other assets customarily held in connection with the Partnership, or the use or management of the Property.

G. This Agreement (i) has been duly authorized, executed and delivered by the Owners and no other proceedings on the part of the Owners are necessary to authorize this Agreement or to consummate the transactions contemplated hereby, and (ii) is the legal, valid and binding obligation of the Owners enforceable against the Owners in accordance with its terms (subject to bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally).

H. The execution, delivery, observance and performance by the Owners of this Agreement and the transactions contemplated hereby will not (i) result in any violation of the organizational documents of any of the Owners or the Partnership, (ii) violate any material contractual provision, law, statute, ordinance, rule, regulation, judgment, decree or order applicable to any of the Owners or the Partnership, (iii) conflict with, or cause a breach of, or a default under, or result in a termination, modification, or acceleration of, any material obligation of any of the Owners or the Partnership.

I. The Property is encumbered by a first mortgage (the "Mortgage") securing a loan in the original principal amount of Seventeen Million Five Hundred Thousand and 00/100 Dollars ($17,500,000.00) (the "Mortgage Loan"), made by General Electric Capital Corporation ("Mortgagee") to the Partnership on June 27, 2002. A true, correct and complete schedule of the documents evidencing the Mortgage Loan (the "Mortgage Loan Documents") is annexed hereto as EXHIBIT H. True, accurate and complete copies of the Mortgage Loan Documents in all material respects have been delivered to Cedar. The Mortgage Loan Documents are in full force and effect and have not been amended. As of the date hereof, no default exists under any of the Mortgage Loan Documents. The outstanding principal balance of the Mortgage Loan as of the date of this Agreement is Seventeen Million Five Hundred Thousand and 00/100 Dollars ($17,500,000.00). There is no prepayment penalty or other fee payable in connection with a voluntary prepayment of the Mortgage Loan other than an exit fee equal to 1% of the outstanding principal balance of the Mortgage Loan.

J. The Property is not subject to any mortgages, liens or encumbrances other than the Mortgage Loan and the other Permitted Exceptions (upon Closing).

K. No consent, approval, waiver, license, authorization or declaration of, or filing or registration with, any Person is or will be required in connection with the execution, delivery and performance of this Agreement by the Owners.

L. There are no material contracts or agreements, written or oral, which affect any of the Owners, the Partnership or the Property, except those described either in this Agreement or set forth in Exhibits to this Agreement.

M. There are no takings, condemnations, betterments, assessments, actions, suits, arbitrations, claims, attachments, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings, actual or proposed, pending or, to the best of the Owners' knowledge, threatened against the Property, the Owners or the Partnership except for claims covered under applicable insurance policies.

N. No tax certiorari proceeds with respect to the Property are presently pending or remain outstanding other than that certain Real Estate Market Value Appeal for Tax Year 2004, dated September 24, 2003, filed on September 24, 2003 based upon failure of tax abatement with respect to the Property to be properly reflected in Board of Revision of Taxes

Notice of Proposed Changes in Market Value for Real Estate Taxes in 2004, dated August 1, 2003.

O. True, correct and complete copies (in all material respects) of the leases, licenses or other occupancy agreements affecting the Property (collectively, the "Leases") and subleases affecting the Property (collectively, the "Subleases") have been delivered to Cedar. The information set forth on EXHIBIT I annexed hereto (the "Schedule of Leases") is true, complete and correct in all material respects, and the Leases and the Subleases are in full force and effect and have not been amended, except as set forth in the Schedule of Leases. None of the Leases require any security deposits to have been made by any of the respective tenants under said Leases (the "Tenants"). The rent roll (the "Rent Roll") annexed hereto as EXHIBIT J is true, correct and complete in all material respects based upon the current operation of the Property and the rents set forth on the Rent Roll are the rents currently being collected. All of the landlord's obligations under the Leases which the landlord is obligated to perform in all material respects prior to the Closing have or will have been performed.

P. Except as set forth on the Schedule of Leases:

(a) there are no Leases or Subleases and no Person, other than the Partnership and the Tenants and subtenants under the Subleases (the "Subtenants"), has any right of possession of the Property;

(b) there are no unsatisfied "Take-Over" space obligations or "Take-Back" space obligations ("Take-Over" space obligations mean rent obligations of the Tenant in other buildings assumed by the landlord, and "Take-Back" space obligations mean obligations imposed upon the landlord to

sublet or otherwise be responsible for the obligations of a Tenant under a Lease);

(c) to the Owners' knowledge there are no disputes with Tenants as to the amount of their rental obligations;

(d) the rents set forth on the Rent Roll were actually collected for the month of September, 2003;

(e) there are no arrearages under any of the Leases;

(f) no Tenant or Subtenant has any option to purchase the Property;

(g) neither the Owners nor the Partnership have received from any Tenant any written notice claiming any material default by the landlord under its Lease which has not been complied with, and neither the Owners nor the Partnership has delivered to Tenant any written notice claiming a default by Tenant under a Lease which

has not been complied with, and, to the best knowledge of the Owners, there are no circumstances which, after notice and the expiration of any applicable grace period, would constitute a default by either the landlord or any Tenant under the Leases in any material respects;

(h) no Tenant has any right of first offer, right of first refusal, option or other preferential right to expand its premises; and

(i) no Tenant has asserted offsets or claims against, or has any defense to, rental payable or obligations under the Leases.

Q. No guarantor of any of the Leases has been released or discharged voluntarily (or, to the best of the Owners' knowledge either involuntarily or by operation of law) from any obligation related to the Lease. All of the improvements to be constructed by the landlord, if any, contemplated under the Leases or as required therein and in all collateral agreements and plans and specifications respecting same have been completed as so required in all material respects, and any fees, costs, allowances, advances or other expenses to be paid by the landlord for tenant improvements or tenant finish work have been paid in full. Neither the Partnership's interest in the Leases nor any of the rentals due or to become due under the Leases has been or will be, at the closing, assigned, encumbered or subject to any liens, except pursuant to the Mortgage Loan Documents.

R. There are no management, service, supply, equipment rental, and similar agreements affecting the Property, and there are no month-to-month service arrangements on expired or automatic renewable contracts (collectively, the "Service Contracts") which will bind the Property, the Partnership, Cedar or the Owners after the Closing.

S. All federal, state and local tax returns required to be filed by the Owners and the Partnership have been timely, duly and accurately completed and filed, and all federal, state and local taxes required to be paid by the Owners and the Partnership have been paid in full in connection with all filed returns.

T. The Owners and the Partnership have no material liabilities or obligations of any nature (whether known or unknown and whether absolute, accrued, contingent or otherwise) except for the Mortgage Loan, and, in the case of the Partnership only, current liabilities incurred in the ordinary course of business in an amount not greater than Twenty Five Thousand ($25,000.00) Dollars. Except in connection with the Mortgage Loan, the interests of the Owners in the Partnership and the Property have not been pledged or transferred.

U. Other than as contemplated by this Agreement, there are no outstanding options to purchase, rights of first offer, rights of first refusal, warrants, calls, commitments, conversion rights, rights of exchange, plans or other agreements of any character, absolute or contingent, to acquire all, or any portion of, the Property or the Interests.

V. As of the date hereof, neither the Owners nor the Partnership have entered into any brokerage agreements or lease commission agreements. No leasing commission is now or will hereafter become due or owing in connection with any of the Leases, including, without limitation, in connection with any renewals or extensions of the term thereof.

W. The Personal Property has not been assigned or conveyed to any other party (other than as security for the Mortgage Loan). For purposes of this Agreement, the term "Personal Property" shall mean all equipment, appliances,

tools, machinery, supplies, building materials and other personal property of every kind and character owned by the Owners or the Partnership and attached to, appurtenant to, located in or used in connection with the operation of the Property.

X. Neither the Owners, nor the Partnership, have received any written notice of any violation or any alleged violation of any Environmental Laws has been issued or given by any Governmental Authority (as hereinafter defined) which remains uncured. For purposes of this Agreement, the term "Hazardous Materials" shall mean (a) any toxic substance, hazardous waste, hazardous substance or related hazardous material; (b) asbestos in any form which is or could become friable, urea formaldehyde foam insulation, transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls in excess of presently existing federal, state or local safety guidelines, whichever are more stringent; and (c) any substance, material or chemical which is defined as or included in the definition of "hazardous substances", "toxic substances", "hazardous materials", "hazardous wastes" or words of similar import under any federal, state or local statute, law, code, or ordinance or under the regulations adopted or guidelines promulgated pursuant thereto, including, but not limited to, the Environmental Laws. For purposes of this Agreement, the term "Environmental Laws" shall mean the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Section 9061, et seq.; the Hazardous Materials Transportation Act, as amended, 49 U.S.C. Section 1801, et seq.; the Resource Conservation and Recovery Act, as amended, 42 U.S.C. Section 6901, et seq.; and the Federal Water Pollution Control Act, as amended, 33 U.S.C. Section 1251, et seq., as any of the foregoing may be amended from time to time, and any other federal, state and local laws and regulations, codes, statutes, orders, decrees, guidance documents, judgments or injunctions, now or hereafter issued, promulgated, approved or entered thereunder, relating to pollution, contamination or protection of the environment, including, without limitation, laws relating to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals or industrial, toxic or hazardous substances or wastes into the environment or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials. For purposes of this Agreement, the term "Governmental Authority" shall mean the United States government, any state, regional, local or any other political subdivision of any of the foregoing, and any agency, department, commission, board, court bureau or instrumentality of any of them having jurisdiction over the Property, any of the Owners or the Partnership.

Y. The Owners have delivered to Cedar a true, correct and complete copy of that certain Phase I Environmental Site Assessment Report, dated December 7, 2001, prepared

by U.S. Inspect Commercial Real Estate Services, as updated by that certain Phase I Environmental Site Assessment, dated August 8, 2003, prepared by ConTech Services, Inc. directly for Cedar.

Z. [intentionally omitted]

AA. There are, and at the Closing there will be, no employees and no employment contracts, operating agreements, management contracts, listing agreements, consulting agreements, union contracts, labor agreements, pension plans, profit sharing plans or employee benefit plans which relate to any of the Owners, the Partnership or the Property (collectively, "Operating Agreements").

BB. The Partnership maintains insurance with respect to the Property as set forth on EXHIBIT K annexed hereto. True, correct, and complete copies of these policies have been delivered to Cedar and are in full force and effect. True, correct, and complete copies of all policies of liability insurance held in connection with the Property during the Partnership's tenure of ownership of the Property have been delivered by the Owners to Cedar. Neither the Owners nor the Partnership has received any written notice from any insurance company which has issued a policy with respect to the Property or from Mortgagee requesting or requiring performance of any structural or other major repair or alteration to the Property which has not been complied with.

CC. Neither the Partnership nor any of the Owners is a "foreign person" as defined pursuant to Section 1445 of the Internal Revenue Code of 1986, as amended.

DD. All Records and Plans in the possession or control of the Owners or the Partnership have been made available to Cedar. For purposes of this Agreement the term "Records and Plans" shall mean all of the following items which are in the possession of or under the control of the Owners or the Partnership: (A) all accounting, tax, financial, and other books and records (including tax returns) maintained in connection with the renovation, construction, use, maintenance, repair, leasing and operation of the Property and the formation, existence and operation of the Partnership, (B) all building plans and specifications (including "as-built" drawings) with respect to the improvements and (C) all structural reviews, architectural drawings and engineering, soil, seismic, geologic and architectural reports, studies and

certificates and other documents pertaining to the Property. Records and Plans also means such additional books, records, plans, specifications, reports, studies and other documents maintained or prepared after the date of this Agreement. Except as expressly provided herein, no representations are given regarding the accuracy or completeness of the Records and Plans.

The representations and warranties made in this Section 4.1 shall survive the Closing shall survive the Closing and remain in full force and effect for a period of four (4) months after the date of the Closing. The Owners shall have no liability to Cedar in respect of said representations and warranties unless Cedar shall have delivered to the Owners, within such four (4) month period, a claim specifying the alleged breach of any one or more of such

representations, in which case the Owner's liability shall survive with respect to the matters alleged in such claim until resolution thereof. For purposes of this Agreement the term "material" shall mean (unless the context clearly indicates otherwise) any fact or condition, the presence or absence of which, has or could have a significant adverse effect on the financial condition or value of the Property or the continued use and enjoyment thereof.

4.2 Cedar represents as follows:

A. Cedar is a limited liability company duly organized and validly existing under and by virtue of the laws of the State of Delaware and is in good standing in the State of Delaware. Cedar has all requisite power and authority to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby.

B. This Agreement (i) has been duly authorized, executed and delivered by Cedar and no other proceedings on the part of Cedar are necessary to authorize this Agreement or to consummate the transactions contemplated hereby, and (ii) is the legal, valid and binding obligation of Cedar enforceable against Cedar in accordance with its terms (subject to bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally).

C. The execution, delivery, observance and performance by Cedar of this Agreement and the transactions contemplated hereby will not (i) result in any violation of the organizational documents of Cedar, (ii) violate any contractual provision, law, statute, ordinance, rule, regulation, judgment, decree or order applicable to Cedar, (iii) conflict with, or cause a breach of, or a default under, or result in a termination, modification, or acceleration of, any obligation of Cedar, or (iv) permit any other party to terminate or modify any agreement or instrument to which Cedar is a party or by which any of them is bound.

4.3 The Owners hereby covenant and agree with Cedar as follows:

A. At all times up to the Closing Date, the Owners shall maintain or cause to be maintained insurance upon the Property in the same coverages and amounts as the insurance policies on the Property on the date hereof.

B. At all times up to the Closing Date, the Owners shall, and shall cause the Partnership to, operate and maintain the Property in substantially the same manner as it is now operated and maintained, and the Owners shall, and shall cause the Partnership to, use reasonable efforts to maintain the physical condition of the Property in its current condition, reasonable and ordinary wear and tear and damage by fire and casualty excepted.

C. The Owners shall neither transfer nor remove, and shall not permit the Partnership to transfer or remove, any Personal Property or fixtures from the Property subsequent to the date hereof, unless the same are no longer needed for the maintenance and operation of the Property or except for purposes of replacement thereof, in which case such replacements shall be

promptly installed prior to Closing and shall be comparable in quality to the items being replaced.

D. The Owners shall not, and shall not permit the Partnership, without the prior written consent of Cedar, which consent may be granted or withheld in Cedar's sole discretion, to (i) enter into any Lease nor modify, renew, extend, replace, terminate or otherwise change any of the terms, conditions or covenants of any existing Lease, or (ii) consent to any Sublease or any modification, renewal, replacement, termination or other change of any of the terms, conditions or covenants of any existing Sublease.

E. The Owners shall not, and shall not permit the Partnership to, enter into any new Service Contract after the date hereof without the prior written consent of Cedar, which consent may be granted or withheld in Cedar's sole discretion.

F. The Owners shall not enter into any Operating Agreement after the date hereof without the prior written consent of Cedar, which consent may be

granted or withheld in Cedar's sole discretion.

G. The Owners shall not, and shall not permit the Partnership to, amend or modify any Permits with respect to the Property, and shall cause the Partnership to, keep in full force and effect and/or renew all Permits. For purposes of this Agreement, the term "Permits" shall mean all approvals, consents, registrations, franchises, permits, licenses, variances, certificates of occupancy and other authorizations with regard to zoning, landmark, ecological, environmental, air quality, subdivision, planning, building or land use required by any Governmental Authority for the construction, lawful occupancy and operation of the Improvements and the actual use thereof.

H. The Owners shall, and shall cause the Partnership to, timely comply with all Legal Requirements in all material respects. For purposes of this Agreement, the term "Legal Requirements" shall mean any law, statute, ordinance, order, rule, regulation, decree or other requirement of a Governmental Authority, and all conditions of any Permit.

I. The Owners shall, and shall cause the Partnership to, pay all obligations and trade creditors in the normal course of business and not defer any expenses or costs which would be paid or incurred in the normal course of business.

J. The Owners shall not, and shall not permit the Partnership to, without the written consent of Cedar, convey any interest, directly or indirectly, in the Interests or the Property.

K. The Owners shall not, and shall not permit the Partnership to, withdraw, settle or otherwise compromise any protest or reduction proceeding affecting real estate taxes assessed against the Property for any fiscal period in which the Closing is to occur or any

subsequent fiscal period without the consent of Cedar, which consent may be granted or withheld in Cedar's sole discretion.

L. The Owners shall not, and shall not permit the Partnership to, create, assume, incur or suffer to exist any lien (other than the Permitted Exceptions).

M. The Owners shall, and shall cause the Partnership to, use good faith efforts to obtain the Tenant Estoppel Certificates. Additionally, if Cedar shall elect not to prepay the Mortgage Loan in connection with the Closing, the Owners shall, and shall cause the Partnership to, use good faith efforts to obtain (provided the Owners shall not be obligated to obtain as a condition of Closing): (i) an estoppel certificate ("Mortgagee Estoppel") duly executed by Mortgagee to be dated not more than thirty (30) days prior to the Closing Date, certifying as to the outstanding principal balance of the loan, the date through which interest on the loan has been paid and that the Mortgagee (A) has not delivered any notice of default under the Mortgage Loan Documents that remains uncured, and (B) does not have knowledge of any default under the Mortgage Loan Documents, and (ii) a consent duly executed by Mortgagee (the "Mortgagee Consent"), to be dated not more than thirty (30) days prior to the Closing Date, authorizing the issuance by the Partnership of the Interests to Cedar and all other action required to be taken by the Owners and the Partnership at the Closing. The Owners shall deliver the original executed Mortgagee Estoppel and the Mortgagee Consent to Cedar if and when the same is received by the Owners. Cedar shall, at its own cost and expense, cooperate with the Owners by providing Mortgagee information and documents required by Mortgagee in connection with the Mortgagee Consent and Mortgagee Estoppel.

N. The Owners shall not, and shall not permit the Partnership to, bring (or permit to be brought) any Hazardous Materials in, upon, under, over or from the Property in violation of Environmental Laws.

O. The Owners shall not, and shall not permit the Partnership to, remove or dispose of (or permit to be removed or disposed of) any Hazardous Materials in, upon, under, over or from the Property in violation of Environmental Laws.

P. The Owners shall not, and shall not permit the Partnership to, hereafter engage any new employees for any of the Owners, the Partnership or the Property.

Q. The Owners shall, and shall cause the Partnership to, make all interest payments as required by the Mortgage Loan, but, shall not, without Purchaser's prior written consent, cause any prepayments of principal to occur prior to the Closing Date.

R. The Owners shall, at Cedar's sole cost and expense, cooperate with Cedar with regard to any financing that is arranged for by Cedar in connection with the transactions contemplated by this Agreement, and the Owners will execute all documents reasonably required pursuant to such financing, provided same do not impose cost or liability on the Owners.

S. The Owners shall not, and shall not permit the Partnership to, collect any rent under any Lease more than one (1) month in advance.

T. The Owners shall not, and shall not permit the Partnership to, make any material alterations to the Property.

ARTICLE V
Brokerage

5.1 The parties agree that Michael Salove Company (the "Broker") is the broker in connection with this transaction. The Owners agree to pay any commission payable to the Broker in connection with this transaction by separate agreement. Provided the Closing occurs, Cedar shall, at the Closing, reimburse the Owners for a portion of the fee paid to the Broker in the amount of Two Hundred Fifty Thousand ($250,000.00) Dollars.

5.2 Cedar hereby agrees to indemnify, defend and hold the Owners harmless from and against any and all claims, losses, liability, costs and expenses (including reasonable attorneys' fees) resulting from any claim that may be made against the Owners by any broker (other than the Broker), or any other person claiming a commission fee or other compensation by reason of this transaction, if the same shall arise by, through or on account of any alleged act of Cedar or Cedar's representatives.

5.3 The Owners hereby agree to jointly and severally indemnify, defend and hold Cedar harmless from and against any and all claims, losses, liability, costs and expenses (including reasonable attorneys' fees) resulting from any claim that may be made against Cedar by any broker (including the Broker), or any other person, claiming a commission fee or other compensation by reason of this transaction, if the same shall arise by, through or on account of any alleged act of the Owners or the Owners' representatives.

5.4 The obligations under this Article V shall survive the Closing or a termination of this Agreement.

ARTICLE VI
Title and Due Diligence

6.1 Title.

6.1.1 Title Commitment; Title Objections. The Owners have ordered and have caused to be delivered to Cedar, a title insurance report and commitment (the "Commitment") for the Title Policy (as hereinafter defined) from Legal Abstract Co., 2200 Walnut Street, Philadelphia, Pennsylvania 19103 (the "Title Company"). Upon receipt of any updates or revisions to the Commitment, Cedar shall furnish copies thereof to the Owners' attorneys. The parties acknowledge and agree that the Commitment contains certain objections to title which are not Permitted Exceptions (the "Title Objections"). If any supplement, amendment or

modification of the Commitment contains any additional Title Objections not contained in the original Commitment, Cedar shall give notice to the Owners, within ten (10) days of its receipt of such supplement, amendment or modification, setting forth such additional Title Objections contained therein. In the event Cedar fails to give notice within such ten (10) days following its receipt of such supplement, amendment or modification, Cedar shall be deemed to have waived its right to object thereto.

6.1.2 Encumbrances to Eliminate. The Owners shall be required to eliminate (a) all mortgages (other than the Mortgage, in the event Cedar shall elect to assume the Mortgage Loan in connection with the Closing), (b) unpaid water charges and assessments, (c) any other Title Objections which are in a liquidated amount and which may be satisfied by the payment of money, and (d) any other Title Objections that were contained in the original Commitment.

6.1.3 Other Exceptions. Except as set forth in Section 6.1.2 above, the Owners shall not be required to bring any action or institute any proceeding, or to otherwise incur any costs or expenses in order to attempt to eliminate any Title Objections. If the Owners fail to eliminate any and all Title Objections (other than those encumbrances set forth in Section 6.1.2 above which the Owners shall be obligated to remove), then, Cedar may elect, as its sole right and remedy, to either (i) proceed with the transactions contemplated hereby subject to such exceptions, and Cedar shall close hereunder, without reduction of the Initial Capital Amount, notwithstanding the existence of same, and the Owners shall have no obligations whatsoever after the Closing Date with respect to the Owners' failure to eliminate such exceptions, or (ii) terminate this Agreement by notice given to Owners, in which event Cedar shall be entitled to a return of, and Escrow Agent shall promptly deliver, the Downpayment to Cedar. Upon such return and delivery, this Agreement shall terminate and neither party hereto shall have any further obligations hereunder other than pursuant to those provisions that expressly survive a termination of this Agreement.

6.2 Liens, Judgments and Encumbrances. If, at the Closing, the Property

is subject to any mortgage or mortgages (other than the Mortgage), unpaid taxes, water charges and assessments, or any other liens, judgments and monetary encumbrances, the existence thereof shall not constitute a Title Objection provided that such mortgage(s), unpaid taxes, water charges and assessments, or any other liens, judgments and encumbrances are paid by the Owners to the Title Company and the Title Company shall omit the same from the Title Policy.

6.3 Affidavits. If the Commitment, or any supplement, amendment or modification thereof, discloses judgments, bankruptcies or other returns against other persons having names the same as, or similar to, that of any of the Owners or the Partnership, the Owners shall, or shall cause the Partnership to, deliver to the Title Company affidavits showing that such judgments, bankruptcies or other returns are not against the Owners or the Partnership in order to induce the Title Company to omit exceptions with respect to such judgments, bankruptcies or other returns. In addition, the Owners shall deliver to the Title Company an affidavit required to cause the Title Company to issue a non-imputation endorsement to the Title Policy and all other affidavits customarily required of sellers of property similar to the Property.

6.4 Violations. Notwithstanding anything to the contrary contained herein, Owners shall cure and eliminate (and pay all related fines and penalties and any accrued interest thereon), at Owners' cost and expense, any violations assessed against the Property as of the Closing Date.

6.5 [intentionally omitted]

6.6 [intentionally omitted]

6.7 Ongoing Site Visits. Cedar and its employees, agents, contractors, consultants and representatives ("Consultants") shall have reasonable access to the Property on at least one (1) Business Day's (as that term is hereinafter defined) prior notice to Owners (which notice may be delivered by telephone to Brian Friedman of Tower Investments, Inc. at (215) 467-4600), during reasonable times as mutually agreed upon by Owners and Cedar solely for the purpose of (i) inspecting the physical and structural condition of the Property and conducting non-intrusive physical inspections and tests (non-intrusive physical inspections and tests shall include, for example, taking de minimis samples of building materials), and (ii) monitoring the ongoing operations of the Property (including, without limitation, the performance by Tenants of their respective obligations under the Leases). If Cedar desires to conduct any intrusive physical inspections and tests, including a Phase II environmental inspection of the Property, Cedar shall identify in writing the procedures Cedar desires to perform and request Owner's consent. If Owners object to the inspections and tests requested by Cedar, Owners shall describe the basis for their objection to Cedar and propose to Cedar a reasonable alternative for resolving the issue giving rise to Cedar's request for intrusive physical inspections or tests. If Owners consent to the inspections and tests requested by Cedar, Cedar and Consultants shall, in performing intrusive physical inspections or tests, (a) comply with any and all statutes, laws, ordinances, rules and regulations applicable to the Property, and (b) restore the Property to the condition, in all material respects, in which the same was found before inspection or testing was undertaken, but in no event later than two (2) Business Days after such inspection or testing occurs.

6.8 Interviews. Cedar may communicate or conduct interviews with any Tenant without the requirement of having received the prior consent of Owners; provided, however, that with respect to any interview to be conducted at the Property, Cedar shall notify Owners (which notice may be delivered by telephone to Brian Friedman of Tower Investments, Inc. at (215) 467-4600) at least one (1) Business Day in advance of any such interview. With respect to interviews conducted at the Property, any such interview shall not unreasonably disrupt or disturb (i) the on-going operation of the Property, or (ii) the quiet possession of Tenants.

6.9 Access to Books and Records. Cedar and the Consultants shall, on at least one (1) Business Day's prior notice to Owners (which notice may be delivered by telephone to Brian Friedman of Tower Investments, Inc. at (215) 467-4600), during reasonable times as mutually agreed upon by Owners and Cedar, have access to all books and records of the Partnership as Cedar reasonably requires, and Owners shall lend their reasonable assistance to Cedar and the Consultants in connection with any such examination or audit.

ARTICLE VII
The Closing

7.1 Closing Date.

7.1.1 The transaction contemplated herein shall be consummated at the Closing which shall take place at the offices of the Title Company or at such other place as shall be mutually agreed upon by the Owners and Cedar on the earlier of (i) five (5) Business Days after the receipt by Cedar Income Fund Partnership, L.P. or any related entity of the proceeds of a new public offering of common stock or shares of beneficial interest (the "Offering Receipt Date"),

and (ii) October 31, 2003 (the actual date of the Closing being herein referred to as the "Closing Date").

7.1.2 The parties acknowledge and agree that, it is a condition precedent to Cedar's obligations to consummate the transactions contemplated by this Agreement that Cedar (i) shall have received certain Tenant Estoppel Certificates, as more particularly set forth in Section 7.2.1(B) (such condition, the "Tenant Estoppel Condition"), and (ii) shall receive at Closing either the Good Standing Certificates or the Service Company Affidavits (as those terms are hereinafter defined). If the day which is five (5) Business Days after the Scheduled Receipts Date occurs prior to October 31, 2003, and, as of such date, the Tenant Estoppel Condition has not yet been fully satisfied and/or either the Good Standing Certificates or the Service Company Affidavits shall not have yet been obtained by the Owners, then, in such event, the Closing shall be adjourned until October 31, 2003 (or such earlier date upon which the Tenant Estoppel Condition shall have been fully satisfied and either the Good Standing Certificates or the Service Company Affidavits obtained by the Owners).

7.2 Conditions to the Closing.

7.2.1 Conditions Precedent to Cedar's Obligations. The Closing and Cedar's obligations with respect to the transaction contemplated by this Agreement are subject to the satisfaction of the following conditions and the obligations of the parties with respect to such conditions are as follows:

A. Title.

(a) Cedar shall not have exercised its rights, pursuant to Section 6.1.3 hereof, to terminate this Agreement.

(b) Upon payment of all premiums by the party responsible for such cost pursuant to the terms of Section 8.6 hereof, the Title Company shall be willing to issue a title insurance policy insuring in the Partnership good and marketable fee title to the Property (subject only to the Permitted Exceptions), which policy shall include a

non-imputation endorsement, and otherwise be in accordance with the provisions of Article VI hereof (the "Title Policy").

B. Tenant Estoppel Certificates. The Owners shall request, or shall cause the Partnership to request, and Cedar shall have received estoppel certificates certified to the Partnership and dated not more than thirty (30) days prior to the Closing Date ("Tenant Estoppel Certificates") duly executed by (i) each Major Tenant and (ii) such other Tenants so that Tenant Estoppel Certificates shall have been received from Tenants occupying, in the aggregate (including the space demised to Major Tenants), at least 80% of the rentable square footage of the Property (the foregoing condition, the "Estoppel Condition"). "Major Tenants" mean those Tenants set forth on EXHIBIT L annexed hereto. The Tenant Estoppel Certificates shall be substantially in the form of and substantially upon the terms set forth on EXHIBIT M annexed hereto. The Owners shall deliver the original executed Tenant Estoppel Certificates to Cedar as and when the same shall be delivered to the Owners, but in no event later than ten (10) Business Days prior to the Closing Date. If any Tenant Estoppel Certificate shall have been modified or qualified in any fashion that, individually or in connection with other Tenant Estoppel Certificates, reveals facts, conditions or circumstances which result or may result in a material adverse change in the financial condition of the Property, or are inconsistent in any material respect with the representations of the Owners set forth in Section 4.1 above, then Cedar may disapprove the same (such disapproved Tenant Estoppel Certificates, the "Unacceptable Certificates") by notice delivered to the Owners promptly following Cedar's receipt of such Unacceptable Certificate, and, for purposes of establishing whether the Estoppel Condition has been satisfied, any Unacceptable Certificates shall be deemed not to have been received.

C. Casualty or Condemnation Event. No Material Loss shall have occurred pursuant to which Cedar shall have exercised its rights, pursuant to the provisions of Section 7.5 hereof, to termination this Agreement.

D. Termination of Affiliate Loans. The Owners shall have caused any and all sums owed by the Partnership to any affiliate of each of the Owners to be repaid in full such that no balance is outstanding with respect to such sums as of the Closing Date.

E. Representations, Warranties and Covenants of the Owners. The Owners shall have duly performed in all material respects each and every agreement to be performed by the Owners under this Agreement and the Owners' representations, warranties and covenants set forth in this Agreement shall be true and correct as of the Closing Date.

F. No Material Changes. On the Closing Date, there shall have been no material adverse changes in the physical condition of the Property and there

shall have been no material adverse change in the financial condition of any of the Owners or the Partnership.

G. The Owners' Deliveries. The Owners shall have delivered the items described in Section 7.3 below.

H. The Other Agreement. Without modifying the provisions of Section 1.3, the transactions contemplated by the Other Agreement shall occur simultaneously with the Closing and the proceeds of the Other Agreement Owners Loan shall have been fully disbursed in accordance with the terms of the Other Agreement.

The conditions set forth in this Section 7.2.1 are solely for the benefit of Cedar and may be waived only by Cedar. Cedar shall at all times have the right to waive any condition. Such waiver or waivers shall be in writing. The waiver by Cedar of any condition shall not relieve the Owners of any liability or obligation as respects any representation, warranty or covenant of the Owners unless Cedar shall so agree in writing. Neither the Owners nor Cedar shall act or fail to act for the purpose of permitting or causing any condition to fail (except to the extent Cedar, in its own discretion, exercises its right to disapprove or not to waive any such items or matters). The occurrence of the Closing shall constitute approval by Cedar of all matters to which Cedar has a right of approval under this Agreement and a waiver of all conditions precedent under this Agreement.

7.2.2 Conditions Precedent to the Owners' Obligations. The Closing and the Owners' obligations with respect to the transaction contemplated by this Agreement are subject to the satisfaction of the following conditions and the obligations of the parties with respect to such conditions are as follows:

A. Cedar's Deliveries. Cedar shall have delivered the items described in Section 7.4 below.

B. Covenants of Cedar. Cedar shall have duly performed each and every agreement to be performed by Cedar under this Agreement.

C. The Other Agreement. Without modifying the provisions of Section 1.3, the transactions contemplated by the Other Agreement shall occur simultaneously with the Closing and the proceeds of the Other Agreement Owners Loan shall have been disbursed in accordance with the terms thereof.

The conditions set forth in this Section 7.2.2 are solely for the benefit of the Owners and may be waived only by the Owners. The Owners shall at all times have the right to waive any condition. Such waiver or waivers shall be in writing. The waiver by the Owners of any condition shall not relieve Cedar of any liability or obligation as respects any covenant of Cedar unless the Owners shall so agree in writing. Neither the Owners nor Cedar shall act or fail to act for the purpose of permitting or causing any condition under this Section 7.2.2 to fail (except to the extent the Owners, in its own discretion, exercise its right not to waive any such items or matters). The occurrence of the Closing shall constitute approval by the Owners of all matters to which the Owners has a right of approval under this Agreement and a waiver of all conditions precedent under this Agreement.

7.3 At the Closing, the Owners shall deliver or cause to be delivered each of the following items to Cedar:

A. A counterpart of the Amended and Restated Agreement of Limited Partnership (the "Amended Partnership Agreement"), in the form annexed hereto as EXHIBIT N duly executed by the Owners, it being understood that any remaining blanks and bracketed provisions in the Amended Partnership Agreement shall be accurately completed, together with evidence satisfactory to Cedar that the books of the Partnership have been amended to reflect the Interests.

B. Affidavits executed by each of the Owners in accordance with the provisions of Section 1445 of the Internal Revenue Code of 1986, as amended, if required.

C. A Certificate of Good Standing of each of the Owners issued by the Secretary of State of the state of organization for each such entity, dated not more than thirty (30) days prior to the Closing, and Certificates of Good Standing of the Partnership issued by the Secretaries of State of the state in which the Property is located and of the state that the Partnership is organized, dated not more than thirty (30) days prior to the Closing ("Good Standing Certificates"). Notwithstanding the foregoing, provided the Owners shall have diligently attempted to obtain Good Standing Certificates, if same shall not have been timely issued by the Secretary of State, in lieu of the Good Standing Certificates, Owners shall deliver affidavits or certifications with respect to each entity (collectively "Service Company Affidavits") from a reputable legal information services company (i) stating that it has received oral confirmation from the Secretary of State that such entities are in good standing, and (ii) agreeing to promptly forward to Cedar the Good Standing Certificates when same are received.

D. Requisite affidavits and consents that each of the Owners and the Partnership is authorized to complete the transaction contemplated by this Agreement and to issue the Interests and take all other action contemplated by this Agreement, including, without limitation, an incumbency certificate for each of the individuals executing a document on behalf of the Partnership and each of the Owners, and resolutions of the board of directors or of the members, as applicable, for the Partnership and each of the Owners.

E. The Tenant Estoppel Certificates.

F. The Title Policy in the form required by Section 7.2.1(A) hereof, together with all customary affidavits required by the Title Company in connection with the issuance of the policy.

G. The Owners shall execute and deliver to Cedar the documents evidencing and securing the Owners Loan, including, without limitation, a note, a pledge agreement and UCC-1 financing statements (the "Owners Loan Documents") in accordance with the documents attached hereto as EXHIBIT O.

H. The shareholders of Original GP shall deliver a consent to the Owners Loan Documents.

I. The trustees of each Original LP shall deliver a consent to the Owners Loan Documents.

J. Bart Blatstein shall deliver a "bad boy" guaranty to Cedar in the form of EXHIBIT P annexed hereto.

K. A fee agreement (the "Administrative Services Agreement"), in form reasonably satisfactory to the Owners and Cedar, which shall provide for an annual fee, in the amount of Eight Thousand Seven Hundred Fifty and 00/100 Dollars ($8,750.00) per year, to be made by the Owners to the Cedar GP, on account of administrative services rendered by the Cedar GP, duly executed by the Owners.

L. A certificate of the Owners, dated as of the Closing Date, certifying that all of the representations and warranties of the Owners set forth in Section 4.1 hereof are true and correct in all material respects as of the Closing Date.

M. All applicable transfer tax forms, if any, duly executed by the Owners.

N. Notices to each of the Tenants (the "Tenant Notices"), in form reasonably satisfactory to the Owners and Cedar, duly executed by the Owners, directing the Tenants to make all payments under the Leases to Cedar, or as Cedar may direct.

O. The Records and Plans, in the possession or control of the Owners or the Partnership.

P. Original counterparts of the Leases, any Service Contract or Operating Agreement entered into after the date hereof (and approved by Cedar pursuant to Section 4.3 hereof), the Permits that shall be in the Owners' possession or control (other than those Permits that must remain at the Premises), and original counterparts of all other documents and materials in the Owners' possession or control relating to the Property, including, without limitation, all leasing and property files and keys.

Q. A certificate from the City of Philadelphia confirming that there are no outstanding violations and that the present uses of the Property are in conformity with applicable zoning requirements.

R. An Right of First Refusal Agreement (the "Right of First Refusal", is substantially the form of EXHIBIT Q annexed hereto, between the Owners and the Partnership, duly executed by the Owners and in form suitable for recording.

S. All documents and moneys required pursuant to the terms of the Other Agreement to be delivered by the Other Agreement Owners at the Other Agreement Closing.

T. All sums required to be paid by the Owners under this Agreement.

7.4 At the Closing, Cedar shall deliver or cause to be delivered each of the following items:

A. The Balance of the Owners Loan Amount and all other sums required to be paid by Cedar under this Agreement.

B. Requisite affidavits and consents that Cedar is authorized to complete the transaction, become a member of the Partnership owning the

Interests and take all other action contemplated by this Agreement.

C. A counterpart of the Amended Partnership Agreement, it being understood that any remaining blanks and bracketed provisions in the Amended Partnership Agreement shall be accurately completed.

D. The management agreement with respect to the management of the Property, substantially in the form annexed hereto as EXHIBIT R, duly executed by Cedar, or its affiliate, on behalf of the Partnership and on behalf of the property manager.

E. The Administrative Services Agreement, duly executed by Cedar GP.

F. In the event Bart Blatstein is not released by Mortgagee from liability from and after the Closing under that certain Hazardous Materials Indemnity Agreement, dated as of June 27, 2002 made by the Partnership and Bart Blatstein to the Mortgagee (the "Environmental Indemnity"), and, unless Cedar shall elect that the Mortgage Loan is repaid in connection with the Closing, Cedar shall deliver an agreement pursuant to which it agrees to indemnify, defend and hold Bart Blatstein harmless from and against any and all claims, losses, liability, costs and expenses (including reasonable attorneys' fees) resulting from any claim that may be made against him, pursuant to the Environmental Indemnity, if any such claim shall arise by, through or on account of hazardous substances first disposed of or released in, on or under the Property after the Closing Date.

G. A certificate of Cedar, dated as of the Closing Date, certifying that all of the representations and warranties of Cedar set forth in Section 4.2 hereof are true and correct in all material respects as of the Closing Date.

H. The Tenant Notices, duly executed by Cedar.

I. A counterpart of the Right of first Refusal, duly executed by the Partnership.

J. All applicable transfer tax forms, if any, duly executed by Cedar.

K. All documents and moneys required pursuant to the terms of the Other Agreement to be delivered by Other Agreement Buyer at the Other Agreement Closing.

7.5 Casualty and Condemnation. If, prior to the Closing, either any portion of the Property is taken pursuant to eminent domain proceedings or condemnation or any of the improvements on the Property are damaged or destroyed by fire or other casualty, such that the casualty or taking affects in excess of ten (10%) percent of the rentable square feet of the Property or materially adversely affects ingress to or egress from the Property (if either of such events occurs, the affect or result is a "Material Loss"), Cedar may elect in its sole discretion to (x) terminate this Agreement by notice to the Owners, or (y) proceed with the Closing. In the event of a termination of this Agreement pursuant to clause (x) of this Section 7.5, the Owners and Cedar shall promptly so notify the Escrow Agent and make written request that the Downpayment be returned to Cedar, and this Agreement, upon such return, shall be of no further force and effect, except for those provisions which expressly survive the termination of this Agreement. If (i) Cedar does not elect to terminate this Agreement pursuant to clause (x) of this Section 7.5 or (ii) a casualty or condemnation occurs which does not result in a Material Loss, any net awards or net proceeds received by the Owners or the Partnership in connection with a condemnation, or the net proceeds of any insurance collected by the Owners or the Partnership in connection with a casualty and not previously applied to restoration, shall be paid at the Closing by the Owners to the Partnership (and the Owners shall not receive any capital account credit on account thereof) or retained by the Partnership, as the case may be, and shall be applied only towards the cost or repairs or rebuilding required by such condemnation or casualty.

ARTICLE VIII
Prorations and Adjustments

8.1 Prior to Closing, the Owners and Cedar shall prepare a schedule of (i) those expenses that shall have been paid by the Partnership prior to the Closing Date but are attributable to a period from and after the Closing Date (the "Prepaid Expenses"), and (ii) those revenues that shall have been received by the Partnership prior to the Closing Date but are attributable to a period from and after the Closing Date (the "Prepaid Revenues").

8.2 To the extent that the Prepaid Expenses shall exceed the Prepaid Revenues (such excess, the "Prepaid Expense Excess"), (i) at Closing Cedar shall pay to the Owners an amount equal to the Prepaid Expense Excess, and (ii) Cedar shall be deemed to have made a capital contribution to the Partnership (the "Closing Adjustment Capital Contribution") equal to the amount of the Prepaid Expense Excess.

8.3 To the extent that the Prepaid Revenues shall exceed the Prepaid Expenses, such excess shall be contributed by the Owners to the Partnership, and the Owners shall not receive capital account credit on account thereof.

8.4 The following prorations and adjustments shall be made between the parties as of 11:59 p.m. on the day preceding the Closing Date (the "Proration Date") on the basis of the actual number of days elapsed over the applicable period:

A. (i) All fixed rents under Leases which are collected on or prior to the Proration Date in respect of the month (or other applicable collection period) in which the Closing occurs (the "Current Month"), shall be adjusted on a per diem basis based upon the number of days in the Current Month prior to the Proration Date and the number of days in the Current Month on and after the Proration Date. Any such rents that are allocable to the period from and after the Proration Date shall be deemed to be Prepaid Revenues.

(ii) If, on the Proration Date, any fixed rents are past due by any Tenant, and provided the Owners have delivered to Cedar, in reasonable detail, a breakdown of all such past due amounts as of the Proration Date, Cedar agrees that the first moneys received by the Partnership from each such Tenant shall be disbursed as follows:

(1) first, such moneys shall be applied to fixed rents in respect of the Current Month, it being agreed that one hundred percent (100%) of the fixed rent that is attributable to the portion of the Current Month prior to the Proration Date shall be paid to the Owners and the balance shall be retained by the Partnership;

(2) second, to the Partnership until all fixed rents owing by all such Tenants for any period after the Current Month through the month in which payment is received have been paid in full;

(3) third, to the Owners until all fixed rents owing by all such Tenants for periods prior to the Current Month have been paid in full; and

(4) fourth, the balance, if any, shall be paid to the Partnership.

Each party agrees to remit reasonably promptly to the other the amount of such rents to which such party is so entitled and to account to the other party monthly in respect of same. The fixed rents received by the Partnership after the Proration Date shall be apportioned and remitted, if applicable, as hereinabove provided.

(iii) If the Proration Date shall occur prior to the time when any rental payments for fuel pass-alongs, so-called escalation rent or charges based upon real estate taxes, operating expenses, labor costs, cost of living increases, electrical charges, water and sewer charges or like items (collectively, "Overage Rent") are payable, then such Overage Rent for the applicable accounting period in which the Proration Date occurs shall be apportioned subsequent to the Closing, based upon the portion of such accounting period which occurs prior to the Proration Date (to the extent not theretofore collected by the Partnership, on account of such Overage Rent prior to the Proration Date), it being agreed that one hundred percent (100%) of the Overage Rent that is attributable to the portion of such accounting period that shall occur

prior to the Proration Date shall be paid to the Owners and the balance shall be retained by the Partnership. In addition, the Partnership shall pay to the Owners one hundred percent (100%) of all Overage Rent that is paid subsequent to the Proration Date with respect to an accounting period which expired prior to the Proration Date, within thirty (30) days after receipt thereof by the Partnership. If, prior to the Closing, the Partnership shall collect any sums on account of Overage Rent or fixed rent for a year or other period, or any portion of such year or other period, beginning prior to but ending on or after the Proration Date, the portion of such sum allocable to the period from and after the Proration Date shall be deemed to be a Prepaid Revenue.

(iv) Overage Rent payable by Tenants based on an estimated amount and subject to adjustment or reconciliation pursuant to the related Leases subsequent to the Proration Date shall be apportioned as provided in subsection (iii) above and shall be re-apportioned as and when the applicable Tenant's actual obligation for such Overage Rent is reconciled pursuant to the applicable Lease.

(v) Without duplication of any adjustment made pursuant to Section 8.4(A)(i) above, all prepaid fixed rent and Overage Rent that shall be received by the Partnership as of the Proration Date for periods on and after the Proration Date shall be deemed to be Prepaid Revenues.

B. All real estate taxes, BID taxes, unmetered water and sewer charges, elevator inspection fees, pest control charges and vault charges, if

any, and any and all other municipal or governmental assessments of any and every nature levied or imposed upon the Property (collectively, "Taxes") in respect of the current fiscal year of the applicable taxing authority in which the Closing occurs (the "Current Tax Year") (other than real estate taxes, water and sewer charges and any other municipal or governmental assessments payable by any Tenant directly to the taxing authority under any Lease), shall be allocated on a per diem basis based upon the number of days in the Current Tax Year prior to the Proration Date and the number of days in the Current Tax Year on and after the Proration Date. If, as of the Proration Date, Taxes for the Current Tax Year shall not have been paid with respect to the period prior to the Proration Date, the amount equal to the unpaid Taxes for the period prior to the Proration Date shall be paid by the Owners to the Partnership at the Closing, but the Owners shall not receive any capital account credit on account thereof. If, as of the Proration Date, Taxes with respect to any period from and after the Proration Date shall have been paid, the amount equal to the prepaid Taxes shall be deemed to be a Prepaid Expense. If the Closing shall occur before the tax rate for the Current Tax Year is fixed, the apportionment of Taxes shall be upon the basis of the tax rate for the next preceding fiscal period applied to the latest assessed valuation. Promptly after the new tax rate is fixed for the fiscal period in which the Closing takes place, the apportionment of Taxes shall be recomputed. In the event that any assessments levied or imposed upon the Property are payable in installments, the installment for the Current Tax Year shall be prorated in the manner set forth above.

C. All charges and fees due under contracts for the supply to the Property of heat, steam, electric power, gas and light and telephone (collectively, "Charges"), if any, in

respect of the billing period of the related service provider in which the Closing occurs (the "Current Billing Period") shall be allocated on a per diem basis based upon the number of days in the Current Billing Period prior to the Proration Date and the number of days in the Current Billing Period on and after the Proration Date and assuming that all charges are incurred uniformly during the Current Billing Period. If, as of the Proration Date, Charges for the Current Billing Period shall not have been paid with respect to the period prior to the Proration Date, the amount equal to the unpaid Charges for the period prior to the Proration Date shall be paid by the Owners to the Partnership at the Closing, but the Owners shall not receive any capital account credit on account thereof. If, as of the Proration Date, Charges with respect to any period from and after the Proration Date shall have been paid, the amount of such prepaid Charges shall be deemed to be a Prepaid Expense.

D. Any charges or fees for transferable licenses and permits relating to the Property (but without duplication of items apportioned pursuant to any other provision of this Article VIII) (collectively, "Permit Charges") in respect of the Current Billing Period shall be allocated on a per diem basis based upon the number of days in the Current Billing Period prior to the Proration Date and the number of days in the Current Billing Period on and after the Proration Date and assuming that all charges are incurred uniformly during the Current Billing Period. If, as of the Proration Date, Permit Charges for the Current Billing Period shall not have been paid with respect to the period prior to the Proration Date, the unpaid Permit Charges for the period prior to the Proration Date shall be paid by the Owners to the Partnership at the Closing, but the Owners shall not receive any capital account credit on account thereof. If on the Proration Date, Permit Charges with respect to any period from and after the Proration Date shall have been paid, the amount equal to such prepaid Permit Charges shall be deemed to be a Prepaid Expense.

E. To the extent same are executed after the date hereof and approved by Cedar pursuant to Section 4.3 hereof, any charges payable under Service Contracts, Operating Agreements and other contracts relating to the Property (but without duplication of items apportioned pursuant to any other provision of this Article VIII), including, without limitation, charges in connection with any employees of the Partnership (collectively, "Service Contract Charges"), as applicable (including, without limitation, salary, bonuses, vacation and sick day allowances and pension or other benefit fund contributions), in respect of the Current Billing Period shall be allocated on a per diem basis based upon the number of days in the Current Billing Period prior to the Proration Date and the number of days in the Current Billing Period on and after the Proration Date and assuming that all charges are incurred uniformly during the Current Billing Period. If, as of the Proration Date, Service Contract Charges for the Current Billing Period shall not have been paid with respect to the period prior to the Proration Date, an amount equal to the unpaid Service Contract Charges for the period prior to the Proration Date shall be paid by the Owners to the Partnership at the Closing, but the Owners shall not receive any capital account credit on account thereof. If, as of the Proration Date, Service Contract Charges with respect to any period from and after the Proration Date shall have been paid, the

amount equal to such prepaid Service Contract Charges shall be deemed to be a Prepaid Expense.

F. If there is a fuel meter or meters on the Property (other than

meters measuring consumption costs which are the obligation of any Tenants), the Owners shall endeavor to furnish a reading to a date not more than thirty (30) days prior to the Proration Date, and the unfixed meter charges, if any, based thereon for the intervening time shall be apportioned on the basis of such last reading. If the Owners fail or are unable to obtain such reading, the amount equal to the value of all fuel, if any, then stored at the Property shall be calculated on the basis of the Partnership's last costs therefor, including sales tax, as evidenced by written statements of the fuel oil supplier(s) for the Property, which statements shall be conclusive as to quantity and cost, absent fraud. Any unpaid fuel charges attributable to the period prior to the Proration Date shall be paid by the Owners to the Partnership at the Closing, but the Owners shall not receive any capital account credit on account thereof, and the value of any prepaid fuel stored on the property shall be deemed to be a Prepaid Expense.

G. If there is a water meter or meters on the Property (other than meters measuring consumption costs which are the obligation of any Tenants), the Owners shall endeavor to furnish a reading to a date not more than thirty (30) days prior to the Proration Date, and the unfixed meter charges and the unfixed sewer rents, if any, based thereon for the intervening time shall be apportioned on the basis of such last reading. If the Owners fail or are unable to obtain such reading, the amount of the meter charges and sewer rents shall be determined on the basis of the last readings and bills received by the Partnership, and the same shall be appropriately readjusted after the Closing on the basis of the next subsequent bills. Any unpaid water or sewer charges attributable to the period prior to the Proration Date shall be paid by the Owners to the Partnership at the Closing, but the Owners shall not receive any capital account credit on account thereof.

H. Any premiums payable under any policy of insurance maintained in connection with the Property (but without duplication of items apportioned pursuant to any other provision of this Article VIII) (collectively, "Insurance Charges") in respect of the Current Billing Period shall be allocated on a per diem basis based upon the number of days in the Current Billing Period prior to the Proration Date and the number of days in the Current Billing Period on and after the Proration Date and assuming that all charges are incurred uniformly during the Current Billing Period. If, as of the Proration Date, Insurance Charges for the Current Billing Period shall not have been paid with respect to the period prior to the Proration Date, an amount equal to the unpaid Insurance Charges for the period prior to the Proration Date shall be paid by the Owners to the Partnership at the Closing, but the Owners shall not receive any capital account credit on account thereof. If, as of the Proration Date, Insurance Charges with respect to any period from and after the Proration Date shall have been paid, an amount equal to such prepaid Insurance Charges shall be deemed to be a Prepaid Expense.

I. All brokerage commissions and expenses for work to be done for tenant improvements in connection with any leases entered into on or prior to the Proration Date which

commissions and expenses were not paid prior to the Proration Date shall be paid by the Owners to the Partnership at the Closing, but the Owners shall not receive any capital account credit on account thereof.

J. To the extent that the Partnership shall have any unpaid liabilities on the Proration Date other than the Mortgage Loan, such unpaid liabilities shall be paid by the Owners to the Partnership at the Closing, but the Owners shall not receive any capital account credit on account thereof.

K. Any principal and interest payable under the Mortgage Loan (but without duplication of items apportioned pursuant to any other provision of this Article VIII) (collectively, "Loan Charges"), as applicable, in respect of the Current Billing Period shall be allocated on a per diem basis based upon the number of days in the Current Billing Period prior to the Proration Date and the number of days in the Current Billing Period on and after the Proration Date and assuming that all charges are incurred uniformly during the Current Billing Period. If, as of the Proration Date, Loan Charges for the Current Billing Period shall not have been paid with respect to the period prior to the Proration Date, an amount equal to the unpaid Loan Charges for the period prior to the Proration Date shall be paid by the Owners to the Partnership at the Closing, but the Owners shall not receive any capital account credit on account thereof. If on the Proration Date, Loan Charges with respect to any period from and after the Proration Date shall have been paid, the amount equal to such prepaid Loan Charges shall be deemed to be a Prepaid Expense.

L. All accrued fees pursuant to the Existing Property Management Agreement shall be paid by the Owners at or prior to Closing, but the Owners shall not receive any capital account credit on account thereof.

M. All fees payable to the Mortgagee in connection with its granting of its consent to the transactions contemplated by this Agreement, including, without limitation, any application or assumption fees contemplated by the Mortgage Loan Documents, shall be paid by Cedar. In the event the Mortgagee fails to issue the Mortgagee Consent (notwithstanding that Cedar shall have

diligently cooperated with the Owners in providing Mortgagee information and documents required by Mortgagee in connection with issuing such consent), the Owners shall, at the Closing, pay any and all termination or other fees payable to the Mortgagee in connection with the repayment of the Mortgage Loan. In the event the Mortgagee issues the Mortgagee Consent, but Cedar, nevertheless elects to cause the Mortgage Loan to be repaid in connection with the Closing, Cedar shall pay any and all termination or other fees payable to the Mortgagee in connection with such repayment.

N. All security deposits under the Leases held by the Owners (rather than by the Partnership), shall be paid by the Owners to the Partnership, but the Owners shall not receive any capital account credit on account thereof.

O. The amount of deposits held at the time of the Closing by the Mortgagee in connection with the Mortgage Loan, including reserves for capital improvements, tenant improvements or otherwise, and/or impounds for taxes and insurance (with respect to periods after the Closing), shall be deemed to be a Prepaid Expense.

P. Any other items customarily apportioned in connection with sales of similar property in the Commonwealth of Pennsylvania shall be so apportioned.

8.5 Post Closing Prorations.

8.5.1 If any of the items described in this Article VIII cannot be apportioned at the Closing because of the unavailability of information as to the amounts which are to be apportioned or otherwise, or are incorrectly apportioned at Closing or subsequent thereto, such items shall be apportioned or reapportioned, as the case may be, as soon as practicable after the Proration Date or the date such error is discovered, as applicable. The parties shall make the appropriate adjusting payment between them within thirty (30) days after presentment of the calculation. All books and records of the Partnership which relate to the Property, and particularly to any items to be prorated or allocated under this Agreement in connection with the Closing, shall be made available to both the Owners and Cedar and their respective Consultants. Any such inspection shall be at reasonable intervals, during business hours, upon reasonable notice, and at the inspecting party's sole cost and expense.

8.5.2 In the event that Owners shall owe money to Cedar on account of post-closing adjustments, the Owners shall within thirty (30) days after Cedar shall have delivered to the Owners a written demand indicating the amount of money owed on account of such post-closing adjustments and containing reasonable back-up documentation with respect thereto (an "Adjustment Demand"), subject to the rights of the Owners to contest such obligation, as hereinafter set forth, make such payments to Cedar. The Owners shall not receive capital account credit on account of any payment by the Owners pursuant to this Section 8.5.2. Notwithstanding the foregoing, in the event that, within ten (10) Business Days after receipt of an Adjustment Demand, the Owners shall deliver written notice to Cedar disputing the accuracy of the Adjustment Demand (which notice shall contain a reasonably detailed basis for such dispute), then the Owners and Cedar shall, in good faith, attempt to promptly resolve any such dispute and, if such attempt is unsuccessful, each of the Owners and Cedar shall have the right to submit such dispute to binding arbitration in accordance with Section 10.3.3 hereof.

8.5.3 In the event that Cedar shall owe money to the Owners on account of post-closing adjustments, Cedar shall, within thirty days after the Owners shall have delivered to Cedar an Adjustment Demand, make such payments to the Owners. Cedar shall be entitled to capital account credit on account of any payment made by Cedar pursuant to this Section 8.5.3 hereof. Notwithstanding the foregoing, in the event that, within ten (10) Business Days after receipt of an Adjustment Demand, Cedar shall deliver written notice to the Owners disputing the accuracy of the Adjustment Demand (which notice shall contain a reasonably detailed basis for such dispute), then the Owners and Cedar shall, in good faith, attempt to promptly resolve any

such dispute and, if such attempt is unsuccessful, each of the Owners and Cedar shall have the right to submit such dispute to binding arbitration in accordance with Section 10.3.3 hereof.

8.5.4 The provisions of this Section 8.5 shall survive the Closing and shall remain in full force and effect for a period of twelve (12) months after the date of the Closing, unless, within such twelve (12) month period, an Adjustment Demand shall have been delivered, in which case, liability with respect to the matters addressed in the Adjustment Demand shall survive until resolution thereof.

8.6 Closing Costs. Cedar shall pay the title insurance premium for the Title Policy and the cost of all endorsements to the Title Policy including, without limitation, the non-imputation endorsement. The Owners and Cedar shall pay their respective legal, consulting and professional fees and expenses incurred in connection with this Agreement and the transaction contemplated hereby.

8.7 Tax Certiorari Proceedings. The Owners shall not hereafter institute any proceedings for the reduction of the assessed valuation of the Property without the prior written consent of Cedar. The net refund of taxes received in connection with any tax certiorari proceedings shall be apportioned to provide that the net refund (as hereinafter defined) of taxes for a period prior to the Proration Date shall be the property of the Owners and that any refund for any period after the Proration Date shall be the property of the Partnership. The "net refund" is the amount of the tax refund after deducting therefrom any refunds due to tenants pursuant to their leases, a pro rata share of all expenses, including counsel fees necessarily incurred in obtaining such refund, the allocation of such expenses to be based upon the total refund obtained in the proceeding and in any other proceeding simultaneously involved in the trial or settlement. All of same shall be apportioned as of the Proration Date and the apportionment made as herein set forth.

8.8 Transfer Tax. All transfer, stamp or other similar taxes attributable to the Recapitalization shall be shared equally between the Owners and Cedar and shall be paid contemporaneously with the Closing.

ARTICLE IX
Escrow Terms

9.1 Depository. The Downpayment shall be held in escrow by Legal Abstract Co. ("Escrow Agent"), in a special interest bearing commercial bank account, designated as a "trust account" or an "escrow account", at Royal Bank of Pennsylvania (or its successor) located at 732 Montgomery Avenue, Narberth, PA 19072.

9.2 Escrow Instructions. If the Closing takes place, then Escrow Agent shall deliver the Downpayment to, or upon the instructions of, the Owners at the Closing. If this Agreement is terminated in accordance with the terms hereof, then, subject to Section 9.4 hereof, Escrow Agent shall pay the Downpayment to, or upon the instructions of, the party entitled thereto in

accordance with the provisions of this Agreement. If the Closing does not occur by reason of the failure of either party to comply with such party's obligations hereunder, then, subject to Section 9.4 hereof, Escrow Agent shall pay the Downpayment to, or upon the instructions of, the party entitled thereto in accordance with the provisions of this Agreement.

9.3 Scope of Duties. The duties of Escrow Agent shall be only as herein specifically provided, and are purely ministerial in nature. Escrow Agent shall incur no liability whatever except for willful misconduct or gross negligence, as long as Escrow Agent has acted in good faith. The Owners and Cedar acknowledge that Escrow Agent is serving without compensation and solely as an accommodation to the parties hereto. Escrow Agent shall not be liable or responsible for the funds being held in escrow or for the collection of the proceeds of the check for the Downpayment or for the interest earned thereon. In the performance of its duties hereunder, Escrow Agent shall be entitled to rely upon the authenticity of any signature and the genuineness and validity of any writing received by Escrow Agent pursuant to or otherwise relating to this Agreement. Escrow Agent may assume that any Person purporting to give any notice or instructions in accordance with the provisions hereof has been duly authorized to do so. Escrow Agent shall not be bound by any modification, cancellation or rescission of this Agreement unless (i) such modification, cancellation or rescission is in writing and signed by the Owners and Cedar, and (ii) a copy of such modification, cancellation or rescission is delivered to Escrow Agent. Escrow Agent shall not be bound in any way by any other contract or understanding between the parties hereto, whether or not Escrow Agent has knowledge thereof or consents thereto, unless such consent is given in writing.

9.4 Dispute. Escrow Agent is acting as a stakeholder only with respect to the Downpayment and the interest earned thereon. If a party requests disbursement of the Downpayment for any reason other than the Closing having occurred, then Escrow Agent shall give written notice to the other party of such request. Such other party shall have the right to dispute the disbursement of the Downpayment to the requesting party only by delivering notice thereof to Escrow Agent (a "Dispute Notice") on or prior to the fifth (5th) day after the date when Escrow Agent gives such notice. Cedar acknowledges and agrees that Cedar shall not deliver a Dispute Notice unless (i) any of the conditions precedent to Cedar's obligation to consummate the transactions contemplated by this Agreement (as set forth in Section 7.2.1) or (ii) any of the conditions precedent to the Other Agreement Buyer's obligation to consummate the transactions contemplated by the Other Agreement (as set forth in Section 7.2.1 thereof), shall not have occurred or been satisfied. Notwithstanding anything to the contrary contained herein, Escrow Agent shall not disburse the Downpayment until the day immediately following the last day of such five (5) day period. If there is any dispute as to whether Escrow Agent is obligated to deliver the Downpayment or as to whom said Downpayment is to be delivered, then Escrow Agent shall not make any delivery, but in such event Escrow Agent shall hold the same until Escrow Agent receives (a) notice from the objecting party withdrawing the objection, or (b) a notice signed by both parties directing disposition of the Downpayment, or (c) a non-appealable judgment or order of a court of competent

jurisdiction. If such notice is not received, or proceedings for such determination are not begun, within thirty (30) calendar days after the

date set forth herein for the Closing (as the same may have been changed by agreement of the parties) and diligently continued, then Escrow Agent shall have the right to (w) hold and retain all or any part of the Downpayment until such dispute is settled or finally determined by litigation, arbitration or otherwise, or (x) deposit the Downpayment, together with the interest earned thereon, in an appropriate court of law, following which Escrow Agent shall thereby and thereafter be relieved and released from any liability or obligation under this Agreement, or (y) institute an action in interpleader or other similar action permitted by stakeholders in the Commonwealth of Pennsylvania, or (z) interplead any of the parties in any action or proceeding which may be brought to determine the rights of the parties to all or any part of the Downpayment.

9.5 Indemnity. The Owners and Cedar hereby agree to, jointly and severally, indemnify, defend and hold Escrow Agent harmless from and against any liabilities, damages, losses, costs or expenses incurred by, or claims or charges made against, Escrow Agent (including reasonable counsel fees and court costs) by reason of Escrow Agent's acting or failing to act in connection with any of the matters contemplated by this Agreement or in carrying out the terms of this Agreement, except as a result of Escrow Agent's bad faith, gross negligence or willful misconduct. This Section 9.5 shall not limit the right of Cedar and the Owners to assert claims against each other with respect to said indemnity.

9.6 Release from Liability. Upon the disbursement of the Downpayment, together with the interest earned thereon, in accordance with this Agreement, Escrow Agent shall be relieved and released from any liability hereunder.

9.7 Resignation. Escrow Agent may resign at any time upon at least ten (10) days prior written notice to the parties hereto. If, prior to the effective date of such resignation, the parties hereto shall all have approved, in writing, a successor escrow agent, then upon the resignation of Escrow Agent, Escrow Agent shall deliver the Downpayment, together with the interest earned thereon, to such successor escrow agent. From and after such resignation and the delivery of the Downpayment, together with the interest earned thereon, to such successor escrow agent, Escrow Agent shall be fully relieved of all of its duties, responsibilities and obligations under this Agreement, all of which duties, responsibilities and obligations shall be performed by the appointed successor escrow agent. If for any reason the parties hereto shall not approve a successor escrow agent within such period, Escrow Agent may bring any appropriate action or proceeding for leave to deposit the Downpayment, together with the interest earned thereon, with a court of competent jurisdiction, pending the approval of a successor escrow agent, and upon such deposit Escrow Agent shall be fully relieved of all of its duties, responsibilities and obligations under this Agreement.

9.8 Execution of Agreement by Escrow Agent. Escrow Agent has executed this Agreement solely to confirm that Escrow Agent has received a check (subject to collection) or a wire transfer for the Downpayment and shall hold the Downpayment in escrow, pursuant to the provisions of this Agreement.

9.9 Loss of Downpayment. Escrow Agent shall not have any liability or obligation for loss of all or any portion of the Downpayment by reason of the insolvency or failure of the institution of depository with whom the escrow account is maintained.

9.10 Taxpayer Identification Numbers. Each the Owners and Cedar represents that its respective taxpayer identification number is as set forth on EXHIBIT S annexed hereto.

ARTICLE X

Remedies

10.1 If Cedar shall default in the payment of the Balance of the Initial Funding Amount, the Owners may terminate this Agreement and retain the Downpayment. Cedar acknowledges that, if Cedar shall default under this Agreement as aforesaid, the Owners will suffer substantial adverse financial consequences as a result thereof. Accordingly, the Owners' sole and exclusive remedy against Cedar shall be the right to retain the Downpayment, as and for its sole and full and complete liquidated damages, it being agreed that the Owners' damages are difficult, if not impossible, to ascertain, and Cedar and the Owners shall have no further rights or obligations under this Agreement, except those expressly provided herein to survive the termination of this Agreement.

10.2 If the Owners shall fail to satisfy one or more of the conditions precedent to Cedar's obligation to consummate the transactions contemplated by this Agreement (as set forth in Section 7.2.1) or if the Other Agreement Owners shall fail to satisfy one of the conditions precedent to the Other Agreement

Buyer's obligations to consummate the transactions contemplated by the other Agreement (as set forth in Section 7.2.1 thereof), Cedar may elect, as its sole and exclusive remedy, to either (x) prosecute an action for specific performance of this Agreement, or (y) terminate this Agreement, in which event, Cedar shall be entitled to receive from the Escrow Agent, a return of the Downpayment, and thereupon neither party shall have any further rights or obligations under this Agreement, except with respect to those provisions provided herein to survive the termination of this Agreement. It is acknowledged and agreed that each of Cedar and the Other Agreement Buyer shall both be obligated to elect the same option as its remedy.

10.3 Surviving Representations.

10.3.1 In the event after the Closing , Cedar (subject to the survival periods provided in Article IV), alleges that the Owners breached a representation made in Article IV hereof that survives the Closing (a "Surviving Representation"), as indicated in a written notice delivered by Cedar to the Owners, which notice shall indicate the amount of loss, cost, expense or damage suffered by Cedar, Owners shall, subject to their rights pursuant to Section 10.3.3, promptly pay to Cedar (without any capital account credit on account thereof), the amount of the loss, cost, expense or damage (other than consequential, incidental, exemplary, or punitive damage) suffered as a result of such breach by the Owners.

10.3.2 In the event after the Closing, the Owners (subject to the survival periods provided in Article IV) allege that Cedar shall have breached a Surviving Representation, as indicated in a written notice delivered by the Owners to Cedar, which notice shall indicate the amount of loss, cost, expense or damage suffered by the Owners as a result thereof, then, in such case, Cedar shall, subject to its rights pursuant to Section 10.3.3, promptly pay to the Owners (without any capital account credit to Cedar on account thereof), the amount of the loss, cost, expense or damage (other than consequential, incidental, exemplary, or punitive damage) suffered as a result of such breach by Cedar.

10.3.3 In the event that, within ten (10) Business Days after receipt of notice pursuant to Sections 10.3.1 or 10.3.2 hereof, the party in receipt of such notice (the "Recipient Party") shall dispute whether such Recipient Party shall have breached a Surviving Representation, or the amount of the damage suffered by the party delivering such notice (the "Delivering Party") as a result thereof, then either the Recipient Party or the Delivering Party shall have the right to submit such dispute to binding arbitration under the Expedited Procedures provisions (Rules E-1 through E-10 in the current edition) of the Commercial Arbitration Rules of the American Arbitration Association ("AAA"). In cases where the parties utilize such arbitration: (i) the dispute shall be heard by three (rather than one) arbitrators in Philadelphia, Pennsylvania, (ii) all of the arbitrators on the list submitted by the AAA shall have reasonable expertise and experience with respect to the commercial real estate market in the Philadelphia, Pennsylvania area, (iii) the parties will have no right to object if the appointed arbitrators were on the list submitted by the AAA and were not objected to in accordance with Rule E-5, (iv) the arbitrators shall be selected within three (3) Business Days following submission of such dispute to arbitration, (v) the arbitrators shall render their final decision not later than three (3) Business Days after the last hearing, (vi) the first hearing shall be held within five (5) Business Days after the completion of discovery, and the last hearing shall be held within fifteen (15) Business Days after the appointment of the arbitrators, (v) any finding or determination of the arbitrators shall be deemed final and binding (except that the arbitrators shall not have the power to add to, modify or change any of the provisions of this Agreement), and (vi) the losing party in such arbitration shall pay the arbitration costs charged by AAA and/or the arbitrators.

10.3.4 The provisions of this Section 10.3 shall survive the Closing and remain in full force and effect for a period of four (4) months after the date of the Closing, unless, within such four (4) month period, Cedar shall have delivered notice to the Owners of the existence of a mechanics' lien of the nature contemplated by this Section 10.3, in which case, the Owner's liability with respect to such lien shall survive with respect to the matters alleged in such claim until resolution thereof.

ARTICLE XI

Miscellaneous

11.1 Survival. Except as expressly provided herein, all representations, warranties, covenants and agreements of Cedar and the Owners contained in this Agreement shall merge into the documents executed at Closing and shall not survive the Closing.

11.2 Notices. Any notice required or permitted to be delivered herein

shall be deemed to be delivered (a) when received by the addressee if delivered by courier service, (b) if mailed, two days after deposit in the United States Mail, postage prepaid, certified mail, return receipt requested, (c) if sent by recognized overnight service (such as US Express Mail, Federal Express, UPS, Airborne, etc.), then one day after delivery of same to an authorized representative or agency of the said overnight service or (d) if sent by a telecopier, when transmission is received by the addressee with electronic or telephonic confirmation, in each such case addressed or telecopied to the Owners or Cedar, as the case may be, at the address or telecopy number set forth opposite the signature of such party hereto. Notifications are as follows:

TO OWNERS: Welsh-Square, Inc.
Indenture of Trust of Bart Blatstein dated as of June 9, 1998
Irrevocable Indenture of Trust of Barton Blatstein dated July 13, 1999 c/o Tower Investments, Inc.
One Reed Street
Philadelphia, Pennsylvania 19147
Attention: Mr. Bart Blatstein and Brian K. Friedman, Esq.
Telecopier: (215) 755-8666

with a copy to: Mr. Robert C. Jacobs
1700 Walnut Street, Suite 200
Philadelphia, Pennsylvania 19103
Telecopier: (215) 545-1559

TO CEDAR: CSC-Columbus LLC
44 South Bayles Avenue
Port Washington, New York 11050
Attention: Leo S. Ullman
Telecopier: (516) 767-6497

with a copy to: Stroock & Stroock & Lavan LLP
180 Maiden Lane
New York, New York 10038
Attention: Mark A. Levy, Esq.
Telecopier: (212) 806-6006

TO ESCROW AGENT: Legal Abstract Co.
2200 Walnut Street
Philadelphia, Pennsylvania 19103

Attention: Mr. Ellis Cook
Telecopier: (215) 985-1926

11.3 Gender; Numbers. Words of any gender used in this Agreement shall be held and construed to include any other gender, and words in the singular number shall be held to include the plural and vice versa unless the context requires otherwise.

11.4 Headings. The captions used in connection with the articles and sections of this Agreement are for convenience only and shall not be deemed to construe or limit the meaning of the language of this Agreement.

11.5 Days. Except where business days are expressly referred to, references in this Agreement to days are to calendar days, not business days. "Business Day" means any calendar day except a Saturday, Sunday or banking holiday.

11.6 Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE, WITHOUT REGARD TO THE CONFLICTS OF LAW PRINCIPLES OF SUCH STATE.

11.7 Waiver of Trial by Jury. THE PARTIES HERETO HEREBY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER ARISING IN TORT OR CONTRACT) BROUGHT BY ANY PARTY AGAINST ANOTHER ON ANY MATTER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS AGREEMENT.

11.8 Holidays. If the final date of any period provided for herein for the performance of an obligation or for the taking of any action falls on a Saturday, Sunday or banking holiday, then the time of such period shall be deemed extended to the next day which is not a Saturday, Sunday or banking holiday.

11.9 Interpretation. The parties acknowledge that each party and its counsel have reviewed this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any amendments or exhibits hereto.

11.10 Severability. If any provisions of this Agreement are held to be illegal, invalid or unenforceable under present or future laws, such provision

shall be fully severable, and this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of this Agreement, and the remaining provisions of this Agreement shall remain in full force and effect and not be affected by the illegal, invalid or unenforceable provision or by its severance from this Agreement, provided that both parties may still effectively realize the complete benefit of the transaction contemplated hereby.

11.11 Amendments. No modification or amendment of this Agreement shall be effective unless made in writing and executed by both the Owners and Cedar. In the event any approval or consent is required pursuant to any provision of this Agreement, such approval or consent shall be deemed given only if it is in writing, executed by the party whose approval or consent is required.

11.12 Confidentiality. Neither the Owners nor Cedar shall, without the prior consent of the other party, take out any advertisement to publicize the transaction contemplated by this Agreement. Both prior to and following the Closing, each party shall keep the terms and conditions of this Agreement confidential. The foregoing shall not be interpreted as intending to prevent Cedar from disclosing the terms and conditions of this Agreement to its attorneys, prospective lenders, or accountants or from making such other disclosures as may be required by law or by the rules and regulations of any regulatory body having jurisdiction with respect to Cedar, the Partnership, or the Property or from describing the transactions contemplated by this Agreement in any registration statement submitted by any affiliate of Cedar or from filing this Agreement as an exhibit to such registration statement. The provisions of this Section shall survive the Closing or earlier termination of this Agreement.

11.13 Entire Agreement. This Agreement embodies the entire agreement between the parties and cannot be varied except by the written agreement of the parties. The Owners make no representations, warranties or agreements with respect to Property, the Partnership or the Interests, except as set forth in this Agreement.

11.14 Further Assurances. In addition to the acts and deeds recited herein and contemplated to be performed, executed and/or delivered by the Owners to Cedar at Closing, the Owners agree to perform, execute and/or deliver or cause to be delivered, executed and/or delivered, but without any obligation to incur any additional liability or expense, on or after the Closing any and all further acts, deeds and assurances as may be reasonably necessary to consummate the transactions contemplated hereby.

11.15 Joint and Several. The liability of the Owners under this Agreement shall be joint and several.

ARTICLE XII

Assignment of Contract

12.1 Assignment. Cedar may assign Cedar's rights or delegate Cedar's duties under this Agreement but only to one or more entities which are majority owned and controlled by Cedar Shopping Centers, Inc. The said assignee shall assume all obligations of Cedar under this Agreement by a written instrument approved in form and substance by the Owners which approval shall not be unreasonably withheld or delayed. Except as hereinbefore set forth, this Agreement may not be assigned by Cedar.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement as of the date first above written.

DELAWARE 1851 ASSOCIATES, LP
By: Welsh-Square, Inc., its general partner

By: _____
Name:
Title:

WELSH-SQUARE, INC.

By: _____
Name:
Title:

INDENTURE OF TRUST OF BART BLATSTEIN DATED AS OF JUNE 9, 1998

By:

Name: Jil Blatstein
Title: Co-Trustee

By:

Name: Brian K. Friedman
Title: Co-Trustee

By:

Name: Joseph W. Seidle
Title: Co-Trustee

IRREVOCABLE INDENTURE OF TRUST OF BARTON BLATSTEIN DATED JULY 13, 1999

By:

Name: Brian K. Friedman
Title: Co-Trustee

By:

Name: Joseph W. Seidle
Title: Co-Trustee

CSC-COLUMBUS LLC

By: CEDAR SHOPPING CENTERS PARTNERSHIP, L.P.,
ITS MEMBER

By: CEDAR SHOPPING CENTERS, INC.,
ITS GENERAL PARTNER

By:

Name: Leo S. Ullman
Title: President

ESCROW AGENT (and to acknowledge agreement with Article IX) LEGAL ABSTRACT CO.

By:

Name:
Title:

Exhibit 10.46

AGREEMENT TO ENTER INTO NET LEASE

THIS AGREEMENT (this "Agreement") made as of this 23 day of April, 2003 between SPSP Corporation, a Pennsylvania corporation, having an office at 44 West Lancaster Avenue, Suite 110, Ardmore, Pennsylvania 19003 ("SPSP"), Passyunk Supermarket, Inc., a Pennsylvania corporation, having an office at 44 West Lancaster Avenue, Suite 110, Ardmore, Pennsylvania 19003 ("Passyunk"), and Twenty Fourth Street Passyunk Partners, L.P., a Pennsylvania limited partnership, having an office at 44 West Lancaster Avenue, Suite 110, Ardmore, Pennsylvania 19003 ("24th Street"; SPSP, Passyunk and 24th Street are collectively referred to herein as the "Owners"), and Cedar-South Philadelphia I, LLC, a Delaware limited liability company, having an office at 44 South Bayles Avenue, Port Washington, New York 11050 ("Cedar").

W I T N E S S E T H

WHEREAS, the Owners are the owners of the Property (as herein defined); and

WHEREAS, the Owners desire to enter into a net lease with Cedar, and Cedar desires to enter into a net lease with the Owners, of all of the Owners' right, title and interest in and to the Property, subject to the terms and conditions of this Agreement.

NOW THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Owners and Cedar agree as follows:

1. Lease and Assignment.

(a) Owners agree to net lease to Cedar, and Cedar agrees to net lease from Owners, subject to the terms and conditions of this Agreement, all of Owners' right, title and interest in and to all of those certain plots, pieces and parcels of land (the "Land") known by the addresses 2301-11 Oregon Avenue, 2426 South 23rd Street and 2300 W. Passyunk Avenue, Philadelphia, Pennsylvania and are commonly known as South Philadelphia Shopping Plaza, as more particularly described in Schedule A-1, Schedule A-2 and Schedule A-3 attached hereto, together with the buildings and improvements (collectively, the "Building") located on the Land (the Building and Land are hereinafter collectively referred to as the "Premises"), and all of the Owners' right, title and interest, if any, in, to and under (i) all easements, rights of way, privileges, appurtenances, strips, gores and other rights pertaining to the Premises, including, without limitation and without warranty, any existing development rights, (collectively, the "Appurtenances"); (ii) any land in the bed of any street, road, avenue, open or proposed, public or private, in front of or adjoining the Premises or any portion thereof, and any award to be made in lieu thereof and in and to any unpaid award for damage to the Premises by reasons of change of grade of any street occurring after the date of execution and delivery of this Agreement (collectively, the "Adjoining Land"); and (iii) the fixtures, equipment, machinery, furniture, furnishings, appliances, supplies and other items of personal property (and replacements thereof), now owned by the Owners and contained in or on, the Premises (collectively, the "Personalty"). The Land, the Building, the Appurtenances, the Adjoining Land and the Personalty are hereinafter referred to as the "Leased Property".

(b) The Owners agree to assign to Cedar, and Cedar agrees to accept from the Owners, subject to the terms and conditions of this Agreement, all of the Owners' right, title and interest in and to (i) all leases, lettings and licenses with respect to the Premises, and all amendments, modifications, supplements, additions, extensions and renewals thereof (collectively, "Leases"), all subleases under the Leases (the "Subleases") and, except as expressly provided herein, security and other deposits thereunder affecting the Premises (the items set forth in this clause (a) are collectively referred to as the "Lease Documents"); (ii) subject to the provisions of Section 20(c) below, all service agreements, maintenance agreements, supply agreements and any other contracts and agreements affecting the Premises and all income therefrom (collectively, "Contracts"); and (iii) any licenses, permits approvals, and certificates required or used in or relating to the ownership, use, maintenance, occupancy or operation of any part of the Leased Property (the "Licenses").

(c) The Leased Property, the Lease Documents, the Contracts and the Licenses are sometimes hereinafter collectively referred to as the "Property".

2. Basic Rent. Contemporaneously with the lease and assignment described in Section 1 above, Cedar shall pay to the Owners, by wire transfer of immediately available Federal funds, the first installment of Basic Rent (as defined in the Lease (as defined below)) due under the Lease in accordance with the terms thereof, subject to apportionments to be made as provided in this Agreement.

3. Intentionally deleted.

4. Permitted Encumbrances. Subject to the terms and provisions of this Agreement, title to the Premises shall be leased by Owner to Cedar, and Cedar shall accept the same subject only to the items set forth on Schedule B attached hereto (collectively, the "Permitted Encumbrances").

5. Title Insurance.

(a) The Owners have delivered to Cedar a title insurance report and commitment (the "Commitment") for a leasehold title insurance policy (the "Title Policy") from First American Title Insurance Company ("First American"). Upon receipt of any updates or revisions to the Commitment, the Owners shall furnish copies thereof to Cedar's attorneys (the Commitment and any updates or revisions thereto are hereinafter collectively referred to as the "Report"). At Closing, the Owners shall be required to remove any exceptions to title which are not Permitted Encumbrances (the "Title Objections"), including, without limitation, all mortgages and all unpaid water charges and real estate taxes (other than real estate taxes that are not yet due and payable).

(b) First American shall be the sole insurer under the Title Policy; provided, however, that, in the event that First American shall not be prepared at Closing to issue the Title Policy in accordance with the terms of this Agreement that is subject only to the Permitted Encumbrances, and Cedar is unwilling to waive any items which are not Permitted Encumbrances, and if Fidelity National Title Agency ("Fidelity") shall be prepared to issue such a Title Policy, Fidelity shall be the sole insurer under the Title Policy (the company ultimately issuing the Title Policy, the "Title Company"). At Closing, Cedar shall pay the costs of the premium and all other costs incurred in connection with obtaining the Title Policy.

(c) Notwithstanding anything to the contrary contained herein, if the Owners are unable to remove any Title Objections by the Closing Date, the Owners, in order to attempt to remove such Title Objections, may adjourn the Closing to a date no later than thirty (30) days following the scheduled date of Closing set forth in Section 7 hereof. Promptly after the Owners have removed all such Title Objections, if any, the Owners shall reschedule the Closing Date, upon at least three (3) business days prior notice to Cedar (the "New Closing Notice"); provided, however, that if Cedar shall have notified the Owners of any Title Objections which have arisen between the date of the New Closing Notice and the rescheduled Closing Date, the Owners may, by sending Cedar a notice, further adjourn the Closing in order to attempt to eliminate any such Title Objections.

(d) If the Report discloses judgments, bankruptcies or other returns against other persons having names the same as, or similar to, that of the Owners, the Owners shall deliver to the Title Company, if required by the Title Company, affidavits showing that such judgments, bankruptcies or other returns are not against the Owners in order to induce the Title Company to omit exceptions with respect to such judgments, bankruptcies or other returns. In addition, the Owners shall deliver to the Title Company, if required by the Title Company, all other affidavits customarily required of sellers of property similar to the Premises.

(e) Notwithstanding anything to the contrary contained herein, the Owners shall cure and remove, at the Owners' cost and expense, (i) any violations assessed against the Premises as of the Closing Date which are not the responsibility of one or more tenants and which may be satisfied by the payment of money, (ii) all fines and penalties that shall have accrued as of the Closing Date with respect to any such violations assessed against the Premises as of the Closing Date, and (iii) any violations assessed against the Premises as of the Closing Date that adversely affect the use of the Premises more than to a de minimis extent for its present use.

6. Third Party Reports.

(a) Cedar shall have until 5:00 p.m. (Eastern time) on May 12, 2003 (the period of time commencing upon the date hereof and continuing through and including such time on such date being herein called the "Third Party Report Period") within which to obtain (i) a Phase I environmental assessment of the Premises certified to Cedar and otherwise satisfactory to Cedar in Cedar's sole and absolute discretion, and (ii) an appraisal of the Premises certified to Cedar, indicating a value of the Premises of at least $38,500,000 and otherwise satisfactory to Cedar in Cedar's sole and absolute discretion (collectively, the "Third

Party Reports"). During the Third Party Report Period, the Owners shall provide Cedar and Cedar's consultants with access to the Premises upon reasonable advance notice.

(b) If, on or before the expiration of the Third Party Report Period, Cedar shall not have received each of the Third Party Reports meeting the requirements of Section 6(a) above, then Cedar shall have the right to terminate this Agreement in accordance with this Section 6. In such case, Cedar

shall promptly notify the Owners and Ledgewood Law Firm, P.C., as escrow agent ("Escrowee") under that certain escrow agreement among Cedar, Cedar-South Philadelphia II, LLC, the Owners and Escrowee (the "Escrow Agreement") thereof in writing on or before 5:00 p.m. (Eastern time) on the date that the Third Party Report Period shall expire (such notice being herein called the "Termination Notice") that Cedar desires to terminate this Agreement, whereupon the Escrowee shall present the letter of credit being held by Escrowee under the Escrow Agreement (the "Letter of Credit") for payment and pay the proceeds of the Letter of Credit to the Owners, and this Agreement and the obligations of the parties hereunder shall terminate (and no party hereto shall have any further obligations in connection herewith except under those provisions that expressly survive a termination of this Agreement). In the event that Cedar shall fail to have delivered the Termination Notice to the Owners on or before 5:00 p.m. (Eastern time) on the date that the Third Party Report Period shall expire, Cedar shall be deemed to have agreed that the Third Party Reports are acceptable to Cedar and that Cedar intends to proceed with the transactions contemplated by this Agreement without a reduction in, or an abatement in or credit against, the Basic Rent (and, thereafter, Cedar shall have no further right to terminate this Agreement pursuant to this Section 6).

7. Closing Date.

(a) The consummation of the transactions contemplated by this Agreement (the "Closing") shall take place at 10:00 A.M. on Friday, May 16, 2003, at the office of Escrowee. It shall be a condition to the Closing that (i) the Owners and Cedar shall contemporaneously therewith deliver (or cause to be delivered) to Escrowee the documents and other items referred to in Section 16 below, (ii) the conditions to Closing set forth in Section 19(a) below shall have either been satisfied or waived by Cedar, and (iii) the conditions to Closing set forth in Section 19(b) below shall have either been satisfied or waived by Owners. The date on which the Closing shall take place is hereinafter referred to as the "Closing Date".

(b) Once the Closing has occurred, Escrowee shall promptly deliver to Cedar all of the deliveries made by Owners pursuant to Section 16(a) below, and promptly deliver to Owners all of the deliveries made by Cedar pursuant to Section 16(b) below.

8. Apportionments.

(a) General. For purposes of this Section 8, the "Proration Date" shall be 11:59 P.M. on the day preceding the Closing so that Cedar shall be deemed to be the net lessee of the Property and therefore entitled to any revenues and responsible for any expenses for the entire day upon which the Closing occurs. The Owners and Cedar shall prepare a schedule of adjustments ("Schedule of Adjustments") prior to the Proration Date. Such adjustments, if and

to the extent known and agreed upon as of the Closing, shall be (i) paid by Cedar to the Owners at the Closing (if the prorations result in a net credit to the Owners) or (ii) deducted from the installment of Basic Rent to be paid by Cedar to the Owners at the Closing (if the prorations result in a net credit to the Cedar). Any such adjustments not determined or not agreed upon as of the Closing shall be allocated on a fair and equitable basis as soon as invoices or bills are available, with final adjustments to be made as soon as reasonably possible after the Closing. Any apportionment or proration errors made at the Closing are subject to correction if written notice thereof is given within ninety (90) days after the Closing. Cedar and the Owners shall each act promptly and reasonably in connection with determining the prorations under this Section 8. This Section 8 shall survive the Closing.

(b) Rentals. "Rental" or "Rentals" as used herein includes fixed monthly rentals, additional rentals, percentage rentals, escalation rentals, retroactive rentals, operating cost pass-throughs, utility charges, common area maintenance or management charges, administrative charges, and all other sums and charges payable by tenants under the Leases ("Tenants"). Subject to the provisions of Section 8(c) below, Rentals shall be prorated at the Closing. The Owners shall be entitled to all Rentals accruing on or prior to the Proration Date and Cedar shall be entitled to all Rentals accruing after the Proration Date.

(c) Delinquent Rentals. Rentals are delinquent when payment thereof is due on or prior to the Proration Date but has not been made by the Proration Date (any such Rentals being "Delinquent Rentals"). Delinquent Rentals shall be prorated between Cedar and the Owners as of the Proration Date. At the Closing, Cedar shall pay to the Owners the Owners' share of any Delinquent Rentals that exist for the month in which the Closing Date occurs. Any Rentals collected by Cedar or the Owners, as the case may be, after the Closing, less any costs of collection (including reasonable attorneys fees) reasonably allocable thereto shall be promptly applied in the following order of priority: (i) first, to Cedar for the month in which the Closing Date occurs, (ii) then, to Cedar for the month or months following the month in which the Closing Date occurs, provided the received Rental is then due and payable, and (iii) then, to the Owners for any period prior to the month in which the Closing Date occurs. Cedar

shall use reasonable efforts to collect Delinquent Rentals but shall have no obligation to commence a legal proceeding to collect such sums. Cedar and the Owners agree that any payments due to the Owners or Cedar, as the case may be, as a result of collected Delinquent Rentals shall be payable promptly upon receipt thereof. The parties confirm that all amounts due and payable in respect of Leases which have expired or otherwise terminated prior to the Closing Date shall be the sole property of the Owners and, notwithstanding anything to the contrary contained herein, the Owners may take such actions as they desire to collect such amounts. Notwithstanding the provisions of this Section 8(c) to the contrary, any amount collected by the Owners in connection with any such action shall be retained by the Owners. The Owners and Cedar shall from time to time after Closing, and upon request of the other party, provide the requesting party with reasonably detailed information regarding the status of such party's collection of Delinquent Rentals.

(d) Taxes and Assessments. All real estate taxes (including business improvement district charges) on the Premises shall be prorated based on the actual current tax

bill. If such tax bill has not yet been received by the Proration Date, then Cedar and the Owners shall estimate the real estate taxes based upon Cedar's and the Owners' good faith estimate of the change in the amount of the previous year's tax bill, and Cedar and the Owners shall after the Closing reprorate the real estate taxes as soon as the actual current tax bill is available. All amounts payable for real estate taxes accruing on or prior to the Proration Date shall be the obligation of the Owners, and all amounts payable for real estate taxes accruing after the Proration Date shall be the obligation of Cedar. Any delinquent taxes on the Premises shall be paid at the Closing by the Owners.

(e) Operating Expenses. The parties acknowledge and confirm that operating expenses are passed-though to Tenants and, accordingly, Owners and Cedar shall not prorate operating expenses at the Closing. Notwithstanding the foregoing, if, as of the Closing Date, Owners have any arrearages with respect to operating expenses, then, to the extent that Cedar, after the Closing, receives from any Tenant a payment (or payments) designated by such Tenant as being on account of operating expenses for the period prior to the Closing Date, Cedar shall promptly pay such amounts to Owners. Cedar shall, at Owners' request, use reasonable efforts to collect any such unpaid pre-Closing operating expense payments, but shall have no obligation to commence any legal proceedings to collect such sums.

(f) Tenant Security Deposits. Cedar shall be credited with and the Owners shall be debited with the sum of all tenant security deposits (and any interest due to Tenants thereon, less an amount equal to the aggregate of administrative fees that shall have accrued as of the Closing Date that the Owners shall be permitted to retain pursuant to the provisions of each of the Leases and otherwise under law, which amount shall be retained by the Owners) being held by the Owners.

(g) License and Permit Fees. Periodically recurring governmental fees for transferable Licenses issued in respect of the Premises for the use of any part thereof, if assignable and to the extent assigned, shall be prorated between Cedar and the Owners as of the Proration Date on an accrual basis. The Owners shall be responsible for all amounts due thereunder which accrue on or prior to the Proration Date and Cedar shall be responsible for all amounts which accrue after the Proration Date.

(h) Ongoing Contracts. Amounts payable under those Contracts, if any, which Cedar shall elect to have remain in effect after the Closing shall be prorated on an accrual basis. The Owners shall be responsible for all amounts due thereunder which accrue on or prior to the Proration Date, and Cedar shall be responsible for all amounts due thereunder which accrue after the Proration Date. The Owners shall pay in full all amounts due under any Unassumed Contracts (as hereinafter defined).

(i) Leasing Commissions. Cedar shall be credited with, and the Owners shall be debited with, the sum of the leasing commissions set forth on Exhibit A attached hereto (the "Leasing Commissions Schedule"). Cedar shall be responsible for paying such commissions to the respective brokers and Cedar shall indemnify and hold Owner harmless from and against any claims that the brokers set forth on Exhibit A may bring against the Owners after the Closing Date for the payment of the balance of the brokerage commission

payable to such broker, provided that Cedar's indemnity shall not exceed, as to the claim of any broker, the amount of the credit that is set forth on Exhibit A for such broker.

(j) Tenant Improvements. Cedar shall be credited with, and the Owners shall be debited with, the sum of the tenant improvement allowances set forth on Exhibit B attached hereto (the "TI Schedule"). Cedar shall be responsible for paying such tenant improvement allowances to the respective Tenants. If the amount of the tenant improvement allowances that is paid to a Tenant shall be less than the amount of the tenant improvement allowance for

such Tenant that is set forth on Exhibit B, Cedar shall promptly remit such excess to Owners.

9. Assessments. If, on the Closing Date, the Premises or any part thereof shall be or shall have been affected by an assessment or assessments which are or may become payable in installments, the Owners shall be required to pay and discharge at Closing any installments then due and payable and all delinquent installments. Any installments of such assessments that are not yet due and payable as of the Closing Date shall be the obligation of Cedar.

10. Condition of the Property. Except as otherwise provided herein to the contrary, Cedar agrees to accept the Property in its "as is" condition on the date hereof, reasonable wear and tear excepted, and subject to the provisions of Section 11 hereof. Cedar has (i) examined, inspected and investigated to the full satisfaction of Cedar, the physical nature and condition of the Property, (ii) independently investigated, analyzed and appraised the value and profitability of the Property and (iii) reviewed such other documents and materials as Cedar has deemed advisable. Cedar acknowledges that, except as specifically set forth in this Agreement, neither the Owners, nor any real estate broker, agent, employee, servant, consultant or representative of the Owners has made any representations or warranties whatsoever regarding the subject matter of this Agreement or the transaction contemplated hereby, including without limitation, representations as to the physical nature or condition of the Property, zoning laws, building codes, laws and regulations, environmental matters, the violation of any laws, ordinances, rules, regulations or orders of any Governmental Authority, water, sewer or other utilities, rents or other income, expenses applicable to the Property, capital expenditures, leases, existing or future operations of the Property or any other matter or thing affecting or related to the Property or the operation thereof. In executing, delivering and/or performing this Agreement, Cedar has not relied upon and does not rely upon, and the Owners shall not be liable or bound in any manner by, express or implied warranties, guaranties, promises, statements, representations or information pertaining to any of the matters set forth above in this Section 10 made or furnished by the Owners or by any real estate broker, agent, employee, servant or any other person representing or purporting to represent the Owners to whomever made or given, directly or indirectly, verbally or in writing, unless such warranties, guaranties, promises, statements, representations or information are expressly and specifically set forth herein.

11. Casualty and Condemnation.

(a) Notwithstanding anything to the contrary implied or provided by law or in equity, if, prior to the Closing, any material portion of the Premises is damaged by fire, the elements or any other casualty or if any material portion of the Premises is taken by eminent domain or otherwise, Cedar shall have the right to terminate this Agreement by written notice to the Owners, and Escrowee given by Cedar within fifteen (15) days after Owners shall notify Cedar in writing of such casualty, whereupon the Letter of Credit shall be promptly returned to Cedar, together with a letter from Escrowee to the issuer of the Letter of Credit authorizing the cancellation thereof, and this Agreement and the obligations of the parties hereunder shall terminate (and no party hereto shall have any further obligations in connection herewith except under those provisions that expressly survive the Closing or a termination of this Agreement). If Cedar does not terminate this Agreement, this Agreement shall remain in full force and effect and the parties shall nonetheless proceed to the Closing in accordance with this Agreement, and all proceeds or awards received by the Owners (after deducting the Owners' actual out-of-pocket cost of collecting the same and any reasonable expenses that the Owners shall have incurred in restoring the Premises), or the Owners' rights to such proceeds or awards, from such taking or casualty shall be assigned (by documentation reasonably satisfactory to Cedar and the Owners) by the Owners to Cedar, and the Owners shall pay over to Cedar at the Closing an amount equal to the amount, if any, by which the amount of the deductible under the applicable insurance policy for the Premises that is in effect at the time of such casualty shall be greater than the deductible as of the date of this Agreement, if any, on the applicable insurance policy for the Premises.

(b) The Owners shall promptly notify Cedar of any such casualty and of any proposed taking. The Owners shall not adjust or settle any claims in connection with any casualty or proposed taking or enter into any construction or other contract for the repair or the restoration of the Premises without Cedar's prior written consent, which consent shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, in the event of a fire or other casualty at the Premises, Cedar's prior consent shall not be required for any action which the Owners shall elect to take in order to repair or remediate any condition which poses a danger to the health and welfare of Tenants, their invitees, and/or the general public or as otherwise required by the Tenant Leases.

(c) In the event there is damage to or destruction of an immaterial part of the Premises by fire or other casualty or a taking of an immaterial part of the Premises, Cedar shall not have the right to terminate this Agreement, all proceeds or awards received by the Owners (after deducting the Owners' actual

out-of-pocket cost of collecting the same and any reasonable expenses that the Owners shall have incurred in restoring the Premises), or the Owners' rights to proceeds or awards, from such taking or casualty shall, at the Closing, be assigned (by documentation in form and substance reasonably satisfactory to Cedar and the Owners) by the Owners to Cedar, and the Owners shall pay over to Cedar at the Closing an amount equal to the amount, if any, by which the amount of the deductible under the applicable insurance policy for the Premises that is in effect at the time of such casualty shall be greater than the deductible as of the date of this Agreement, if any, on the applicable insurance policy for the Premises.

(d) For purposes of this Section 11, a casualty or condemnation shall be deemed material if such casualty or condemnation affects more than fifty percent (50%) of the square footage of the Premises.

(e) The parties hereby waive the provisions of any statute which provides for a different outcome or treatment in the event of a casualty or a taking.

12. Brokers and Advisors.

(a) The Owners represent and warrant to Cedar that the Owners have not employed, dealt with or negotiated with any broker in connection with this transaction other than Fameco of Conshohocken, PA (the "Broker"). Cedar represents and warrants to the Owners that Cedar has not employed, dealt with or negotiated with any broker in connection with this transaction other than the Broker. Cedar agrees to pay any commission payable to the Broker in connection with this transaction by separate agreement.

(b) The Owners hereby agree to indemnify, defend and hold Cedar harmless from and against any and all claims, losses, liability, costs and expenses (including reasonable attorneys' fees) incurred by Cedar by any broker (other than the Broker), or any other person claiming a commission, fee or other compensation by reason of this transaction, if such broker dealt with or claims to have dealt with the Owners in connection with this transaction.

(c) Cedar hereby agrees to indemnify, defend and hold the Owners harmless from and against any and all claims, losses, liability, costs and expenses (including reasonable attorneys' fees) resulting from any claim that may be made against the Owners by any broker (including the Broker), or any other person, claiming a commission, fee or other compensation by reason of this transaction, if such broker dealt with or claims to have dealt with Cedar in connection with this transaction.

(d) The provisions of this Section 12 shall survive the Closing, or if the Closing does not occur, the termination of this Agreement.

13. Tax Reduction Proceedings. If the Owners have heretofore filed applications for the reduction of the assessed valuation of the Premises and/or instituted certiorari proceedings to review such assessed valuations for any tax years prior to the tax year in which the Closing Date is to occur, Cedar acknowledges and agrees that the Owners shall have sole control of such proceedings, including the right to withdraw, compromise and/or settle the same or cause the same to be brought on for trial and to take, conduct, withdraw and/or settle appeals, and Cedar hereby consents to such actions as the Owners may take therein. Prior to the Closing, the Owners shall not withdraw, compromise or settle any such proceedings for the tax year in which the Closing Date is to occur without the prior written consent of Cedar, which consent shall not be unreasonably withheld or delayed. Any refund or tax savings for any year or years prior to the tax year in which the Closing Date occurs shall belong solely to the Owners. Any tax savings or refund for the tax year in which the Closing Date occurs shall be prorated in accordance with Section 8 hereof between the Owners and Cedar after deduction of reasonable attorneys' fees and other reasonable expenses related to the

proceeding. Cedar and the Owners shall each execute all consents, receipts, instruments and documents which may reasonably be requested in order to facilitate settling such proceeding and collecting the amount of any refund or tax savings. Notwithstanding anything contained herein to the contrary, if any tax savings or refund shall create an obligation to reimburse any Tenant under any Lease for Rentals paid, then that portion of such savings or refund equal to the amount of such required reimbursement shall be paid to Cedar, and Cedar shall disburse the same to the applicable Tenant. Cedar shall deliver to the Owners, within six (6) months after receipt of such tax savings or refund, evidence reasonably satisfactory to the Owners that Cedar has made such payments to the Tenants or, if a Tenant is in default in the performance of any of its Lease obligations beyond any applicable notice and cure periods, that Cedar has applied the refund against any amounts that such Tenant owes under its lease, and to the extent that Cedar shall fail to deliver such evidence to the Owners, Cedar shall deliver to the Owners the portion of such refund or tax savings that Cedar would otherwise have paid to such Tenant, and the Owners shall disburse the same to the applicable Tenant. The provisions of this Section 13 shall survive the Closing.

14. SEC Filing and Audit Requirements. Upon Cedar's request, for a period of two (2) years after Closing, the Owners shall provide Cedar, without any out-of-pocket expense to the Owners, with copies of, or access to, such factual information as may be reasonably requested by Cedar, and in the possession or control of the Owners, to enable Cedar Income Fund, Ltd. to file Form 8-K and comply with other filing requirements (as specified in Exhibit C attached hereto), if, as and when such filing may be required by the Securities and Exchange Commission (the "SEC"). Without limitation of the foregoing, (i) Cedar or its designated or independent or other accountants may audit the operating statements of the Owners for the Premises, and the Owners shall supply such documentation in their possession or control as Cedar or its accountants may reasonably request in order to complete such audit, and (ii) the Owners shall furnish Cedar with such financial and other information as may be reasonably required by Cedar or its assigns to make any required filings with the SEC or other governmental authority. This obligation shall survive the Closing for a period of two (2) years.

15. Representations and Warranties.

(a) The Owners, jointly and severally, represent and warrant to Cedar that the following are true and correct as of the date hereof and shall be true and correct as of the Closing Date:

(i) SPSP is a corporation duly organized and validly existing under and by virtue of the laws of the State of Pennsylvania and is in good standing in the State of Pennsylvania. SPSP has all requisite power and authority to execute, deliver and perform the transactions contemplated by this Agreement. SPSP is the owner in fee of certain real property more particularly described in Schedule A-1 attached hereto which constitutes a portion of the Premises.

(ii) Passyunk is a corporation duly organized and validly existing under and by virtue of the laws of the State of Pennsylvania and is in good standing in the State of Pennsylvania. Passyunk has all requisite power and authority to execute, deliver and

perform the transactions contemplated by this Agreement. Passyunk is the owner in fee of certain real property more particularly described in Schedule A-2 attached hereto which constitutes a portion of the Premises.

(iii) 24th Street is a limited partnership duly organized and validly existing under and by virtue of the laws of the State of Pennsylvania and is in good standing in the State of Pennsylvania. 24th Street has all requisite power and authority to execute, deliver and perform the transactions contemplated by this Agreement. 24th Street is the owner in fee of certain real property more particularly described in Schedule A-3 attached hereto which constitutes a portion of the Premises.

(iv) This Agreement constitutes the legal, valid and binding obligation of the Owners, enforceable against the Owners in accordance with its terms. The Owners have taken all necessary action to authorize and approve the execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement.

(v) The execution and delivery of this Agreement and the performance by the Owners of their obligations hereunder do not and will not (a) to the Owners' knowledge, conflict with or violate any judgment, order, writ, injunction or decree of any court or governmental or quasi-governmental entity with jurisdiction over the Owners or the Property, including, without limitation, the United States of America, the State of Pennsylvania or any political subdivision of either of the foregoing, or any decision or ruling of any arbitrator to which any of the Owners is a party or by which any of the Owners or the Property is bound or affected or (b) violate or constitute a default under any material document or instrument to which any of the Owners is a party or is bound or any of the Owners' corporate formation or governing documents.

(vi) There are no actions, suits or proceedings (including landlord/tenant or condemnation proceedings) pending or, to the Owners' knowledge, threatened in writing against the Premises, at law or in equity, before any federal, state, municipal or governmental department, commission, board, bureau, agency or instrumentality which could (x) materially adversely affect title to the Premises, (y) if adversely determined, prohibit the Owners from consummating the transactions contemplated hereby, or (z) materially adversely affect the continued use and enjoyment of the Premises for its current use.

(vii) The Owners have delivered to Cedar copies of the Leases and Subleases, and copies of all related brokerage agreements for which a commission remains due and payable (the "Brokerage Agreements"), which copies are true, correct and complete in all material respects. Exhibit D annexed hereto (the "Schedule of Leases") sets forth a true and complete list of the Leases, Subleases and Brokerage Agreements, which Leases, Subleases and

Brokerage Agreements are in full force and effect and have not been amended, except as set forth in the Schedule of Leases. The Owners represent that all security deposits made by Tenants under the Leases and held by or on behalf of the landlord thereunder are cash security deposits, and the Schedule of Leases sets forth the amount of all such security deposits (plus accrued interest thereon, if any, required to be paid to the respective Tenants thereunder). Except as set forth on the Leasing Commissions Schedule and as set forth in the Leases, no

leasing commission is now or will hereafter become due or owing in connection with any of the Leases, including, without limitation, in connection with any renewals or extensions of the term thereof. The rent roll (the "Rent Roll") annexed hereto as Exhibit E is true, correct and complete based upon the current operation of the Premises, the rents set forth on the Rent Roll are the rents currently being collected, and the rents set forth on the Rent Roll were actually collected for the previous month. All of the material landlord's obligations under the Leases which the landlord is obligated to perform prior to the Closing have or will have been performed.

(viii) No guarantor of any of the Leases has been released or discharged voluntarily (or, to the best of the Owners' knowledge, either involuntarily or by operation of law) from any obligation related to a Lease. All of the improvements to be constructed by the Owners, if any, contemplated under the Leases or as required therein and in all collateral agreements and plans and specifications respecting same have been completed as so required, and, except as set forth on the TI Schedule, any fees, costs, allowances, advances or other expenses to be paid by the Owners for tenant improvements or tenant finish work have been paid in full. As of the Closing Date, neither the Owners' interest in the Leases nor any of the rentals due or to become due under the Leases will be assigned, encumbered or subject to any liens.

(ix) The Owners have delivered to Cedar true, correct and complete copies of lease estoppel certificates from all Tenants that were delivered to the Owners in connection with the Owners' proposed refinancing of the existing mortgage loan currently encumbering the Property (collectively, the "Tenant Estoppel Certificates").

(x) True, correct and materially complete copies of the Contracts have been delivered to Cedar. Exhibit F annexed hereto (the "Schedule of Contracts") sets forth a true and complete list of the Contracts, which Contracts are in full force and effect and have not been amended, except as set forth in the Schedule of Contracts. To the Owners' best knowledge, no party to the Contracts is in default with respect to any of its obligations or liabilities pertaining to the Contracts. Except as set forth on the Schedule of Contracts, all of the Contracts set forth on the Schedule of Contracts may be terminated without penalty or payment by the Owners on no more than thirty (30) days' notice.

(xi) Except as set forth in the Leases, there are no outstanding options to purchase, rights of first offer, rights of first refusal, warrants, calls, commitments, conversion rights, rights of exchange, plans or other agreements of any character, absolute or contingent, to acquire all, or any portion of, the Property.

(xii) As of the Closing Date, the Personalty will not have been assigned or conveyed to any other party.

(xiii) The Owners have heretofore delivered to Cedar a copy of the operating expense statement for the 12-month period ending December 31, 2002, a copy of which is attached hereto as Exhibit G (the "Operating Statement"). The Owners have no

knowledge of any inaccuracies or omissions contained in the Operating Statement. The Operating Statement is correct and complete in all material respects.

(xiv) There are no employment contracts, union contracts, labor leases, pension plans, profit sharing plans or employee benefit plans which relate to the Owners or the Premises, and there are no employees which relate to the Premises.

(xv) Neither SPSP, Passyunk nor 24th Street is a "foreign person" as defined pursuant to Section 1445 of the Internal Revenue Code of 1986, as amended.

(xvi) The Owners maintain fire and extended coverage insurance upon the Property as set forth on Exhibit H annexed hereto (the "Existing Insurance"). Copies of certificates evidencing this insurance have been delivered to Cedar, and the insurance evidenced by such certificates is in full force and effect.

(b) Cedar represents and warrants to the Owners as of the date hereof and as of the Closing Date that:

(i) Cedar has all the requisite power and authority to execute and deliver this Agreement and to carry out Cedar's obligations hereunder and the transactions contemplated herein. This Agreement constitutes the legal, valid and binding obligation of Cedar, enforceable against Cedar in accordance with its terms. Cedar has taken all necessary action to authorize and approve the execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement.

(ii) The execution and delivery of this Agreement and the performance by Cedar of its obligations hereunder do not and will not (x) to Cedar's knowledge, conflict with or violate any law, rule, judgment, regulation, order, writ, injunction or decree of any court or governmental or quasi-governmental entity with jurisdiction over Cedar, including, without limitation, the United States of America, the State of Pennsylvania or any political subdivision of either of the foregoing, or any decision or ruling of any arbitrator to which Cedar is a party or by which Cedar is bound or affected or any agreement to which Cedar is a party or, to Cedar's knowledge, binding upon Cedar, or (y) violate or constitute a default under any material document or instrument to which Cedar is a party or is bound.

(iii) There is no action or proceeding pending or threatened in writing against Cedar which could, if adversely determined, prohibit Cedar from consummating the transactions contemplated by this Agreement.

(c) The representations and warranties contained in Section 15(a) and Section 15(b) above will survive the Closing for a period of four (4) months, before the expiration of which the party claiming a breach must have notified the other in writing of the alleged breach. Any such claim shall be limited to actual damages (specifically including, without limitation, reasonable attorneys' fees and expenses and court costs) suffered by the claiming party (specifically excluding consequential or punitive damages).

16. Deliveries to be made on the Closing Date.

(a) The Owners' Documents: The Owners, pursuant to the provisions of this Agreement, shall deliver or cause to be delivered to Escrowee on the Closing Date the following instruments, documents and items:

(i) Two (2) counterparts of the net lease, in the form attached hereto as Exhibit I (the "Net Lease"), duly executed by the Owners, as landlord.

(ii) Two (2) counterparts of the Memorandum of Lease, in the form attached hereto as Exhibit J (the "Net Lease Memorandum"), duly executed by the Owners, as landlord.

(iii) Two (2) counterparts of the Guaranty, duly executed by Gary Erlbaum, Steven Erlbaum, and Daniel Neducsin in favor of Cedar, in the form attached hereto as Exhibit K.

(iv) Two (2) counterparts of the Assignment and Assumption of Leases in the form of Exhibit L attached hereto and made a part hereof (the "Lease Assignment"), duly executed by the Owners.

(v) Two (2) counterparts of the Assignment and Assumption of Contracts and Permits in the form of Exhibit M attached hereto and made a part hereof (the "Contracts and Permits Assignment"), duly executed by the Owners.

(vi) Two (2) counterparts of a letter to the Tenants of the Premises in the form attached hereto as Exhibit N, duly executed by the Owners.

(vii) Two (2) counterparts of the Schedule of Adjustments, duly executed by the Owners.

(viii) The Owners' Estoppel Certificate (as hereinafter defined).

(ix) A recordable termination of lease, in form and substance reasonably acceptable to the Owners, Title Company, and Cedar, terminating of record that certain lease originally from Constellation Properties, Inc. to Penn Fruit Co., Inc., dated as of May 15, 1958 and recorded in Deed Book CAB 800 Page 428.

(x) Keys to the Building (if any).

(xi) A duly executed certification as to the Owners' non-foreign status.

(xii) The consent of the boards of directors and members of the Owners authorizing the Net Lease and the transactions contemplated by this Agreement, in form reasonably satisfactory to Cedar and the Title Company.

(xiii) Originals of all of the Leases in effect on the Closing

Date or, to the extent originals are unavailable, photocopies thereof with a certificate executed by the Owners as to the authenticity of such photocopies, together with all leasing and property files and records in connection with the continued operation, leasing and maintenance of the Property that shall be in the Owners' possession.

(xiv) Originals of all of the Contracts that are being assumed by Cedar on the Closing Date or, to the extent originals are unavailable, photocopies thereof with a certificate executed by the Owners as to the authenticity of such photocopies.

(xv) The Licenses affecting the Premises as of the Closing Date that shall be in the Owners' possession (other than those Licenses that must remain at the
Premises).

(xvi) Copies of the all of the following items that shall be in Owners' possession (to the extent that the same had not been previously delivered to Cedar): (A) all accounting, financial, and other books and records reasonably required for the continued leasing and operation of the Property which are maintained in connection with the current leasing and operation of the Premises, and (B) all building plans and specifications (including "as-built" drawings) with respect to the improvements at the Premises.

(xvii) Copies of the documents required to be delivered to the Title Company pursuant to Section 5(c) above.

(xviii) Such other documents, instruments and deliveries as are otherwise required by this Agreement or reasonably required by Cedar in order to consummate the transaction contemplated hereby.

(b) Cedar's Documents: Cedar, pursuant to the provisions of this Agreement, shall deliver or cause to be delivered to the Owners on the Closing Date the following instruments, documents and items:

(i) Two (2) counterparts of the Net Lease, duly executed by Cedar, as tenant.

(ii) Two (2) counterparts of the Lease Memorandum, duly executed by Cedar, as tenant.

(iii) Two (2) counterparts of the Lease Assignment, duly executed by Cedar.

(iv) Two (2) counterparts of the Contracts and Permits Assignment, duly executed by Cedar.

(v) Two (2) counterparts of the Schedule of Adjustments, duly executed by Cedar.

(vi) The consent of the members of Cedar authorizing the Net Lease and the transactions contemplated by this Agreement, in form reasonably satisfactory to the Owners and the Title Company.

(vii) Such other documents, instruments and deliveries as are otherwise reasonably required by this Agreement or by the Owners in order to consummate the transaction contemplated hereby.

17. Default by Cedar or the Owners.

(a) (i) If all of the conditions to Cedar's performance under this Agreement shall be satisfied, and Cedar shall default in its obligations under this Agreement, the Owners may terminate this Agreement on written notice to Cedar and Escrowee, whereupon Escrowee shall present the Letter of Credit for payment and pay the proceeds of the Letter of Credit to the Owners, and this Agreement and the obligations of the parties hereunder shall terminate (and no party hereto shall have any further obligations in connection herewith except under those provisions that expressly survive a termination of this Agreement). Cedar acknowledges that, if Cedar shall default under this Agreement as aforesaid, the Owners will suffer substantial adverse financial consequences as a result thereof. Accordingly, subject to the provisions of Section 17(a)(ii) below, the Owners' sole and exclusive remedy against Cedar shall be the right to retain the proceeds of the Letter of Credit, as and for its sole and full and complete liquidated damages, it being agreed that the Owners' damages are difficult, if not impossible, to ascertain.

(ii) Notwithstanding anything to the contrary contained in Section 17(a)(i) above, in the event that Cedar shall contest the existence of a default by Cedar in its obligations under this Agreement, the Owners shall be permitted to prosecute an action for damages or proceed with any other legal course of conduct in connection therewith and Cedar's liability shall not be limited to the amount of the Letter of Credit, but shall in no event be less than the amount of the Letter of Credit.

(b) If the Owners shall default hereunder by failing to close or by reason of a breach of a representation or warranty by Owners, Cedar may elect to either (x) terminate this Agreement and direct the Escrowee to return the Letter of Credit to Cedar, together with a letter to the issuer of the Letter of Credit authorizing the cancellation thereof, and Cedar and the Owners shall have no further rights or obligations under this Agreement, except those expressly provided herein to survive the termination of this Agreement, or (y) prosecute an action for specific performance of this Agreement; provided, however, that in the event that the aggregate amount of damages reasonably claimed by Cedar in connection with such default shall be less than $175,000 (1) the existence of such default shall not be a basis for Cedar not to close hereunder, (2) if Cedar shall thereafter close, Cedar shall not be deemed to have waived its right to pursue its remedies under this Agreement, including, without limitation, those remedies set forth in Section 15(c) above as a result of the Owners' default, and (3) if Cedar shall thereafter fail to close hereunder, the provisions of Section 17(a) hereof shall apply provided, however, if the amount of damage reasonably claimed by Cedar pursuant to Section 17(b)

hereof shall be greater than $25,000 and less than $175,000, in such case Escrowee shall only pay to Owners the proceeds of the Letter of Credit (net of the amount of damage reasonably claimed by Cedar) and Escrowee shall pay to Cedar the amount of damage reasonably claimed by Cedar. In the event that Cedar shall prosecute an action for specific performance pursuant to this Section 17(b), the prevailing party in such action shall be entitled to recover as a part of such action the actual out-of-pocket costs and reasonable attorneys' fees incurred by such prevailing party in connection with such action.

18. Merger. Except as otherwise expressly provided to the contrary in this Agreement, no representations, warranties, covenants or other obligations of the Owners set forth in this Agreement shall survive the Closing, and no action based thereon shall be commenced after the Closing. Except as otherwise expressly provided herein, the delivery of the Net Lease at the Closing, without the simultaneous execution and delivery of a specific agreement which by its terms shall survive the Closing, shall be deemed to constitute full compliance by the parties with all of the terms, conditions and covenants of this Agreement on their part to be performed.

19. Conditions to Closing.

(a) Conditions to Cedar's Obligation to Close. Cedar's obligation to close hereunder shall be subject to the following conditions:

(i) The Owners shall have performed, satisfied and complied with, or tendered performance of, in all material respects, all of the covenants, agreements and conditions required by this Agreement to be performed or complied with by the Owners on or before the Closing Date.

(ii) All representations and warranties of the Owners in this Agreement shall be true and correct in all material respects as of the date of this Agreement and as of the Closing Date.

(iii) Title to the Premises shall be in accordance with Section 4 hereof, subject only to such matters permitted by Section 4 hereof.

(iv) The Owners shall have delivered to Cedar a master estoppel certificate (the "Owners' Estoppel Certificate"), in the form attached hereto as Exhibit P.

The foregoing obligations of the Owners under this Section 19(a) are for the benefit of Cedar, and Cedar may, in its sole discretion, waive any or all of such conditions and close title under this Agreement without any decrease in, abatement of, or credit against, the Basic Rent.

(b) Conditions to the Owners' Obligation to Close. The Owners' obligation to close hereunder shall be subject to the following conditions:

(i) Cedar shall have performed, satisfied and complied with, or tendered performance of, in all material respects, all of the covenants, agreements and conditions required by this Agreement to be performed or complied with by Cedar on or before the Closing Date.

(ii) All representations and warranties of Cedar in this Agreement shall be true and correct in all material respects as of the date of this Agreement, and as of the Closing Date.

(iii) Simultaneously with the Closing hereunder, the Owners and Cedar-South Philadelphia II, LLC shall have closed on the transaction contemplated by that certain loan commitment letter attached hereto as Exhibit Q, and such loan shall have been funded.

The foregoing obligations of Cedar under this Section 19(b) are for the benefit of the Owners, and the Owners may, in its sole discretion, waive any or all of such conditions and close title under this Agreement without any

increase in the Basic Rent.

20. Prior to Closing.

(a) Insurance. Until Closing, the Owners or the Owners' agents shall keep the Premises insured against fire and other hazards covered by extended coverage endorsement and commercial general liability insurance against claims for bodily injury, death and property damage occurring in, on or about the Premises in accordance with the Existing Insurance.

(b) Operation. Until Closing, the Owners or the Owners' agents shall operate and maintain the Property substantially in accordance with the Owners' current practices with respect to the operation and maintenance of the Property, and deliver the Property to Cedar at Closing in its condition as of the date hereof, normal wear and tear and the provisions of Section 11 excepted. The Owners shall not, other than in the ordinary course of operating and managing the Property, remove from the Property any Personalty unless such item shall be replaced with a similar item of comparable quality, utility and value. The Owners shall give Cedar prompt notice of any action, suit or proceeding against the Premises, at law or in equity, before any federal, state, municipal or governmental department, commission, board, bureau, agency or instrumentality which is filed prior to the date of Closing of which the Owners have knowledge.

(c) Contracts.

(i) Between the date hereof and the Closing, the Owners shall have the right to enter into only those Contracts which the Owners reasonably determine are necessary to carry out its obligations under Section 20(b) above, provided that each of such Contracts shall be cancelable on not more than thirty (30) days' written notice (without penalty, unless the Owners agrees to pay any such termination penalty at Closing). If the Owners enter into any such Contract, the Owners shall, within ten (10) days after the full execution of such Contract, provide Cedar with written notice thereof, together with a copy of such Contract, and,

unless Cedar, within seven (7) days thereafter, notifies the Owners in writing of Cedar's intention to assume such Contract, the Owners shall terminate such Contract as of the Closing.

(ii) Prior to the date of this Agreement, Cedar has designated those Contracts which Cedar wishes the Owners to terminate as of the Closing (the "Unassumed Contracts"), as indicated with an asterisk (*) on the Schedule of Contracts. Provided that the Closing occurs hereunder, the Owners shall terminate such Unassumed Contracts effective as of the Closing Date; and provided, further, however, that if an Unassumed Contract cannot be terminated without the payment of a termination fee, the Owners shall pay such termination fee directly to the applicable party under such Unassumed Contract. The provisions of the last sentence of this Section 20(c)(ii) shall survive the Closing.

(d) Leases. Between the date of this Agreement and the Closing Date, the Owners shall be permitted to (i) execute new Leases, provided that the terms of any such new Leases shall be consistent with the Owners' past practices of leasing space at the Premises and the rents thereunder shall not be less than the projected rents for such spaces that are set forth on the Rent Roll, and (ii) renew the terms of existing Leases, provided that said renewals shall be pursuant to the exercise of options contained in and in accordance with such existing Leases. In all events, the Owners shall keep Cedar apprised of the actions being taken with respect to new Leases and existing Leases and shall notify Cedar prior to executing any new Leases or renewals of existing Leases. Between the date of this Agreement and the Closing Date, the Owners shall not amend existing Leases other than to renew the terms thereof in accordance with this Section 20(d).

(e) Alterations. Between the date of this Agreement and the Closing Date, the Owners will not effect or approve any alterations to or in the Premises, other than those alterations performed in the normal course of maintenance and repair of the Premises, or those alterations required by the terms of a Lease.

(f) Employees. Between the date of this Agreement and the Closing Date, the Owners will not hire any employees in connection with the management, operation or maintenance of the Premises.

21. Post-Closing Leasing. The parties hereto acknowledge that Store Number 15B and Store Number 15C (containing approximately 7,600 square feet in the aggregate) at the Premises, as more particularly set forth on the plan attached hereto as Exhibit R (the "Vacant Space") are currently vacant. In the event that the Owners shall not have leased the entire Vacant Space pursuant to Section 20(d) above during the period between the date of this Agreement and the Closing Date, Cedar shall be permitted, during the period commencing on the Closing Date and ending on the date that shall be the earliest to occur of (i) the date on which Owner delivers to Cedar a Qualifying Lease or Leases (as defined below) for the entirety of the Vacant Space, (ii) the date that Cedar

shall have entered into leases for the entirety of the Vacant Space, whether or not such leases meet the requirements of this Section 21, and (iii) the third (3rd) anniversary of the Closing Date (such period, the "Leasing Period"), to deduct from each monthly installment of basic rent payable under the Net Lease an amount equal to 1/12 of the difference between (1) the product of (x) $18.00, and (y) the number of square feet in the

Vacant Space with respect to which Cedar shall not either (A) have entered into a Lease during the Leasing Period, or (B) have been presented a Qualified Lease and (2) the product of (x) the amount, if any, by which the average basic rent per square foot with respect to all leases described in (A) or (B) exceeds $18.00 per square foot, and (y) the number of square feet subject to all leases described in (A) or (B) above (such amount, the "Offset Amount"). During the Leasing Period, the Owners shall be permitted to obtain prospective Tenants for the Subject Spaces and negotiate new leases for the Subject Spaces, provided that the rent under said leases is not less than $18.00 per square foot per annum, and the terms of any such leases are consistent with the Owners' past practices of leasing space at the Premises (a "Qualifying Lease"). In the event that the Owners shall deliver to Cedar a lease meeting the requirements of the immediately preceding sentence which has been signed by the prospective tenant thereunder within three (3) business days after the date that the prospective Tenant shall have executed such lease and delivered same to the Owners, Cedar shall no longer be permitted to deduct the Offset Amount with respect to the portion of the Vacant Space that is the subject of such Lease from and after the date that shall be the date that the prospective Tenant shall have executed such lease and delivered same to the Owners. In the event Cedar enters into a lease that does not meet the requirements of this Section 21, Cedar shall no longer be permitted to deduct the Offset Amount with respect to the portion of the Vacant Space that is the subject of such lease from and after the date that Cedar has executed such lease. In no event shall the Owners be permitted to execute any leases on Cedar's behalf. In all events, the Owners shall keep Cedar apprised of the actions being taken with respect to new Leases for the Vacant Space and Cedar shall be responsible for the payment of all leasing commissions and tenant improvement allowances with respect to the leasing of the Vacant Spaces. The provisions of this Section 21 shall survive the Closing.

22. Notices. All notices, requests, demands and other communications provided for by this Agreement shall be (a) in writing, (b) sent either by hand delivery service or by same day or overnight recognized commercial courier service, addressed to the address of the parties stated below or to such changed address as such party may have fixed by notice, and (c) deemed to have been delivered on the date of receipt thereof (or the date that such receipt is refused, if applicable).

To the Owners: c/o Greentree Properties Corporation
44 West Lancaster Avenue, Suite 110
Ardmore, Pennsylvania 19003
Attention: Mr. Gary E. Erlbaum

with a copy to: Greentree Properties Corporation
44 West Lancaster Avenue, Suite 110
Ardmore, Pennsylvania 19003
Attention: William Frutkin, Esq.

with a copy to: Ledgewood Law Firm, P.C.
1521 Locust Street

Philadelphia, Pennsylvania 19102
Attention: Richard Abt, Esq.

To Cedar: Cedar-South Philadelphia I, LLC
44 South Bayles Avenue
Port Washington, New York 11050
Attention: Mr. Leo Ullman

with a copy to: Stroock & Stroock & Lavan LLP
180 Maiden Lane
New York, New York 10038-4982
Attention: Mark A. Levy, Esq.

To Escrowee: Ledgewood Law Firm, P.C.
1521 Locust Street
Philadelphia, Pennsylvania 19102
Attention: Richard Abt, Esq.

provided, that any notice of change of address of a party listed above shall be effective only upon receipt by the other parties listed above.

23. Amendments. This Agreement may not be modified or terminated orally or in any manner other than by an agreement in writing signed by all the parties hereto or their respective successors in interest, as the case may be.

24. Governing Law; Consent to Service. This Agreement shall be

governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, without giving effect to principles of conflicts of law. With respect to any claim or action arising hereunder, each party (a) irrevocably submits to the exclusive jurisdiction of the courts of the Commonwealth of Pennsylvania and the United States District Court located in Philadelphia County, and appellate courts from any thereof, and (b) irrevocably waives any objection which it may have at any time to the laying on venue of any suit, action or proceeding arising out of or relating to this Agreement brought in any such court, irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

25. No Offer. This document is not an offer by the Owners, and under no circumstances shall this Agreement have any binding effect upon Cedar or the Owners unless and until Cedar and the Owners shall each have executed this Agreement and delivered to each other executed counterparts of this Agreement.

26. Partial Invalidity. If any provision of this Agreement is held to be invalid or unenforceable as against any person or under certain circumstances, the remainder of this Agreement and the applicability of such provision to other persons or circumstances shall not be affected thereby. Each provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

27. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall constitute an original, but all of which, taken together, shall constitute but one and the same instrument.

28. No Third Party Beneficiaries. The warranties, representations, agreements and undertakings contained herein shall not be deemed to have been made for the benefit of any person or entity other than the parties hereto.

29. Waiver. No failure or delay of either party in the exercise of any right given to such party hereunder or the waiver by any party of any condition hereunder for its benefit (unless the time specified herein for exercise of such right, or satisfaction of such condition, has expired) shall constitute a waiver of any other or further right nor shall any single or partial exercise of any right preclude other or further exercise thereof or any other right. The waiver of any breach hereunder shall not be deemed to be a waiver of any other or any subsequent breach hereof.

30. Assignment. Cedar shall have the right to assign Cedar's rights and obligations under this Agreement to an entity in which Cedar Income Fund Partnership, L.P. ("Fund") holds an equity interest and for which Fund is responsible for the day-to-day management and control. Any such assignee shall assume all obligations of Cedar under this Agreement by a written instrument substantially in the form of Exhibit S attached hereto. Except as set forth in this Section 30, Cedar shall not have the right to assign its rights and obligations under this Agreement without the prior written consent of the Owners.

31. Tax Treatment Non-Confidentiality. Notwithstanding any terms or conditions in this Agreement to the contrary, but subject to restrictions reasonably necessary to comply with federal or state securities laws, any person may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transaction and all materials of any kind (including opinions or other tax analyses) that are provided relating to such tax treatment and tax structure. The provisions of this Section 31 shall survive the Closing.

32. Headings. The headings which have been used throughout this Agreement have been inserted for convenience of reference only and should not be construed in interpreting this Agreement. Words of any gender used in this Agreement shall include any other gender and words in the singular shall include the plural, and vice versa, unless the context requires otherwise. The words "herein," "hereof," "hereunder" and other similar compounds of the words "here" when used in this Agreement shall refer to the entire Agreement and not to any particular provision or section. The terms "include" and "including" when used in this Agreement shall each be construed as if followed by the phrase "without being limited to" or "without limitation". As used in this Agreement, the term "business day" shall be deemed to mean any day, other than a Saturday or Sunday, on which commercial banks in Pennsylvania are not required or authorized to be closed for business.

33. Construction. This Agreement shall be given a fair and reasonable construction in accordance with the intentions of the parties hereto. Each party hereto

acknowledges that it has participated in the drafting of this Agreement, and any applicable rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be applied in connection with the construction or interpretation hereof. Each party has been represented by independent counsel in connection with this Agreement. For purposes of construction of this Agreement, provisions which are deleted or crossed out

shall be treated as if never included herein.

34. Binding Effect. This Agreement is binding upon, and shall inure to the benefit of, the parties and each of their respective successors and assigns, if any.

35. Waiver of Jury Trial. Each of Cedar and the Owners hereby irrevocably waive all right to trial by jury in any action, proceeding or counterclaim arising out of or relating to this Agreement.

36. Litigation. In connection with any litigation arising out of this Agreement, the prevailing party shall be entitled to recover all costs, including reasonable attorneys' fees for services rendered in connection with such litigation, including appellate proceeding and post judgment proceedings.

37. Section Headings. The headings of the various sections of this Agreement have been inserted only for the purpose of convenience and are not part of this Agreement and shall not be deemed in any manner to modify, expand, explain or restrict any of the provisions of this Agreement.

38. Incorporation by Reference. The Schedules and Exhibits to this Agreement are incorporated herein by reference and made a part hereof.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement on the day and year first above written.

OWNERS:

SPSP Corporation

By: _____
Name:
Title:

Passyunk Supermarket, Inc.

By: _____
Name:
Title:

Twenty Fourth Street Passyunk Partners, L.P.

By: Twenty Fourth Street Passyunk Corporation, its general partner

By: _____
Name:
Title:

CEDAR:

By: Cedar-South Philadelphia I, LLC

By: _____
Name:
Title:

AGREED AS TO SECTIONS 6(b), 7(b), 11(a) and 17:

Ledgewood Law Firm, P.C.,
as Escrowee

By: _____
Name:
Title:

Schedule A-1
2301-11 Oregon Avenue

ALL THAT CERTAIN parcel of land with the buildings and improvements thereon erected, situate in the 26th Ward of the City of Philadelphia, bounded and described in accordance with an ALTA/ACSM Land Title Survey made by Barton and Martin Engineers, Philadelphia, PA, dated January 23, 2003, last revised February 19, 2003:

BEGINNING at a point formed by the intersection of the Southeasterly side of

24th Street (60 feet wide) and the Northeasterly side of Vare Avenue (108 feet wide); thence extending from said point of beginning North 59 degrees 26 minutes 18 seconds East along the said Southeasterly side of 24th Street and partly crossing the bed of an area reserved for sewer and drainage purposes only (60 feet wide) the distance of 278.677 feet to an angle point; thence extending North 15 degrees East along the said Southeasterly side of 24th Street and crossing the bed of the said area reserved for sewer and drainage purposes the distance of 342.254 feet to a point; thence extending South 75 degrees East the distance of 208.308 feet to a point; thence extending North 15 degrees East the distance of 125.500 feet to a point; thence extending South 75 degrees East the distance of 152.286 feet to a point; thence extending South 15 degrees West the distance of 53.563 feet to a point; thence extending South 75 degrees East the distance of 44.406 feet to a point on the Northwesterly side of an area reserved for sewer and drainage purposed only (60 feet wide); thence extending North 15 degrees East along the Northwesterly side of said reserved for sewer and drainage purposes only the distance of 58.063 feet to a point; thence extending South 75 degrees East crossing the bed of the said area reserved for sewer and drainage purposes only the distance of 345 feet to a point on the Northwesterly end of Porter Street (60 feet wide not on City Plan not physically improved); thence extending South 15 degrees West partly along the Northwesterly end of said Porter Street the distance of 430 feet to a point on the Northeasterly side of Shunk Street (60 feet wide); thence extending North 75 degrees West along the said Northeasterly side of Shunk Street the distance of 135 feet to a point; thence extending South 15 degrees West crossing the Northwesterly end of said Shunk Street and crossing the Southeasterly end of the said area reserved for sewer and drainage purposes only the distance of 460 feet to a point on the said Northeasterly side of Oregon Avenue (120 feet wide); thence extending North 75 degrees West along the said Northeasterly side of Oregon Avenue the distance of 210 feet to a point; thence extending South 15 degrees West along the Northwesterly side of Oregon Avenue the distance of 6 feet to a point; thence extending North 75 degrees West along the said Northeasterly side of Oregon Avenue (114 feet wide) the distance of 125.803 feet to a point of curve; thence extending Northwestwardly along the said Northeasterly side of Oregon Avenue on the arc of a circle curving to the right having a radius of 600 feet the arc distance of 138.632 feet more or less to a point; thence extending North 15 degrees 00 minutes 00 seconds East the distance of 145.050 feet to a point; thence extending Northwestwardly on the arc of a circle curving to the right having a radius of 460 feet the arc distance of 160.494 feet more or less to a point; thence extending South 52 degrees 22 minutes 00 seconds West the distance of 140.000 feet to a point on the said Northeasterly side of Oregon Avenue; thence extending Northwestwardly along the said Northeasterly side of Oregon Avenue on the arc of a circle curving to the right having a radius of 600 feet the arc distance of 74.055 feet more or less to a point of tangent on the said Northeasterly side of Vare Avenue; thence extending North 30 degrees 33 minutes 42 seconds West along the said Northeasterly side of Vare Avenue the distance of 75.945 feet to a point on the said Southeasterly side of 24th Street, being the first mentioned point and place of beginning.

BEING known as 2301-11 Oregon Avenue.

Schedule A-2
2426 South 23rd Street

ALL THAT CERTAIN parcel of land with the buildings and improvements thereon erected, situate in the 26th Ward of the City of Philadelphia, bounded and described in accordance with an ALTA/ACSM Land Title Survey made by Barton and Martin Engineers, Philadelphia, PA, dated January 23, 2003, last revised February 19, 2003:

BEGINNING at a point on the Easterly side of 24th Street (60 feet wide and legally open) measured South 15 degrees West, along the said side of 24th Street 237.673 feet Southward from the Southeasterly side of Passyunk Avenue (100 feet wide, legally open); thence extending South 75 degrees East 86.721 feet to a point; thence extending South 5 degrees 24 minutes 21 seconds East 32.009 feet to a point; thence extending South 75 degrees East 77.500 feet to a point; thence extending North 15 degrees East 182.083 feet to a point; thence extending South 75 degrees East 46.869 feet to a point; thence extending South 15 degrees West 20 feet to a point; thence extending South 75 degrees East 182.750 feet to a point on the Westerly side of 23rd Street (60 feet wide, legally open) said point being 263.917 feet from the South side of Ritner Street (60 feet wide, legally open); thence extending South 15 degrees West, along the Westerly side of said 23rd Street, 220.146 feet to a point; thence extending North 75 degrees West 44.406 feet to a point; thence extending North 15 degrees East 53.563 feet to point; thence extending North 75 degrees West 152.286 feet to a point; thence extending South 15 degrees West 125.500 feet to a point; thence extending North 75 degrees West 208.308 feet to a point on the Easterly side of 24th Street; thence extending, along the said side of 24th Street, North 15 degrees East 160.000 feet to the point and place of beginning.

BEING known as 2426 South 23rd Street.

Schedule A-3
2300 W. Passyunk Avenue

ALL THAT CERTAIN parcel of land with the buildings and improvements thereon

erected, situate in the 26th Ward of the City of Philadelphia, bounded and described in accordance with an ALTA/ACSM Land Title Survey made by Barton and Martin Engineers, Philadelphia, PA, dated January 23, 2003, last revised February 19, 2003:

BEGINNING at the intersection of the Southeasterly side of Passyunk Avenue (100 feet wide) and the Southeasterly side of 24th Street (60 feet wide); thence from said point of beginning extending along the Southeasterly side of Passyunk Avenue North 81 degrees 59 minutes 33 seconds East 405.085 feet to the Southwesterly side of Ritner Street (60 feet wide); thence extending along the Southwesterly side of Ritner Street South 75 degrees 00 minutes 00 seconds East 32.139 feet to the Northwesterly side of 23rd Street (60 feet wide); thence extending along the Northwesterly side of 23rd Street South 15 degrees 00 minutes 00 seconds West 263.917 feet to a point; thence leaving the Northwesterly side of 23rd Street and extending through the center of a 12 inch wall North 75 degrees 00 minutes 00 seconds West 182.750 feet to a point; thence extending North 15 degrees 00 minutes 00 seconds East 20.000 feet to a point; thence extending North 75 degrees 00 minutes 00 seconds West 46.869 feet to a point; thence extending South 15 degrees 00 minutes 00 seconds West 182.083 feet to a point; thence extending North 75 degrees 00 minutes 00 seconds West 77.500 feet to a point; thence extending North 05 degrees 24 minutes 21 seconds West 32.009 feet to a point; thence extending North 75 degrees 00 minutes 00 seconds West 86.721 feet to a point on the Southeasterly side of 24th Street; thence extending along the Southeasterly side of 24th Street North 15 degrees 00 minutes 00 seconds East 237.673 feet to the point and place of beginning.

BEING known as 2300 West Passyunk Avenue.

Schedule B
Permitted Encumbrances

1. Easement Agreement between Alvin J. Abrams and Michael Abrams, co-partners and Food Fair, Inc., (Parking Easement) as set forth in Deed Book DCC 1723 page 109.

2. Rights granted to Philadelphia Electric Company and Bell Telephone Company in Deed Book CAB 2 page 523.

3. Rights granted to Philadelphia Electric Company in Deed Book CJP 2463 page 255.

4. Subject to right of way for sewer and drainage purposes as set forth in agreement between Edward L. Frankel and others and the City of Philadelphia dated 8/12/1955 recorded 12/21/1995 in Deed Book 190 page 268.

5. Rights granted to Philadelphia Electric Company in Deed Book CAB 455 page 511.

6. Rights granted to Philadelphia Gas Works in Deed Book CAB 56 page 160.

7. Rights of tenant, as tenant only, under Lease disclosed by Memorandum of Lease dated 9/11/1997 and recorded 9/26/1997 in Deed Book JTD 425 page 121.

8. Easement Agreement dated 9/11/1997 and recorded 9/26/1997 in Deed Book JTD 425 page 131.

9. Rights of tenant, as tenant only, under Lease disclosed by Memorandum of Lease dated 2/9/2001 and recorded 3/7/2001 in Document ID # 50221790.

10. Rights of tenant, as tenant only, under Lease disclosed by Memorandum of Lease with Ross Stores Pennsylvania, L.P. and recorded 11/13/2001 in Document ID # 50355331.

11. Rights of tenants in possession under written leases as set forth on the attached rent roll.

12. Easements, or claims of easements, not shown by the public record.

13. Discrepancies or conflicts in boundaries, easements, encroachments or area content which a satisfactory current survey would disclose.

14. Possible additional tax assessments for new construction and/or major improvements, a lien not yet due and payable.

15. ALTA/ACSM Land Title Survey made by Barton and Martin Engineers, Philadelphia, PA dated January 23, 2003, last revised February 19, 2003, discloses the following:

    a. parking easement adjacent to McDonald's parcel;

    b. west face of one-story metal building is 8" over property line (into McDonald's);
    c. transformer near Oregon Avenue;

d. gas main;

e. roof overhangs Passyunk Avenue.

f. Surveyor notes that the recorded easements may not evidence the complete extent of the location of the utility faculties on the property.

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EXHIBIT 21.1

Subsidiaries of Registrant

<TABLE>
<CAPTION>

Name	State of Organization
<S>	<C>
Academy Plaza L.L.C. 1	Delaware
Academy Plaza L.L.C. 2	Delaware
API Red Lion Shopping Center Associates	New York
Cedar-Camp Hill, LLC	Delaware
Cedar Center Holdings L.L.C. 3	Delaware
Cedar-Columbus LLC	Delaware
Cedar Fort Washington LLC	Delaware
Cedar Golden Triangle, LLC	Delaware
Cedar-Point Limited Partner LLC	Delaware
Cedar-Riverview LLC	Delaware
Cedar-RL LLC	Delaware
Cedar Shopping Centers Partnership, L.P.	Delaware
Cedar Southington Plaza LLC	Delaware
Cedar-Valley Plaza, LLC	Delaware
CIF-Fairport Associates, LLC	Delaware
CIF-Fairview Plaza Associates, LLC	Delaware
CIF Halifax Plaza Associates, LLC	Delaware
CIF-Loyal Plaza Associates, Corp.	Delaware
CIF-Loyal Plaza Associates, L.P.	Delaware
CIF Newport Plaza Associates, LLC	Delaware
CIF Pine Grove Pad Associates, LLC	Delaware
CIF-Pine Grove Plaza Associates, LLC	Delaware
CSC-Columbus LLC	Delaware
CSC-Riverview LLC	Delaware
CH Swede Square, L.P.	Delaware
Fairview Plaza Associates, L.P.	Delaware
Fairport Associates, L.P.	Delaware
Fort Washington Fitness, L.P.	Delaware
Greentree Road L.L.C. 1	Delaware
Greentree Road L.L.C. 2	Delaware
Halifax Plaza Associates, L.P.	Delaware
Loyal Plaza Associates L.P.	Delaware
Newport Plaza Associates, L.P.	Delaware
Pine Grove Pad Associates, LLC	Delaware
Pine Grove Plaza Associates, LLC	Delaware
Pine Grove Plaza, LLC	Delaware
Port Richmond L.L.C. 1	Delaware
Port Richmond L.L.C. 2	Delaware
The Point Associates, L.P.	Pennsylvania
The Point Shopping Center LLC	Pennsylvania
Swede Square Associates, L.P.	Pennsylvania

</TABLE>
<TABLE>
<CAPTION>

Name	State of Organization
<S>	<C>
Swede Square, LLC	Pennsylvania
Washington Center L.L.C. 1	Delaware
Washington Center L.L.C 2	Delaware

</TABLE>

EXHIBIT 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" in Amendment No. 1 to the Registration Statement (Form S-11 No. 108091) and the related Prospectus of Cedar Shopping Centers, Inc. (formerly known as Cedar Income Fund, Ltd.) for the registration of 13,500,000 shares of its common stock of our reports (a) dated March 16, 2003, with respect to the consolidated financial statements of Cedar Shopping Centers, Inc.; (b) dated July 15, 2003, with respect to the Statements of Revenues and Certain Expenses of Southington '84 Associates L.P.; (c) dated July 15, 2003, with respect to the Statements of Revenues and Certain Expenses of Delaware 1851 Associates, L.P.; (d) dated July 21, 2003, with respect to the Combined Statements of Revenues and Certain Expenses of Associates of Huntingdon, L.P., Greater Raystown Associates L.P. and Lake Raystown Associates, L.P.; (e) dated July 11, 2003, with respect to the Combined Statements of Revenue and Certain Expenses of Fairview Plaza Associates, LP, Halifax Plaza Associates, LP and Newport Plaza Associates, LP; (f) dated July 17, 2003, with respect to the Statements of Revenue and Certain Expenses of Pine Grove Plaza Associates, LLC; (g) dated July 17, 2003, with respect to the Combined Statements of Revenues and Certain Expenses of Firehouse Realty Corporation, Riverview Development Corporation, South Riverview Plaza, Inc. and Reed Development Associates, Inc.; (h) dated July 11, 2003, with respect to the Statements of Revenues and Certain Expenses of Triangle Center Associates, L.P.; (i) dated July 11, 2003, with respect to the Statements of Revenue and Certain Expenses of Valley Real Estate LLC; and (j) dated July 31, 2003, with respect to the Combined Statements of Revenue and Certain Expenses of SPSP Corporation, Passyunk Supermarket, Inc. and Twenty Fourth Street Passyunk Partners, L.P.

/s/ Ernst & Young LLP

New York, New York
October 9, 2003

EXHIBIT 23.3

CONSENT OF NOMINEE

The undersigned hereby consents to be named as a nominee for director of Cedar Shopping Centers, Inc. in its Registration Statement on Form S-11 (No. 333-108091) with respect to its Common Stock and consents to serve as a director if elected.

/s/ Roger M. Widmann

Roger M. Widmann

Dated: October __, 2003