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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2007

OR

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

COMMISSION FILE NUMBER: 001-31817

**CEDAR SHOPPING CENTERS, INC.**

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of  
incorporation or organization)

42-1241468

(I.R.S. Employer  
Identification No.)

44 South Bayles Avenue, Port Washington, New York

(Address of principal executive offices)

11050-3765

(Zip Code)

(516) 767-6492

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: At November 2, 2007, there were 44,230,766 shares of Common Stock, \$0.06 par value, outstanding.

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**CEDAR SHOPPING CENTERS, INC.**

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**Forward-Looking Statements**

Certain statements contained in this Form 10-Q constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward-looking statements include, without limitation, statements containing the words “anticipates”, “believes”, “expects”, “intends”, “future”, and words of similar import which express the Company’s beliefs, expectations or intentions regarding future performance or future events or trends.

While forward-looking statements reflect good faith beliefs, expectations or intentions, they are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, which may cause actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements as a result of factors outside of the Company’s control. Certain factors that might cause such differences include, but are not limited to, the following: real estate investment considerations, such as the effect of economic and other conditions in general and in the Company’s market areas in particular; the financial viability of the Company’s tenants; the continuing availability of suitable acquisitions, and development and redevelopment opportunities, on favorable terms; the availability of equity and debt capital (including the availability of property-specific construction financing) in the public and private markets; the availability of suitable joint venture partners; changes in interest rates; returns from development, redevelopment and acquisition activities may not be at expected levels or at expected times; risks inherent in ongoing development and redevelopment projects including, but not limited to, cost overruns resulting from weather delays, changes in the nature and scope of development and redevelopment efforts, changes in governmental regulations related thereto, and market factors involved in the pricing of material and labor; the need to renew leases or re-let space upon the expiration of current leases; and the financial flexibility to repay or refinance debt obligations when due.

CEDAR SHOPPING CENTERS, INC.

Consolidated Balance Sheets

	September 30, 2007 (unaudited)	December 31, 2006
<b>Assets</b>		
Real estate:		
Land	\$ 296,372,000	\$ 248,108,000
Buildings and improvements	1,194,368,000	982,294,000
	1,490,740,000	1,230,402,000
Less accumulated depreciation	(91,781,000)	(64,458,000)
Real estate, net	1,398,959,000	1,165,944,000
Property and related assets held for sale, net of accumulated depreciation	11,805,000	11,493,000
Investment in unconsolidated joint venture	3,718,000	3,644,000
Cash and cash equivalents	21,148,000	17,885,000
Restricted cash	12,806,000	11,507,000
Rents and other receivables, net	5,086,000	4,187,000
Straight-line rents receivable	10,492,000	7,870,000
Other assets	10,749,000	6,921,000
Deferred charges, net	27,874,000	22,268,000
Total assets	<u>\$ 1,502,637,000</u>	<u>\$ 1,251,719,000</u>
<b>Liabilities and shareholders' equity</b>		
Mortgage loans payable	\$ 637,045,000	\$ 499,603,000
Secured revolving credit facility	186,890,000	68,470,000
Accounts payable, accrued expenses, and other	22,755,000	17,435,000
Unamortized intangible lease liabilities	56,052,000	53,160,000
Total liabilities	<u>902,742,000</u>	<u>638,668,000</u>
Minority interests in consolidated joint ventures	10,321,000	9,132,000
Limited partners' interest in Operating Partnership	25,352,000	25,969,000
<b>Shareholders' equity:</b>		
Preferred stock (\$.01 par value, \$25.00 per share liquidation value, 12,500,000 and 5,000,000 shares, respectively, authorized, 3,550,000 shares issued and outstanding)	88,750,000	88,750,000
Common stock (\$.06 par value, 150,000,000 and 50,000,000 shares, respectively, authorized, 44,231,000 and 43,773,000 shares, respectively, issued and outstanding)	2,654,000	2,626,000
Treasury stock (613,000 and 502,000 shares, respectively, at cost)	(8,156,000)	(6,378,000)
Additional paid-in capital	572,017,000	564,637,000
Cumulative distributions in excess of net income	(91,153,000)	(71,831,000)
Accumulated other comprehensive income	110,000	146,000
Total shareholders' equity	<u>564,222,000</u>	<u>577,950,000</u>
Total liabilities and shareholders' equity	<u>\$ 1,502,637,000</u>	<u>\$ 1,251,719,000</u>

See accompanying notes to consolidated financial statements.

**CEDAR SHOPPING CENTERS, INC.**

**Consolidated Statements of Income  
(unaudited)**

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
<b>Revenues:</b>				
Rents	\$ 30,487,000	\$ 25,899,000	\$ 88,486,000	\$ 73,860,000
Expense recoveries	6,875,000	5,446,000	20,822,000	16,570,000
Other	115,000	246,000	568,000	739,000
<b>Total revenues</b>	<b>37,477,000</b>	<b>31,591,000</b>	<b>109,876,000</b>	<b>91,169,000</b>
<b>Expenses:</b>				
Operating, maintenance and management	5,660,000	5,231,000	18,317,000	16,666,000
Real estate and other property-related taxes	3,869,000	3,265,000	10,928,000	9,219,000
General and administrative	1,847,000	1,431,000	7,065,000	4,220,000
Depreciation and amortization	10,065,000	8,923,000	29,696,000	25,428,000
<b>Total expenses</b>	<b>21,441,000</b>	<b>18,850,000</b>	<b>66,006,000</b>	<b>55,533,000</b>
Operating income	16,036,000	12,741,000	43,870,000	35,636,000
<b>Non-operating income and expense:</b>				
Interest expense	(9,618,000)	(8,556,000)	(26,371,000)	(23,655,000)
Amortization of deferred financing costs	(423,000)	(341,000)	(1,152,000)	(1,003,000)
Interest income	82,000	155,000	580,000	392,000
Equity in income (loss) of unconsolidated joint ventures	150,000	—	463,000	(40,000)
Gain on sale of interest in unconsolidated joint venture	—	—	—	141,000
<b>Total non-operating income and expense</b>	<b>(9,809,000)</b>	<b>(8,742,000)</b>	<b>(26,480,000)</b>	<b>(24,165,000)</b>
Income before minority and limited partners' interests and discontinued operations	6,227,000	3,999,000	17,390,000	11,471,000
Minority interests in consolidated joint ventures	(333,000)	(324,000)	(1,028,000)	(943,000)
Limited partners' interest in Operating Partnership	(169,000)	(86,000)	(450,000)	(234,000)
Income from continuing operations	5,725,000	3,589,000	15,912,000	10,294,000
Discontinued operations, net of limited partners' interest	169,000	165,000	496,000	532,000
<b>Net income</b>	<b>5,894,000</b>	<b>3,754,000</b>	<b>16,408,000</b>	<b>10,826,000</b>
Preferred distribution requirements	(1,969,000)	(1,969,000)	(5,907,000)	(5,907,000)
<b>Net income applicable to common shareholders</b>	<b>\$ 3,925,000</b>	<b>\$ 1,785,000</b>	<b>\$ 10,501,000</b>	<b>\$ 4,919,000</b>
<b>Per common share (basic):</b>				
Income from continuing operations, net of preferred distribution requirements	\$ 0.09	\$ 0.05	\$ 0.23	\$ 0.14
Discontinued operations, net of limited partners' interest	—	—	0.01	0.02
<b>Net income applicable to common shareholders</b>	<b>\$ 0.09</b>	<b>\$ 0.05</b>	<b>\$ 0.24</b>	<b>\$ 0.16</b>
<b>Per common share (diluted)</b>				
Income from continuing operations, net of preferred distribution requirements	\$ 0.09	\$ 0.05	\$ 0.23	\$ 0.14
Discontinued operations, net of limited partners' interest	—	—	0.01	0.01
<b>Net income applicable to common shareholders</b>	<b>\$ 0.09</b>	<b>\$ 0.05</b>	<b>\$ 0.24</b>	<b>\$ 0.15</b>
Dividends to common shareholders	\$ 9,952,000	\$ 7,752,000	\$ 29,823,000	\$ 21,320,000
<b>Per common share</b>	<b>\$ 0.225</b>	<b>\$ 0.225</b>	<b>\$ 0.675</b>	<b>\$ 0.675</b>
<b>Weighted average number of common shares outstanding:</b>				
Basic	44,231,000	34,484,000	44,179,000	31,660,000
Diluted	44,234,000	34,488,000	44,183,000	31,831,000

See accompanying notes to consolidated financial statements.

CEDAR SHOPPING CENTERS, INC.

Consolidated Statement of Shareholders' Equity  
 Nine months ended September 30, 2007  
 (unaudited)

	Preferred stock		Common stock		Treasury stock, at cost	Additional paid-in capital	Cumulative distributions in excess of net income	Accumulated other comprehensive income	Total shareholders' equity
	Shares	\$25.00 Liquidation value	Shares	\$0.06 Par value					
Balance, December 31, 2006	3,550,000	\$88,750,000	43,773,000	\$2,626,000	\$(6,378,000)	\$564,637,000	\$(71,831,000)	\$146,000	\$577,950,000
Net income							16,408,000		16,408,000
Unrealized gain (loss) on change in fair value of cash flow hedges								(36,000)	(36,000)
Total comprehensive income									16,372,000
Deferred compensation activity, net			179,000	11,000	(1,778,000)	3,496,000			1,729,000
Net proceeds from common stock sales			275,000	17,000		4,115,000			4,132,000
Conversion of OP Units into common stock			4,000	—		45,000			45,000
Preferred distribution requirements							(5,907,000)		(5,907,000)
Dividends to common shareholders							(29,823,000)		(29,823,000)
Reallocation adjustment of limited partners' interest						(276,000)			(276,000)
Balance, September 30, 2007	3,550,000	\$88,750,000	44,231,000	\$2,654,000	\$(8,156,000)	\$572,017,000	\$(91,153,000)	\$110,000	\$564,222,000

See accompanying notes to consolidated financial statements.

**CEDAR SHOPPING CENTERS, INC.**

**Consolidated Statements of Cash Flows  
(unaudited)**

	<u>Nine months ended September 30,</u>	
	<u>2007</u>	<u>2006</u>
Cash flow from operating activities:		
Net income	\$ 16,408,000	\$ 10,826,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Non-cash provisions:		
Earnings in excess of distributions of consolidated joint venture minority interests	231,000	118,000
Equity in (income) loss of unconsolidated joint ventures	(463,000)	40,000
Distributions from unconsolidated joint venture	397,000	—
Gain on sale of interest in unconsolidated joint venture	—	(141,000)
Limited partners' interest in Operating Partnership	472,000	262,000
Straight-line rents receivable	(2,686,000)	(2,452,000)
Depreciation and amortization	29,921,000	25,659,000
Amortization of intangible lease liabilities	(7,624,000)	(7,713,000)
Amortization relating to stock-based compensation	1,456,000	447,000
Amortization of deferred financing costs	1,152,000	1,003,000
Increases/decreases in operating assets and liabilities:		
Cash at consolidated joint ventures	40,000	652,000
Rents and other receivables, net	(899,000)	(1,087,000)
Other assets	(5,343,000)	(4,270,000)
Accounts payable, accrued expenses and other	3,769,000	3,263,000
Net cash provided by operating activities	<u>36,831,000</u>	<u>26,607,000</u>
Cash flow from investing activities:		
Expenditures for real estate and improvements	(134,014,000)	(150,468,000)
Investment in unconsolidated joint ventures	(8,000)	—
Proceeds from sale of interest in unconsolidated joint venture	—	1,466,000
Construction escrows and other	(1,033,000)	(3,621,000)
	<u>(135,055,000)</u>	<u>(152,623,000)</u>
Net cash (used in) investing activities		
Cash flow from financing activities:		
Net advances (repayments) from line of credit	118,420,000	67,650,000
Proceeds from sales of common stock	3,910,000	74,053,000
Proceeds from mortgage financings	25,693,000	26,333,000
Mortgage repayments	(8,468,000)	(5,263,000)
Contribution from minority interest partner	1,048,000	—
Distributions in excess of earnings from consolidated joint venture minority interests	—	(176,000)
Distributions to limited partners	(1,336,000)	(1,111,000)
Preferred distribution requirements	(5,907,000)	(5,907,000)
Distributions to common shareholders	(29,823,000)	(21,320,000)
Payment of deferred financing costs	(2,050,000)	(926,000)
Net cash provided by financing activities	<u>101,487,000</u>	<u>133,333,000</u>
Net increase in cash and cash equivalents	3,263,000	7,317,000
Cash and cash equivalents at beginning of period	17,885,000	8,601,000
Cash and cash equivalents at end of period	<u>\$ 21,148,000</u>	<u>\$ 15,918,000</u>

See accompanying notes to consolidated financial statements.

**Cedar Shopping Centers, Inc.**

**Notes to Consolidated Financial Statements  
September 30, 2007  
(unaudited)**

**Note 1. Organization and Basis of Preparation**

Cedar Shopping Centers, Inc. (the "Company") was organized in 1984 and elected to be taxed as a real estate investment trust ("REIT") in 1986. The Company has focused primarily on the ownership, operation, development and redevelopment of supermarket-anchored community shopping centers and drug store-anchored convenience centers located in nine states, largely in the Northeast and Mid-Atlantic regions. At September 30, 2007, the Company owned 112 properties, aggregating approximately 11.4 million square feet of gross leasable area ("GLA").

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. At September 30, 2007 and December 31, 2006, the Company owned a 95.7% economic interest in, and is the sole general partner of, the Operating Partnership. The limited partners' interest in the Operating Partnership (4.3% at September 30, 2007 and December 31, 2006) is represented by Operating Partnership Units ("OP Units"), and is adjusted at the end of each reporting period to an amount equal to the limited partners' ownership percentage of the Operating Partnership's net equity. The approximately 1,982,000 OP Units outstanding at September 30, 2007 are economically equivalent to the Company's common stock and are convertible into the Company's common stock at the option of the respective holders on a one-to-one basis.

The consolidated financial statements include the accounts and operations of the Company, the Operating Partnership, its subsidiaries, and joint venture partnerships in which it participates. With respect to its four consolidated operating joint ventures, the Company has general partnership interests of 25% and 30% and, (1) as such entities are not variable-interest entities pursuant to the Financial Accounting Standards Board ("FASB") Interpretation No. 46R, "Consolidation of Variable Interest Entities" ("FIN 46R"), and (2) as the Company is the sole general partner and exercises substantial operating control over these entities pursuant to Emerging Issues Task Force ("EITF") 04-05, "Determining Whether a General Partner, or General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights", the Company has determined that such partnerships should be consolidated for financial statement purposes. EITF 04-05 provides a framework for determining whether a general partner controls, and should consolidate, a limited partnership or similar entity in which it owns a minority interest. The Company also has a 49% interest, acquired in 2006, in an unconsolidated joint venture which owns a single-tenant office property, and which the Company has determined is not a variable-interest entity pursuant to FIN 46R. Although the Company exercises influence over this joint venture, it does not have operating control; accordingly, it accounts for its investment in this joint venture under the equity method.

The accompanying interim unaudited financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in



**Cedar Shopping Centers, Inc.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2007**  
**(unaudited)**

accordance with accounting principles generally accepted in the United States ("GAAP") may have been condensed or omitted pursuant to such rules and regulations. The unaudited financial statements as of September 30, 2007 and for the three and nine months ended September 30, 2007 and 2006 include, in the opinion of management, all adjustments, consisting of normal recurring adjustments necessary to present fairly the financial information set forth therein. The 2006 financial statements have been revised, where necessary, to conform to the 2007 presentation, relating principally to the discontinued operation and the consolidated statement of cash flows. The results of operations for the three and nine months ended September 30, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007. The 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, 2006.

As used herein, the "Company" refers to Cedar Shopping Centers, Inc. and its subsidiaries on a consolidated basis, including the Operating Partnership or, where the context so requires, Cedar Shopping Centers, Inc. only.

**Note 2. Summary of Significant Accounting Policies**

The accompanying financial statements are prepared on the accrual basis in accordance with GAAP, which 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 periods covered by the financial statements. Actual results could differ from these estimates.

***Real Estate Investments and Discontinued Operations***

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

Upon the sale or other disposition of assets, the cost and related accumulated depreciation and amortization would be removed from the accounts and the resulting gain or loss, if any, would be reflected as discontinued operations. In addition, prior periods' financial statements would be reclassified to eliminate the operations of sold properties. Real estate investments include costs of development and redevelopment activities, and construction in progress. Capitalized costs, including interest and other carrying costs during the development and/or renovation periods, are included in the costs of the related assets and charged to operations through depreciation over the respective assets' estimated useful lives.

**Cedar Shopping Centers, Inc.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2007**  
**(unaudited)**

Statement of Financial Accounting Standards (“SFAS”) No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets”, requires that management 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 estimates of cash flows consider factors such as expected future operating income, trends and prospects, as well as the effects of leasing demand, competition and other factors. If an impairment event exists due to the projected inability to recover the carrying value of a real estate investment, an impairment loss is recorded to the extent that the carrying value exceeds estimated fair value. A real estate investment held for sale is carried at the lower of its carrying amount or estimated fair value, less the cost of a potential sale. Depreciation and amortization are suspended during the period the property is held for sale.

In May 2007, the Company decided to dispose of Stadium Plaza, located in East Lansing, Michigan. The property, with 78,000 sq. ft. of GLA, is being actively marketed, is expected to be sold within one year from the date classified as held for sale, and, in accordance with SFAS No. 144, the carrying value of the property’s assets (principally the net book value of the real estate) have been classified as “held for sale” on the Company’s consolidated balance sheets at September 30, 2007 and December 31, 2006 (there were no related “held for sale” liabilities associated with the property). In addition, the property’s results of operations have been classified as “discontinued operations” for all periods presented in the consolidated statements of income. No impairment provision was required as of September 30, 2007. The following is a summary of the components of income from discontinued operations for the three and nine months ended September 30, 2007 and 2006, respectively:

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
<b>Revenues:</b>				
Rents	\$ 297,000	\$ 288,000	\$ 877,000	\$ 866,000
Expense recoveries	71,000	50,000	233,000	194,000
<b>Total revenues</b>	<b>368,000</b>	<b>338,000</b>	<b>1,110,000</b>	<b>1,060,000</b>
<b>Expenses:</b>				
Operating, maintenance and management	32,000	27,000	142,000	94,000
Real estate and other property-related taxes	84,000	58,000	225,000	175,000
Depreciation and amortization	75,000	79,000	225,000	231,000
	<b>191,000</b>	<b>164,000</b>	<b>592,000</b>	<b>500,000</b>
Operating income	177,000	174,000	518,000	560,000
Limited partners’ interest	(8,000)	(9,000)	(22,000)	(28,000)
<b>Income from discontinued operations</b>	<b>\$ 169,000</b>	<b>\$ 165,000</b>	<b>\$ 496,000</b>	<b>\$ 532,000</b>

**Cedar Shopping Centers, Inc.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2007**  
**(unaudited)**

FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations", provides clarification of the term "conditional asset retirement obligation" as used in SFAS No. 143, "Asset Retirement Obligations", to be a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the Company. The Interpretation requires that the Company record a liability for a conditional asset retirement obligation if the fair value of the obligation can be reasonably estimated. Environmental studies generally conducted at the time of acquisition with respect to substantially all of the Company's properties did not reveal any material environmental liabilities, and the Company is unaware of any subsequent environmental matters that would have created a material liability. The Company believes that its properties are currently in material compliance with applicable environmental, as well as non-environmental, statutory and regulatory requirements.

***Intangible Lease Asset/Liability***

SFAS No. 141, "Business Combinations", and SFAS No. 142, "Goodwill and Other Intangibles", require that management allocate the fair value of real estate acquired to land, buildings and improvements. In addition, the fair value of in-place leases is allocated to intangible lease assets and liabilities.

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

The value of in-place leases is measured by the excess of (1) the purchase price paid for a property after adjusting existing in-place leases to market rental rates, over (2) the estimated fair value of the property as if vacant. Above-market and below-market in-place lease values are recorded based on the present value (using a discount rate which reflects the risks associated with the leases acquired) of the difference between the contractual amounts to be received and management's estimate of market lease rates, measured over the non-cancelable terms of the respective leases. The value of other intangibles is amortized to expense, and the above-market and below-market lease values are amortized to rental income, over the remaining non-cancelable terms 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 recognized in operations at that time.

**Cedar Shopping Centers, Inc.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2007**  
**(unaudited)**

With respect to substantially all of the Company's acquisitions through September 30, 2007, the fair value of in-place leases and other intangibles has been allocated, on a preliminary basis where applicable for recent acquisitions, to the intangible asset and liability accounts. Unamortized intangible lease liabilities relate primarily to below-market leases, and amounted to \$56,052,000 and \$53,160,000 at September 30, 2007 and December 31, 2006, respectively.

As a result of recording the intangible lease assets and liabilities, (1) revenues were increased by \$2,526,000 and \$3,042,000 for the three months ended September 30, 2007 and 2006, respectively, relating to the amortization of intangible lease liabilities, and (2) depreciation and amortization expense was increased correspondingly by \$3,579,000 and \$3,313,000 for the respective three-month periods. For the nine months ended September 30, 2007 and 2006, (1) revenues were increased by \$7,624,000 and \$7,713,000, respectively, relating to the amortization of intangible lease liabilities, and (2) depreciation and amortization expense was increased correspondingly by \$10,348,000 and \$8,865,000 for the respective nine-month periods.

***Cash and Cash Equivalents***

Cash and cash equivalents consist of cash in banks and short-term investments with original maturities of less than ninety days.

***Restricted Cash***

The terms of several of the Company's mortgage loans payable require the Company to deposit certain replacement and other reserves with its lenders. Such "restricted cash" is generally available only for property-level requirements for which the reserve was established, is not available to fund other property-level or Company-level obligations, and amounted to \$12,248,000 and \$10,909,000 at September 30, 2007 and December 31, 2006, respectively. In addition, joint venture partnership agreements require, among other things, that the Company maintain separate cash accounts for the operation of the joint ventures, and that distributions to the general and minority interest partners be strictly controlled. Cash at consolidated joint ventures amounted to \$558,000 and \$598,000 at September 30, 2007 and December 31, 2006, respectively.

***Rents and Other Receivables***

Management has determined that all of the Company's leases with its various tenants are operating leases. Rental income with scheduled rent increases is recognized using the straight-line method over the respective terms of the leases. The aggregate excess of rental revenue recognized on a straight-line basis over base rents under applicable lease provisions is included in rents and other receivables on the consolidated balance sheet. Leases also generally contain provisions under which the tenants reimburse the Company for a portion of property operating expenses and real estate taxes incurred; such income is recognized in the periods earned. In

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addition, certain operating leases contain contingent rent provisions under which tenants are required to pay a percentage of their sales in excess of a specified amount as additional rent. The Company defers recognition of contingent rental income until those specified targets are met.

The Company must make estimates as to the collectibility of its accounts receivable related to base rent, straight-line rent, expense reimbursements and other revenues. Management analyzes accounts receivable and the allowance for bad debts by considering historical bad debts, tenant creditworthiness, current economic trends, and changes in tenants' payment patterns when evaluating the adequacy of the allowance for doubtful accounts receivable. The allowance for doubtful accounts was \$1,253,000 and \$1,439,000 at September 30, 2007 and December 31, 2006, respectively.

***Concentration of Credit Risk***

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents in excess of insured amounts and tenant receivables. The Company places its cash and cash equivalents with high quality financial institutions. Management requires certain tenants to provide security deposits and performs ongoing tenant credit evaluations. Although these security deposits are insufficient to meet the terminal value of a tenant's lease obligations, they are a measure of good faith and a source of funds to offset at least in small part the economic costs associated with lost rents and other charges, and the costs associated with releasing the premises.

***Deferred Charges, Net***

Deferred charges at September 30, 2007 and December 31, 2006 are net of accumulated amortization and are comprised of the following:

	Sep 30, 2007	Dec 31, 2006
Deferred lease origination costs (1)	\$ 16,867,000	\$ 14,877,000
Deferred financing costs (2)	6,837,000	5,939,000
Other deferred charges	4,170,000	1,452,000
	<u>\$ 27,874,000</u>	<u>\$ 22,268,000</u>

(1) Deferred lease origination costs include intangible lease assets resulting from purchase accounting allocations of \$12,501,000 and \$11,523,000, respectively.

(2) Deferred financing costs are incurred in connection with the Company's secured revolving credit facility and other long-term debt.

Such costs are amortized over the terms of the related agreements. Amortization expense

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related to deferred charges (including amortization of deferred charges applicable to discontinued operations and amortization of deferred financing costs included in non-operating income and expense) amounted to \$1,196,000 and \$1,138,000 for the three months ended September 30, 2007 and 2006, respectively, and \$3,525,000 and \$3,238,000 for the nine months ended September 30, 2007 and 2006, respectively.

***Income Taxes***

The Company has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended. A REIT will generally not be subject to federal income taxation on that portion of its income that qualifies as REIT taxable income, to the extent that it distributes at least 90% of such REIT taxable income to its shareholders and complies with certain other requirements.

In July 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109, Accounting for Income Taxes" ("FIN 48"), regarding accounting for, and disclosure of, uncertain tax positions. This interpretation prescribes a recognition threshold and measurement in the financial statements of a tax position taken or expected to be taken in a tax return. The interpretation also provides guidance as to its application and related transition, and is effective for fiscal years beginning after December 15, 2006. The adoption of FIN 48 as of January 1, 2007 did not have a material effect on the Company's consolidated financial statements.

***SAB 108***

In September 2006, the SEC issued Staff Accounting Bulletin No. 108 ("SAB 108"), which provides guidance on the consideration of the effects of prior period misstatements in quantifying current year misstatements for the purpose of a materiality assessment. SAB 108 provides for the quantification of the impact of correcting all misstatements, including both the carryover and reversing effects of prior year misstatements, on the current year financial statements. If a misstatement is material to the current year financial statements, the prior year financial statements should also be corrected, even though such revision was, and continues to be, immaterial to the prior year financial statements. Correcting prior year financial statements for immaterial errors would not require previously-filed reports to be amended; such correction should be made in the current period filings. The adoption of SAB 108 as of December 31, 2006 did not have a material effect on the Company's consolidated financial statements.

***Fair Value of Financial Assets and Liabilities***

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements", which provides guidance for using fair value to measure assets and liabilities, and clarifies the principle

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that fair value should be based on the assumptions that market participants would use when pricing assets or liabilities. The statement establishes a fair value hierarchy, giving the highest priority to quoted prices in active markets and the lowest priority to unobservable data, and applies whenever other standards require assets or liabilities to be measured at fair value. The Company does not expect the adoption of SFAS No. 157, which becomes effective for fiscal years beginning after November 15, 2007, to have a material effect on its consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities", which provides companies with an option to report selected financial assets and liabilities at fair value. SFAS No. 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. The statement does not eliminate the disclosure requirements of other accounting standards, including requirements for disclosures about fair value measurements in SFAS No. 107, "Disclosures about Fair Value of Financial Instruments", and SFAS No. 157. The Company is currently evaluating the effect of adopting the statement, which becomes effective for fiscal years beginning after November 15, 2007.

***Earnings Per Share***

In accordance with SFAS No. 128, "Earnings Per Share", basic earnings per share ("EPS") is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding for the period (including shares held by the Rabbi Trusts). Fully-diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into shares of common stock; such additional dilutive shares amounted to 3,000 and 4,000, respectively, for the three months ended September 30, 2007 and 2006, and 4,000 and 171,000, respectively, for the nine months ended September 30, 2007 and 2006.

***Stock-Based Compensation***

The Company adopted the provisions of SFAS No. 123R, "Share-Based Payments", effective January 1, 2006. SFAS No. 123R established 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. The statement also defined a fair value-based method of accounting for an employee stock option or similar equity instrument.

The Company's 2004 Stock Incentive Plan (the "Incentive Plan") provides for the granting of incentive stock options, stock appreciation rights, restricted shares, performance units

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and performance shares. The maximum number of shares of the Company's common stock that may be issued pursuant to the Incentive Plan is 850,000, and the maximum number of shares that may be subject to grants to any single participant is 250,000. Substantially all grants issued pursuant to the Incentive Plan are "restricted stock grants" which specify vesting (1) upon the third anniversary of the date of grant for time-based grants, or (2) upon the completion of a designated period of performance for performance-based grants. Time-based grants are valued according to the market price for the Company's common stock at the date of grant. For performance-based grants, the Company engages an independent appraisal company to determine the value of the shares at the date of grant, taking into account the underlying contingency risks associated with the performance criteria. In February 2007, the Company issued 37,000 shares of common stock as performance-based grants, which will vest if the total annual return on an investment in the Company's common stock over the three-year period ending December 31, 2009 is equal to, or greater than, an average of 8% per year. The independent appraisal determined the value of the performance-based shares to be \$10.09 per share, compared to a market price at the date of grant of \$16.45 per share. The 142,000 additional restricted shares issued during the nine months ended September 30, 2007 were time-based grants. The value of such grants is being amortized on a straight-line basis over the respective vesting periods. Those grants of restricted shares that are transferred to Rabbi Trusts are classified as treasury stock in the Company's consolidated balance sheet, and are accounted for pursuant to EITF No. 97-14, "Accounting for Deferred Compensation Arrangements Where Amounts Earned Are Held in a Rabbi Trust and Invested". The following table sets forth certain stock-based compensation information for the three and nine months ended September 30, 2007 and 2006:

	Three months ended Sep 30,		Nine months ended Sep 30,	
	2007	2006	2007	2006
Restricted share grants	—	4,000	179,000	15,000
Average fair value per share	\$ —	\$ 14.89	\$ 14.52	\$ 14.72
Recorded as deferred compensation	\$ —	\$ 63,000	\$ 2,606,000	\$ 228,000
Total charged to operations	\$ 302,000	\$ 176,000	\$ 1,456,000	\$ 447,000
<b>Non-vested shares:</b>				
Non-vested, beginning of period	382,000	107,000	203,000	96,000
Grants	—	4,000	179,000	15,000
Vested during period	(9,000)	(3,000)	(9,000)	(3,000)
Forfeitures	—	—	—	—
Non-vested, end of period	373,000	108,000	373,000	108,000
Value of shares vested during the period (based on grant date fair value)	\$ 120,000	\$ 40,000	\$ 120,000	\$ 40,000



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At September 30, 2007, 456,000 shares remained available for grants pursuant to the Incentive Plan, and \$3,106,000 remained as deferred compensation, to be amortized over various periods ending in June 2010.

During 2001, pursuant to the 1998 Stock Option Plan (the "Option Plan"), the Company granted to directors options to purchase an aggregate of approximately 13,000 shares of common stock at \$10.50 per share, the market value of the Company's common stock on the date of the grant. The options are fully exercisable and expire in 2011. In connection with the adoption of the Incentive Plan, the Company agreed that it would not grant any more options under the Option Plan.

In connection with an acquisition of a shopping center in 2002, the Operating Partnership issued warrants to purchase approximately 83,000 OP Units to a then minority interest partner in the property. Such warrants have an exercise price of \$13.50 per unit, subject to certain anti-dilution adjustments, are fully vested, and expire in 2012.

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*Supplemental consolidated statement of cash flows information*

	Nine months ended Sep 30,	
	2007	2006
<b>Supplemental disclosure of cash activities:</b>		
Interest paid (including interest capitalized of \$3,066,000 and \$2,625,000, respectively)	\$ 28,892,000	\$ 24,644,000
<b>Supplemental disclosure of non-cash activities:</b>		
Additions to deferred compensation plans	2,606,000	228,000
Assumption of mortgage loans payable	(120,664,000)	(55,983,000)
Issuance of OP Units	(18,000)	(4,260,000)
Conversion of OP Units into common stock	45,000	—
<b>Purchase accounting allocations:</b>		
Intangible lease assets	21,001,000	25,826,000
Intangible lease liabilities	(10,516,000)	(30,532,000)
Net valuation decreases (increases) in assumed mortgage loans payable (a)	447,000	(484,000)
<b>De-consolidation of Red Lion joint venture:</b>		
Real estate, net		\$ 18,365,000
Mortgage loans payable		(16,310,000)
Other assets/liabilities, net		1,721,000
Minority interest		(2,411,000)
Investment in and advances to unconsolidated joint venture, as of January 1, 2006		<u>\$ 1,365,000</u>

(a) The net valuation decreases (increases) in assumed mortgage loans payable result from adjusting the contract rates of interest (ranging from 4.9% to 6.2% per annum in 2007 and from 5.6% to 7.3% per annum in 2006) to market rates of interest (ranging from 5.5% to 6.5% in 2007 and from 5.7 to 6.0% per annum in 2006).

In connection with preparation of the Company's June 30, 2007 consolidated financial statements, the Company determined that cash flows from changes in accounts payable and accrued expenses relating to real estate expenditures should have been included in investing, rather than operating, cash flow activities. Accordingly, the consolidated statement of cash flows for the nine months ended September 30, 2006 has been revised by (1) cash flows provided by operating activities being changed from \$22,945,000 to \$26,607,000, and (2) cash flows from investing activities being changed from (\$148,961,000) to (\$152,623,000).

**Note 3. Common/Preferred Stock Issuances**

The Company's 8-7/8% Series A Cumulative Redeemable Preferred Stock has no stated maturity, is not convertible into any other security of the Company, and is redeemable at the

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Company's option on or after July 28, 2009 at a price of \$25.00 per share, plus accrued and unpaid distributions.

In December 2006, the Company sold 7,500,000 shares of its common stock at a price of \$16.00 per share, and realized net proceeds, after underwriting fees and offering costs, of approximately \$113.8 million, substantially all of which were used initially to repay amounts outstanding under the Company's secured revolving credit facility (in January 2007, the underwriters exercised their over-allotment option to the extent of 275,000 shares, and the Company realized additional net proceeds of \$4.1 million).

Pursuant to a registration statement filed in June 2005 and prospectus supplements thereto (applicable to a total of 7,000,000 shares), the Company is authorized to sell shares of its common stock through registered deferred offering programs. Pursuant to these programs, the Company sold 3,295,000 shares of its common stock during 2006, at an average price of \$15.64 per share, resulting in net proceeds to the Company, after issuance expenses, of approximately \$49.9 million. The Company has not authorized any sales under these programs during 2007.

On September 12, 2007, stockholders approved amendments to the Company's Articles of Incorporation increasing the number of authorized shares of common stock to 150,000,000 and the number of authorized shares of preferred stock to 12,500,000.

**Note 4. Real Estate**

On January 18, 2007, the Company acquired the Fairview Commons shopping center in New Cumberland, Pennsylvania, an approximately 60,000 sq. ft. shopping center adjacent to its Fairview Plaza shopping center, for a purchase price of approximately \$4.3 million, including closing costs. The acquisition cost was funded from the Company's secured revolving credit facility.

On January 30, 2007, the Company acquired the Oakland Commons shopping center in Bristol, Connecticut, an approximately 90,000 sq. ft. supermarket-anchored shopping center, for a purchase price of approximately \$12.5 million, including closing costs. The acquisition cost was funded from the Company's secured revolving credit facility.

On April 4, 2007, the Company acquired five supermarket-anchored shopping centers located in Eastern Pennsylvania, aggregating approximately 354,000 sq. ft. of GLA. The aggregate purchase price was approximately \$91.9 million, including closing costs, financed by (1) the assumption of approximately \$42.8 million of existing first-mortgage financing bearing interest at rates ranging from 4.94% to 5.89% per annum, a weighted average of 5.62% per annum, and maturing over periods ending principally in 2015, (2) new financing of approximately \$14.3 million bearing interest at 5.53% per annum and maturing in 2017, and (3) approximately \$34.8 million from the Company's secured revolving credit facility.

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On June 7, 2007, the Company acquired Grove City Discount Drug Mart Plaza in Grove City, Ohio, an approximately 41,000 sq. ft. convenience center, for a purchase price of approximately \$4.4 million, including closing costs. The acquisition cost was funded from the Company's secured revolving credit facility.

On September 5, 2007, the Company acquired Hilliard Discount Drug Mart Plaza in Hilliard, Ohio, an approximately 41,000 sq. ft. convenience center, for a purchase price of approximately \$5.4 million, including closing costs. The acquisition cost was funded from the Company's secured revolving credit facility.

On several dates during the three months ended September 30, 2007, the Company acquired five shopping center properties, located in Groton, Connecticut, Cockeysville, Maryland, West Bridgewater, Massachusetts, Massapequa, New York and Shamokin Dam, Pennsylvania, having a total of approximately 698,000 sq. ft. of GLA. The five properties were part of a six property portfolio being acquired from one selling group (the "WP Realty Properties"); the acquisition of the sixth property closed in October 2007. The combined purchase price for the five properties was approximately \$106.1 million, including closing costs, which the Company financed by (1) assuming approximately \$77.9 million of existing first mortgage loans bearing interest at an average rate of 6.0% per annum and maturing in 2014 to 2016, and (2) funding approximately \$28.2 million from its secured revolving credit facility.

***Joint Venture Arrangements***

Effective April 2, 2007, the Company entered into an agreement to form a joint venture with a wholly-owned U.S. subsidiary of Homburg Invest Inc., a publicly-traded Canadian corporation listed on the Toronto and Euronext Amsterdam Stock Exchanges ("Homburg"), with respect to four shopping centers then owned and managed by the Company and the five shopping centers acquired by the Company on April 4, 2007 as described above; the aggregate valuation for the nine properties was approximately \$170 million. Richard Homburg, a director of the Company, is Chairman and CEO of Homburg. In connection with the joint venture investment, the independent members of the Company's Board of Directors obtained appraisals in support of the transfer values of the then-owned properties. The Company will hold a 20% interest in, and be the sole general partner of, the joint venture and Homburg, through such subsidiary, will acquire the remaining 80% interest. The joint venture is structured in limited partnerships such that, at Homburg's election, it may sell a portion of its ownership interests to individual investors in Europe, and Homburg will be entitled to certain fees with respect thereto, payable by the Company. The Company will be entitled to a "promote" structure, applicable separately to each property, which, if certain targets are met, will permit the Company to receive at least 40% of the returns in excess of a leveraged 9.25% threshold. Additionally, the Company will receive fees for ongoing property management, leasing, construction management, acquisitions, dispositions, financings and refinancings. Closing of the sale of the Company's interests in the nine properties to the joint venture is expected prior to December 31, 2007. The transactions contemplated by

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this joint venture do not qualify as a sale for financial reporting purposes; accordingly, the Company will continue to consolidate the properties.

Effective April 5, 2007, the Company entered into a joint venture agreement for the construction and development of an estimated 700,000 sq. ft. shopping center in Pottsgrove, Pennsylvania, approximately 40 miles northwest of Philadelphia. Total project costs, including purchase of the land parcels, are estimated at \$105 million. The Company is committed to paying a development fee of \$2.0 million and providing up to \$17.5 million of equity capital for a 60% interest in the joint venture, with a preferred rate of return of 9.25% per annum on such amounts.

***Pro Forma Financial Information (unaudited)***

During the period January 1, 2006 through September 30, 2007, the Company acquired 27 shopping and convenience centers aggregating approximately 3.0 million sq. ft. of GLA, approximately 195 acres of land for expansion and/or future development, and a 49% interest in an unconsolidated joint venture which owns a single-tenant office property, for a total cost of approximately \$439.5 million. The following table summarizes, on an unaudited pro forma basis before purchase accounting allocations, the combined results of operations of the Company for the three and nine months ended September 30, 2007 and 2006 as if all of these property acquisitions were completed as of January 1, 2006. This unaudited pro forma information does not purport to represent what the actual results of operations of the Company would have been had all the above occurred as of January 1, 2006, nor does it purport to predict the results of operations for future periods.

	Three months ended Sep 30,		Nine months ended Sep 30,	
	2007	2006	2007	2006
Revenues	\$39,646,000	\$38,306,000	\$119,475,000	\$115,436,000
Net income applicable to common shareholders	\$ 3,468,000	\$ 1,130,000	\$ 8,721,000	\$ 2,790,000
Per common share:				
Basic	\$ 0.08	\$ 0.03	\$ 0.20	\$ 0.09
Diluted	\$ 0.08	\$ 0.03	\$ 0.20	\$ 0.09
Weighted average number of common shares outstanding:				
Basic	44,231,000	34,484,000	44,179,000	31,660,000
Diluted	44,234,000	34,488,000	44,183,000	31,831,000

***Real Estate Pledged***

At September 30, 2007 and December 31, 2006, a substantial number of the Company's real estate properties were pledged as collateral for either property-specific mortgage loans payable or for the secured revolving credit facility.

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**Note 5. Mortgage Loans Payable and Secured Revolving Credit Facility**

Secured debt consisted of the following at September 30, 2007 and December 31, 2006:

Description	Sep 30, 2007			Dec 31, 2006		
	Balance outstanding	Weighted average	Interest rates Range	Balance outstanding	Weighted average	Interest rates Range
Fixed-rate mortgages	\$ 632,268,000	5.7%	4.8% - 7.6%	\$ 494,764,000	5.7%	4.8% - 7.6%
Variable-rate mortgage	4,777,000	7.9%	7.9%	4,839,000	8.1%	8.1%
	637,045,000	5.8%		499,603,000	5.7%	
Secured revolving credit facility	186,890,000	6.7%		68,470,000	6.6%	
	<u>\$ 823,935,000</u>	<u>6.0%</u>		<u>\$ 568,073,000</u>	<u>5.8%</u>	

**Secured Revolving Credit Facility**

The Company has a \$300 million secured revolving credit facility with Bank of America, N.A. (as agent) and several other banks, pursuant to which the Company has pledged certain of its shopping center properties as collateral for borrowings thereunder. The facility, as amended (including the latest amendment effective as of October 17, 2007), is expandable to \$400 million, subject to certain conditions, and will expire in January 2009, subject to a one-year extension option. Borrowings outstanding under the facility aggregated \$186.9 million at September 30, 2007, and such borrowings bore interest at an average rate of 6.7% per annum. Borrowings under the facility bear interest at a rate of LIBOR plus a basis points (“bps”) spread ranging from 110 to 145 bps depending upon the Company’s leverage ratio, as defined (the spread as of September 30, 2007 was 110 bps). The facility also requires an unused portion fee of 15 bps. Based on covenant measurements and collateral in place as of September 30, 2007 (including the additional collateral pledged as of October 17, 2007), the Company was permitted to draw up to approximately \$294.6 million, of which approximately \$107.7 million remained available as of September 30, 2007.

The credit facility is used to fund acquisitions, development and redevelopment activities, capital expenditures, mortgage repayments, dividend distributions, working capital and other general corporate purposes. The facility is subject to customary financial covenants, including limits on leverage and distributions (limited to 95% of funds from operations, as defined), and other financial statement ratios. The Company plans to add additional properties, when available, to the collateral pool with the intent of making the full facility available.

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**Note 6. Subsequent Events**

On October 5, 2007, the Company closed on the purchase of the sixth WP Realty Property, a 168,000 sq. ft. shopping center located in New Bedford, Massachusetts. The purchase price for the property was approximately \$12.1 million, including closing costs, which the Company financed by (1) assuming an approximate \$8.1 million existing first mortgage loan bearing interest at 6.0% per annum and maturing in 2014, and (2) funding approximately \$4.0 million from its secured revolving credit facility.

On October 18, 2007, the Company's Board of Directors approved a dividend of \$0.225 per share with respect to its common stock as well as an equal distribution per unit on its outstanding OP Units. At the same time, the Board approved a dividend of \$0.554688 per share with respect to the Company's 8-7/8% Series A Cumulative Redeemable Preferred Stock. The distributions are payable on November 20, 2007 to shareholders of record on November 9, 2007.

On November 6, 2007, the Company closed on the purchase of a 102,000 sq. ft. shopping center located in Webster, Massachusetts. The purchase price for the property was approximately \$17.8 million, including closing costs, which the Company funded from its secured revolving credit facility.

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

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

### Executive Summary

The Company is a fully-integrated real estate company which focuses primarily on ownership, operation, development and redevelopment of supermarket-anchored community shopping centers and drug store-anchored convenience centers. The Company's existing properties are located in nine states, largely in the Northeast and Mid-Atlantic regions. At September 30, 2007, the Company had a portfolio of 112 properties totaling approximately 11.4 million square feet of GLA, including 107 wholly-owned properties comprising approximately 10.8 million square feet and four properties owned in joint venture comprising approximately 485,000 square feet. At September 30, 2007, the portfolio of wholly-owned properties consisted of (1) 98 "stabilized" properties (those properties at least 80% leased and not designated as "development/redevelopment" properties as of September 30, 2007), with an aggregate of 9.6 million square feet of GLA, which were approximately 96% leased, (2) four development/redevelopment properties with an aggregate of 890,000 square feet of GLA, which were approximately 67% leased, (3) five non-stabilized properties with an aggregate of 329,000 square feet of GLA, which are presently being re-tenanted and which were approximately 71% leased, and (4) one property held for sale with an aggregate of 78,000 square feet of GLA, which was 100% leased. The four properties owned in joint venture are all "stabilized" properties and are 100.0% leased. The entire 112 property portfolio was approximately 93% leased at September 30, 2007. In addition, the Company has a 49% interest in an unconsolidated joint venture which owns a single-tenant office property.

The Company, organized as a Maryland corporation, has established an umbrella partnership structure through the contribution of substantially all of its assets to the Operating Partnership, organized as a limited partnership under the laws of Delaware. The Company conducts substantially all of its business through the Operating Partnership. At September 30, 2007, the Company owned a 95.7% economic interest in, and is the sole general partner of, the Operating Partnership. OP Units are economically equivalent to the Company's common stock and are convertible into the Company's common stock at the option of the respective holders on a one-to-one basis.

The Company derives substantially all of its revenues from rents and operating expense reimbursements received pursuant to long-term leases. The Company's operating results therefore depend on the ability of its tenants to make the payments required by the terms of their leases. The Company focuses its investment activities on supermarket-anchored community shopping centers and drug store-anchored convenience centers. The Company believes, because of the need of consumers to purchase food and other staple goods and services generally available at such centers, that the nature of its investments provide relatively stable revenue flows even during difficult economic times.



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The Company continues to seek opportunities to acquire stabilized properties and properties suited for development and/or redevelopment where it can utilize its experience in shopping center development, renovation, expansion, re-leasing and re-merchandising to achieve long-term cash flow growth and favorable investment returns. The Company would consider investment opportunities in regions beyond its present markets only in the event such opportunities were consistent with its focus, could be effectively controlled and managed, have the potential for favorable investment returns, and would contribute to increased shareholder value.

### **Summary of Critical Accounting Policies**

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

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

#### ***Revenue Recognition***

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

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

***Real Estate Investments***

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

The Company applies SFAS No. 141, "Business Combinations", and SFAS No. 142, "Goodwill and Other Intangibles", in valuing real estate acquisitions. In connection therewith, the fair value of real estate acquired is allocated to land, buildings and improvements. In addition, the fair value of in-place leases is allocated to intangible lease assets and liabilities. The fair value of the tangible assets of an acquired property is determined by valuing the property as if it were vacant, which value is then allocated to land, buildings and improvements based on management's determination of the relative fair values of such assets. In valuing an acquired property's intangibles, factors considered by management include an estimate of carrying costs during the expected lease-up periods, such as real estate taxes, insurance, other operating expenses, and estimates of lost rental revenue during the expected lease-up periods based on its evaluation of current market demand. Management also estimates costs to execute similar leases, including leasing commissions, tenant improvements, legal and other related costs.

The value of in-place leases is measured by the excess of (1) the purchase price paid for a property after adjusting existing in-place leases to market rental rates, over (2) the estimated fair value of the property as if vacant. Above-market and below-market in-place lease values are recorded based on the present value (using a discount rate which reflects the risks associated with the leases acquired) of the difference between the contractual amounts to be received and management's estimate of market lease rates, measured over the non-cancelable terms of the respective leases. The value of other intangibles is amortized to expense, and the above-market and below-market lease values are amortized to rental income, over the remaining non-cancelable terms 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 recognized in operations at that time.

Management is required to make subjective assessments in connection with its valuation of real estate acquisitions. These assessments have a direct impact on net income, because (1) above-market and below-market lease intangibles are amortized to rental income, and (2) the value of other intangibles is amortized to expense. Accordingly, higher allocations to below-

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market lease liability and other intangibles would result in higher rental income and amortization expense, whereas lower allocations to below-market lease liability and other intangibles would result in lower rental income and amortization expense.

The Company applies SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", to recognize and measure impairment of long-lived assets. Management reviews each real estate investment for impairment whenever events or circumstances indicate that the carrying value of a real estate investment may not be recoverable. The review of recoverability is based on an estimate of the future cash flows that are expected to result from the real estate investment's use and eventual disposition. These estimates of cash flows consider factors such as expected future operating income, trends and prospects, as well as the effects of leasing demand, competition and other factors. If an impairment event exists due to the projected inability to recover the carrying value of a real estate investment, an impairment loss is recorded to the extent that the carrying value exceeds estimated fair value. A real estate investment held for sale is carried at the lower of its carrying amount or estimated fair value, less the cost of a potential sale. Depreciation and amortization are suspended during the period the property is held for sale. Management is required to make subjective assessments as to whether there are impairments in the value of its real estate properties. These assessments have a direct impact on net income, because an impairment loss is recognized in the period that the assessment is made.

### ***Stock-Based Compensation***

The Company adopted the provisions of SFAS No. 123R, "Share-Based Payments", effective January 1, 2006. SFAS No. 123R established 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. The statement also defined a fair value-based method of accounting for an employee stock option or similar equity instrument.

The Company's Incentive Plan provides for the granting of incentive stock options, stock appreciation rights, restricted shares, performance units and performance shares. The maximum number of shares of the Company's common stock that may be issued pursuant to the Incentive Plan is 850,000, and the maximum number of shares that may be subject to grants to any single participant is 250,000. Substantially all grants issued pursuant to the Incentive Plan are "restricted stock grants" which specify vesting (1) upon the third anniversary of the date of grant for time-based grants, or (2) upon the completion of a designated period of performance for performance-based grants. Time-based grants are valued according to the market price for the Company's common stock at the date of grant. For performance-based grants, the Company engages an independent appraisal company to determine the value of the shares at the date of grant, taking into account the underlying contingency risks associated with the performance criteria. The value of such grants is being amortized on a straight-line basis over the respective vesting periods. These value estimates have a direct impact on net income, because higher valuations would result in lower net income, where lower valuations would result in higher net income.

**Results of Operations**

Differences in results of operations between 2007 and 2006, respectively, were primarily the result of the Company's property acquisition program and continuing development/redevelopment activities. During the period January 1, 2006 through September 30, 2007, the Company acquired 27 shopping and convenience centers aggregating approximately 3.0 million sq. ft. of GLA, approximately 195 acres of land for expansion and/or future development, and a 49% interest in an unconsolidated joint venture which owns a single-tenant office property, for a total cost of approximately \$439.5 million. In addition, the Company completed and placed into service two ground-up developments having an aggregate cost of approximately \$9.2 million. Income from continuing operations before minority and limited partners' interests and preferred distribution requirements increased to \$6.2 million during the three months ended September 30, 2007 from \$4.0 million during the three months ended September 30, 2006. Income from continuing operations before minority and limited partners' interests and preferred distribution requirements increased to \$17.4 million during the nine months ended September 30, 2007 from \$11.5 million during the nine months ended September 30, 2006.

**Comparison of the quarter ended September 30, 2007 to the quarter ended September 30, 2006**

	<u>Three months ended Sep 30,</u>		<u>Increase</u>	<u>Percentage change</u>	<u>Acquisitions</u>	<u>Properties held throughout both periods</u>
	<u>2007</u>	<u>2006</u>				
Rents and expense recoveries	\$37,362,000	\$31,345,000	\$6,017,000	19%	\$5,279,000	\$ 738,000
Property operating expenses	9,529,000	8,496,000	1,033,000	12%	1,060,000	(27,000)
Depreciation and amortization	10,065,000	8,923,000	1,142,000	13%	1,708,000	(566,000)
General and administrative	1,847,000	1,431,000	416,000	29%	n/a	n/a
Non-operating (income) and expense, net (1)	9,809,000	8,742,000	1,067,000	12%	n/a	n/a

(1) Non-operating income and expense consists principally of interest expense, amortization of deferred financing costs, and equity in income (loss) of unconsolidated joint ventures.

**Properties held throughout both periods.** The Company held 85 properties throughout the three months ended September 30, 2007 and 2006. Rents and expense recoveries increased primarily as a result of (1) lease commencements at the Company's development, redevelopment and stabilized properties (\$883,000), (2) an increase in expense recoveries (\$478,000), and (3) an increase in percentage rents (\$349,000), offset by (4) a decrease in the amortization of intangible lease liabilities (\$910,000), resulting principally from acceleration of amortization in 2006 relating to prematurely-terminated leases (which also resulted in a decrease in depreciation and amortization expense), and (5) a decrease in straight-line rents (\$62,000). Property operating expenses decreased as a result of (1) a decrease in the provision for doubtful accounts (\$556,000), offset by (2) an increase in real estate and other property-related taxes (\$227,000), (3) an increase in non-billable expenses (\$139,000), (4) an increase in repairs and maintenance (\$87,000), and (5) an increase in other operating expenses (\$76,000).

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**General and administrative expenses.** General and administrative expenses increased primarily as a result of increased compensation costs, and the Company's continued growth.

**Non-operating income and expense, net.** Non-operating income and expense, net, increased primarily as a result of (1) increased interest costs from borrowings related to property acquisitions, partially offset by (2) earnings from an unconsolidated joint venture acquired in November 2006.

### **Comparison of the nine months ended September 30, 2007 to the nine months ended September 30, 2006**

	Nine months ended Sep 30,		Increase	Percentage change	Acquisitions/ dispositions	Properties held throughout both periods
	2007	2006				
Rents and expense recoveries	\$109,308,000	\$90,430,000	\$18,878,000	21%	\$17,476,000	\$ 1,402,000
Property operating expenses	29,245,000	25,885,000	3,360,000	13%	3,571,000	(211,000)
Depreciation and amortization	29,696,000	25,428,000	4,268,000	17%	5,523,000	(1,255,000)
General and administrative	7,065,000	4,220,000	2,845,000	67%	n/a	n/a
Non-operating (income) and expense, net (1)	26,480,000	24,165,000	2,315,000	10%	n/a	n/a

(1) Non-operating income and expense consists principally of interest expense, amortization of deferred financing costs, and equity in income (loss) of unconsolidated joint ventures.

**Properties held throughout both periods.** The Company held 82 properties throughout the nine months ended September 30, 2007 and 2006. Rents and expense recoveries increased primarily as a result of (1) lease commencements at the Company's development, redevelopment and stabilized properties (\$2,342,000), (2) an increase in expense recoveries (\$1,363,000) and (3) an increase in percentage rents (\$32,000), offset by (4) a decrease in the amortization of intangible lease liabilities (\$1,719,000), resulting from (a) the impact of purchase accounting allocations in the first quarter of 2006 applicable to properties acquired during 2005 (which also resulted in a decrease in depreciation and amortization expense) and (b) acceleration of amortization in 2006 relating to prematurely-terminated leases, and (5) a decrease in straight-line rents (\$616,000). Property operating expenses decreased as a result of (1) a decrease in the provision for doubtful accounts (\$1,352,000), offset by (2) an increase in snow removal costs (\$534,000), (3) an increase in real estate and other property-related taxes (\$420,000), (4) an increase in billable expenses (\$113,000), and (5) an increase in other operating expenses (\$74,000).

**General and administrative expenses.** General and administrative expenses increased primarily as a result of costs associated with the retirement of a senior executive and the initial compensation/relocation costs of his replacement (\$1,535,000), increased compensation costs, and the Company's continued growth.

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**Non-operating income and expense, net.** Non-operating income and expense, net, increased primarily as a result of (1) increased interest costs (a) from borrowings related to property acquisitions, as reduced by (b) the impact on interest costs of proceeds from common stock sales throughout 2006 used initially to reduce outstanding borrowings under the Company's secured revolving credit facility, partially offset by (2) earnings from an unconsolidated joint venture acquired in November 2006.

### **Liquidity and Capital Resources**

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

The Company has a \$300 million secured revolving credit facility with Bank of America, N.A. (as agent) and several other banks, pursuant to which the Company has pledged certain of its shopping center properties as collateral for borrowings thereunder; the facility, as amended, is expandable to \$400 million, subject to certain conditions, and will expire in January 2009, subject to a one-year extension option. As of September 30, 2007, based on covenant measurements and collateral in place (including the additional collateral pledged as of October 17, 2007), the Company was permitted to draw up to approximately \$294.6 million, of which approximately \$107.7 million remained available as of that date. The credit facility is used to fund acquisitions, development and redevelopment activities, capital expenditures, mortgage repayments, dividend distributions, working capital and other general corporate purposes. The facility is subject to customary financial covenants, including limits on leverage and distributions (limited to 95% of funds from operations, as defined), and other financial statement ratios. The Company plans to add additional properties, when available, to the collateral pool with the intent of making the full facility available.

At September 30, 2007, the Company's financial liquidity was provided principally by (1) \$21.1 million in cash and cash equivalents, and (2) \$107.7 million available under the secured revolving credit facility. In addition, the Company anticipates the availability of additional construction financing, excess funds from the refinancing of existing debt as it becomes due, and approximately \$50 million in net proceeds from the contribution of properties to the joint venture with Homburg Invest Inc.

Mortgage loans payable at September 30, 2007 consisted of fixed-rate notes totaling \$632.3 million (with a weighted average interest rate of 5.7%) and variable-rate notes totaling \$191.6 million, including \$186.9 million under the secured revolving credit facility (with a combined weighted average interest rate of 6.7%). Total mortgage loans payable have an overall weighted average interest rate of 6.0% and mature at various dates through 2021.

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In December 2006, the Company sold 7,500,000 shares of its common stock at a price of \$16.00 per share, and realized net proceeds, after underwriting fees and offering costs, of approximately \$113.8 million; in January 2007, the underwriters exercised their over-allotment option to the extent of 275,000 shares, and the Company realized additional net proceeds of \$4.1 million. Pursuant to a registration statement filed in June 2005 and prospectus supplements related thereto (applicable to a total of 7,000,000 shares), the Company is authorized to sell shares of its common stock through registered deferred offering programs. No shares were sold pursuant to the current program during the nine months ended September 30, 2007. On September 12, 2007, stockholders approved amendments to the Company's Articles of Incorporation increasing the number of authorized shares of common stock to 150,000,000 and the number of authorized shares of preferred stock to 12,500,000.

The terms of several of the Company's mortgage loans payable require the Company to deposit certain replacement and other reserves with its lenders. Such "restricted cash" is generally available only for property-level requirements for which the reserve was established, and is not available to fund other property-level or Company-level obligations. In addition, joint venture partnership agreements require, among other things, that the Company maintain separate cash accounts for the operation of the joint ventures, and that distributions to the general and minority interest partners be strictly controlled.

### **Net Cash Flows**

In connection with preparation of the Company's June 30, 2007 consolidated financial statements, the Company determined that cash flows from changes in accounts payable and accrued expenses relating to real estate expenditures should have been included in investing, rather than operating, cash flow activities. As a result, the consolidated statement of cash flows for the nine months ended September 30, 2006 has been revised by (1) cash flows provided by operating activities being changed from \$22,945,000 to \$26,607,000, and (2) cash flows from investing activities being changed from (\$148,961,000) to (\$152,623,000).

### ***Operating Activities***

Net cash flows provided by operating activities amounted to \$36.8 million during the nine months ended September 30, 2007, compared to net cash flows provided by operating activities of \$26.6 million during the nine months ended September 30, 2006. The increase in operating cash flows during the first nine months of 2007, as compared with the first nine months of 2006, was primarily the result of (1) property acquisitions, and (2) the impact of the common stock offering in December 2006.

### ***Investing Activities***

Net cash flows used in investing activities were \$135.0 million during the nine months ended September 30, 2007 and \$152.6 million during the nine months ended September 30, 2006, and were primarily the result of the Company's property acquisition program and continuing development/redevelopment activities. During the first nine months of 2007, the

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Company acquired 14 shopping and convenience centers and land for future expansion and development. During the first nine months of 2006, the Company acquired nine shopping centers, the remaining 50% interest in a third, land for future expansion and development, and sold its interest in an unconsolidated joint venture.

### ***Financing Activities***

Net cash flows provided by financing activities were \$101.5 million during the nine months ended September 30, 2007 and \$133.3 million during the nine months ended September 30, 2006. During the first nine months of 2007, the Company received the proceeds of net borrowings of \$118.4 million under the Company's secured revolving credit facility, \$25.7 million in proceeds from mortgage financings, \$3.9 million in net proceeds from sales of common stock, and a \$1.0 million contribution from a minority interest partner, offset by preferred and common stock dividend distributions of \$35.7 million, repayment of mortgage obligations of \$8.5 million, distributions paid with respect to limited partners' interests of \$1.3 million, and payment of deferred financing costs of \$2.0 million. During the first nine months of 2006, the Company received \$74.0 million in net proceeds from the settlement of a forward sales agreement relating to an August 2005 public offering and sales of common stock under registered deferred offering programs, the proceeds of net borrowings of \$67.7 million under the Company's secured revolving credit facility, and \$26.3 million in proceeds from mortgage financings, offset by preferred and common stock dividend distributions of \$27.2 million, repayment of mortgage obligations of \$5.3 million, distributions paid with respect to minority and limited partners' interests of \$1.3 million, and payment of deferred financing costs of \$0.9 million.

### ***Funds From Operations***

Funds From Operations ("FFO") is a widely-recognized non-GAAP financial measure for REITs that the Company believes, when considered with financial statements determined in accordance with GAAP, is useful to investors in understanding financial performance and providing a relevant basis for comparison among REITs. In addition, FFO is useful to investors as it captures features particular to real estate performance by recognizing that real estate generally appreciates over time or maintains residual value to a much greater extent than do other depreciable assets. Investors should review FFO, along with GAAP net income, when trying to understand an equity REIT's operating performance. The Company presents FFO because the Company considers it an important supplemental measure of its operating performance and believes that it is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs. Among other things, the Company uses FFO or an FFO-based measure (1) as one of several criteria to determine performance-based bonuses for members of senior management, (2) in performance comparisons with other shopping center REITs, and (3) to measure compliance with certain financial covenants under the terms of the Loan Agreement relating to the Company's secured revolving credit facility.

The Company computes FFO in accordance with the "White Paper" on FFO published by the National Association of Real Estate Investment Trusts ("NAREIT"), which defines FFO as net income applicable to common shareholders (determined in accordance with GAAP),



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excluding gains or losses from debt restructurings and sales of properties, plus real estate-related depreciation and amortization, and after adjustments for partnerships and joint ventures (which are computed to reflect FFO on the same basis).

FFO does not represent cash generated from operating activities and should not be considered as an alternative to net income applicable to common shareholders or to cash flow from operating activities. FFO is not indicative of cash available to fund ongoing cash needs, including the ability to make cash distributions. Although FFO is a measure used for comparability in assessing the performance of REITs, as the NAREIT White Paper only provides guidelines for computing FFO, the computation of FFO may vary from one company to another. The following table sets forth the Company's calculations of FFO for the three and nine months ended September 30, 2007 and 2006:

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Net income applicable to common shareholders	\$ 3,925,000	\$ 1,785,000	\$ 10,501,000	\$ 4,919,000
Add (deduct):				
Real estate depreciation and amortization	10,078,000	8,963,000	29,745,000	25,563,000
Limited partners' interest	179,000	95,000	474,000	262,000
Minority interests in consolidated joint ventures	333,000	324,000	1,028,000	943,000
Minority interests' share of FFO applicable to consolidated joint ventures	(448,000)	(438,000)	(1,365,000)	(1,350,000)
Equity in (income) loss of unconsolidated joint ventures	(150,000)	—	(463,000)	40,000
Gain on sale of interest in unconsolidated joint venture	—	—	—	(141,000)
FFO from unconsolidated joint ventures	233,000	—	701,000	(5,000)
Funds from operations	\$ 14,150,000	\$ 10,729,000	\$ 40,621,000	\$ 30,231,000
FFO per common share (assuming conversion of OP Units):				
Basic	\$ 0.31	\$ 0.30	\$ 0.88	\$ 0.91
Diluted	\$ 0.31	\$ 0.30	\$ 0.88	\$ 0.90
Weighted average number of common shares:				
Shares used in determination of basic earnings per share	44,231,000	34,484,000	44,179,000	31,660,000
Additional shares assuming conversion of OP Units (basic)	1,982,000	1,837,000	1,984,000	1,675,000
Shares used in determination of basic FFO per share	46,213,000	36,321,000	46,163,000	33,335,000
Shares used in determination of diluted earnings per share	44,234,000	34,488,000	44,183,000	31,831,000
Additional shares assuming conversion of OP Units (diluted)	1,981,000	1,846,000	1,993,000	1,683,000
Shares used in determination of diluted FFO per share	46,215,000	36,334,000	46,176,000	33,514,000

**Inflation**

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

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

The primary market risk facing the Company is interest rate risk on its variable-rate mortgage loan payable and secured revolving credit facility. The Company will, when advantageous, hedge its interest rate risk using derivative financial instruments. The Company is not subject to foreign currency risk.

The Company is exposed to interest rate changes primarily through (1) the secured floating-rate revolving credit facility used to maintain liquidity, fund capital expenditures and expand its real estate investment portfolio, and (2) floating-rate construction financing. The Company's objectives with respect to interest rate risk are to limit the impact of interest rate changes on operations and cash flows, and to lower its overall borrowing costs. To achieve these objectives, the Company may borrow at fixed rates and may enter into derivative financial instruments such as interest rate swaps, caps and/or treasury locks in order to mitigate its interest rate risk on a related variable-rate financial instrument. The Company does not enter into derivative or interest rate transactions for speculative purposes.

At September 30, 2007, long-term debt consisted of fixed and variable-rate mortgage loans payable, and the variable-rate secured revolving credit facility. The average interest rate on the \$632.3 million of fixed rate indebtedness outstanding was 5.7%, with maturities at various dates through 2021. The average interest rate on the Company's \$191.6 million of variable-rate debt was 6.7%, with maturities at various dates through 2009. Based on the amount of variable-rate debt outstanding at September 30, 2007, if interest rates either increase or decrease by 1%, the Company's net income would decrease or increase respectively by approximately \$1,916,000 per annum.

**Item 4. Controls and Procedures**

The Company maintains disclosure controls and procedures and internal controls designed to ensure that information required to be disclosed in its filings under the Securities Exchange Act of 1934 is reported within the time periods specified in the Securities and Exchange Commission's ("SEC") rules and forms. In this regard, the Company has formed a Disclosure Committee currently comprised of several of the Company's executive officers as well as certain other employees with knowledge of information that may be considered in the SEC reporting process. The Committee has responsibility for the development and assessment of the financial and non-financial information to be included in the reports filed with the SEC, and assists the Company's Chief Executive Officer and Chief Financial Officer in connection with their certifications contained in the Company's SEC filings. The Committee meets regularly and

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reports to the Audit Committee on a quarterly or more frequent basis. The Company's principal executive and financial officers have evaluated its disclosure controls and procedures as of September 30, 2007, and have determined that such disclosure controls and procedures are effective.

During the three months ended September 30, 2007, there have been no changes in the internal controls over financial reporting or in other factors that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting.

**Part II Other Information**

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

The Company held a special meeting of stockholders on September 12, 2007, at which the following matters were voted upon and approved by stockholders:

1. The approval of an amendment to the Company's Articles of Incorporation to increase the number of authorized shares of common stock.
2. The approval of an amendment to the Company's Articles of Incorporation to increase the number of authorized shares of preferred stock and to prohibit use of such preferred stock for anti-takeover purposes.

The results of the vote were as follows:

	For	Withheld/ Against	Abstain	Broker Non-Votes
1. Increasing authorized shares of common stock	32,976,877	8,057,167	72,500	0
2. Increasing authorized shares of preferred stock and prohibiting use of such preferred stock for anti-takeover purposes	33,524,817	2,239,274	100,464	5,241,989

**Item 6. Exhibits**

Exhibit 3.1.a Articles of Incorporation of the Company, including all amendments and articles supplementary previously filed

Exhibit 3.1.b Amendment to Articles of Incorporation of the Company filed on September 18, 2007

Exhibit 31 Section 302 Certifications

Exhibit 32 Section 906 Certifications

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CEDAR SHOPPING CENTERS, INC.

By: /s/ LEO S. ULLMAN  
Leo S. Ullman  
Chairman of the Board, Chief Executive Officer and President  
(Principal executive officer)

By: /s/ LAWRENCE E. KREIDER, JR.  
Lawrence E. Kreider, Jr.  
Chief Financial Officer  
(Principal financial officer)

November 7, 2007

ARTICLES OF INCORPORATION  
OF  
CEDAR INCOME FUND, LTD.

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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.

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"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.

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"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.

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"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.

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(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.

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(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.

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(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.

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(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.

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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.

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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.

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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.

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#### 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

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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

STATE OF MARYLAND  
DEPARTMENT OF  
ASSESSMENTS AND TAXATION [SEAL]  
  
CHARTER DIVISION

PARRIS N. GLENDENING  
GOVERNOR  
RONALD W. WINEHOLT  
DIRECTOR  
PAUL B. ANDERSON  
ADMINISTRATOR

-----  
ARTICLES OF AMENDMENT  
(See instructions on previous page)

-----  
(1)

(2) Cedar Income Fund, Ltd.  
-----, a Maryland corporation hereby certifies to the State Department of Assessments and Taxation of Maryland that:

(3) The charter of the corporation is hereby amended as follows: by striking out



-----  
This amendment of the charter of the corporation has been approved by

(4) The directors.  
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-----  
We the undersigned President and Secretary swear under penalties of perjury that the foregoing is a corporate act.

/s/ Stuart H. Widowski

/s/ Leo S. Ullman

-----  
SECRETARY

-----  
PRESIDENT

Stuart H. Widowski

Leo S. Ullman

MAIL TO: STATE DEPARTMENT OF ASSESSMENTS & TAXATION  
301 WEST PRESTON STREET, ROOM 809  
BALTIMORE, MD 21201  
PHONE: 401-767-1350

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. Widowski, Secretary



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ARTICLES OF AMENDMENT  
OF ARTICLES OF INCORPORATION  
OF  
CEDAR INCOME FUND, LTD.

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Cedar Income Fund, Ltd., a Maryland corporation (the "Corporation"), hereby certifies to the State Department of Assessments and Taxation of Maryland, that:

1. Article I of the Articles of Incorporation of the Corporation, filed with the State Department of Assessments and Taxation of Maryland on June 12, 1998, as heretofore amended, is hereby amended to read as follows:

ARTICLE I

Name

The name of the Corporation shall be Cedar Shopping Centers, Inc. (the "Corporation").

2. The amendment of the charter of the Corporation has been approved by a majority of the entire Board of Directors since the amendment is limited to a change expressly authorized by Section 2-605 of the Maryland General Corporation Law.

IN WITNESS WHEREOF, we the undersigned President and Secretary hereby swear under penalties of perjury that the foregoing Articles of Amendment of Articles of Incorporation of Cedar Income Fund, Ltd. is a corporate act of Cedar Income Fund, Ltd. and have caused these Articles of Amendment to be executed and attested this day of July, 2003.

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CEDAR INCOME FUND, LTD.

By: \_\_\_\_\_

Leo S. Ullman, President

Attest:

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Stuart H. Widowsky, Secretary

ARTICLES OF AMENDMENT  
OF ARTICLES OF INCORPORATION  
OF  
CEDAR SHOPPING CENTERS, INC.

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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 definition of "Ownership Limit" in subparagraph B(4)(a) of Article IV shall be deleted in its entirety and replaced with the following:

"Ownership Limit" shall mean 9.9% 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.

(ii) Clause (i) of the definition of "Existing Holder Limit" in subparagraph B(4)(a) of Article IV shall be deleted in its entirety and replaced with the following:

(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 Public Offering, 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.

(iii) Section B(4)(j)(i) of Article IV shall be deleted in its entirety and replaced with the following:

(i) 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 49.5% of the outstanding Common Stock.

(iv) The following definition shall be added to Section B(4)(a) of Article IV:

"Public Offering" shall mean the public offering, if any, of the Company's common stock that is consummated prior to June 30, 2004.

(v) Section C of Article V shall be deleted in its entirety and replaced with the following:

C. 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 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.

2. The amendments to the Articles of Incorporation of the Corporation have been advised by the Board of Directors and approved by the shareholders 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.

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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 \_\_\_ day of October, 2003.

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CEDAR SHOPPING CENTERS, INC.

By: \_\_\_\_\_  
Leo S. Ullman, President

Attest:

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Stuart H. Widowsky, Secretary

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CEDAR SHOPPING CENTERS, INC.

ARTICLES SUPPLEMENTARY

8 7/8% SERIES A CUMULATIVE REDEEMABLE PREFERRED STOCK

Cedar Shopping Centers, Inc., a Maryland corporation (the "Corporation"), hereby certifies to the State Department of Assessments and Taxation of Maryland that:

FIRST : Under a power contained in Article IV of the Articles of Incorporation of the Corporation, as amended and supplemented (the "Charter"), the Board of Directors of the Corporation (the "Board of Directors"), by resolution duly adopted at a meeting duly called and held on July 19, 2004 (the "Board Resolutions"), and the Pricing Committee of the Board of Directors established by the Board Resolutions, by resolution duly adopted at a meeting duly called and held on July 23, 2004, classified and designated 2,350,000 shares (the "Shares") of Preferred Stock (as defined in the Charter) as shares of 8 $\frac{7}{8}$ % Series A Cumulative Redeemable Preferred Stock, with the preferences, conversions and other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms and conditions of redemption of shares of stock as follows and provided for the issuance thereof. Upon any restatement of the Charter, Sections 1 through 13 of this Article FIRST shall become part of Article IV of the Charter, with such changes in enumeration as are necessary to complete such restatement.

(1) Designation and Number. A series of shares of Preferred Stock, designated as the "8  $\frac{7}{8}$ % Series A Cumulative Redeemable Preferred Stock" (the "Series A Preferred Stock"), is hereby established. The number of shares of Series A Preferred Stock shall be 2,350,000. The par value of the Series A Preferred Stock shall be \$.01 per share.

(2) Rank. The Series A Preferred Stock will, with respect to distribution rights and rights upon liquidation, dissolution or winding up of the Corporation, rank (a) senior to all classes or series of Common Stock (as defined in the Charter), and to all equity securities the terms of which provide that such equity securities shall rank junior to the Series A Preferred Stock; (b) on parity with all equity securities issued by the Corporation the terms of which specifically provide that such equity securities rank on parity with the Series A Preferred Stock; and (c) junior to all equity securities issued by the Corporation the terms of which specifically provide that such equity securities rank senior to the Series A Preferred Stock. The term "equity securities" shall not include convertible debt securities.

(3) Distributions.

(a) Holders of Series A Preferred Stock shall be entitled to receive, when and if declared by the Board of Directors, out of funds legally available for payment of distributions, cumulative preferential cash distributions at the rate of 8  $\frac{7}{8}$ % of the liquidation preference per annum (which is equivalent to a fixed annual amount of \$2.21875 per share of Series A Preferred Stock). Such distributions shall accrue and cumulate from the date of original issuance (July 28, 2004) and shall be payable quarterly in arrears on the 20th day of February, May, August and November of each year or, if not a business day, the next succeeding business day (each a "Distribution Payment Date"). The first distribution on the Series A Preferred Stock shall be paid on November 20, 2004, will be for more than a full quarter and will reflect distributions accumulated from the date of original issuance through November 20, 2004. Any distribution payable on the Series A Preferred Stock for any partial distribution period shall be prorated and computed on the basis of a 360-day year consisting of twelve 30-day months. Distributions shall be payable to holders of record as they appear in the stock records of the Corporation at the close of business on the applicable distribution record date, which shall be a date designated by the Board of Directors for the payment of distributions that is not more than 60 nor less than 10 calendar days immediately preceding such Distribution Payment Date (each, a "Distribution Record Date").

(b) No distribution on the Series A Preferred Stock shall be authorized or declared or paid or set apart for payment by the Corporation at such time as the terms and provisions of any agreement of the Corporation, including any agreement relating to its indebtedness or any other of the Corporation's preferred stock, prohibits such authorization, declaration, payment or setting apart for payment or provides that such authorization, declaration, payment or setting apart for payment would constitute a breach or default thereunder, or if such authorization, declaration, payment or setting apart for payment shall be restricted or prohibited by law.

Notwithstanding anything to the contrary contained herein, distributions on the Series A Preferred Stock shall accrue and cumulate whether or not the Corporation has earnings, whether or not there are funds legally available for the payment of such distributions and whether or not such distributions are declared by the Board of Directors. Accrued but unpaid distributions on the Series A Preferred Stock shall cumulate as of the Distribution Payment Date on which they first become payable or on the date of redemption, as the case may be. No interest shall be payable in respect of any distribution on the Series A Preferred Stock that may be in arrears.

(c) Except as provided in the following sentence, if any Series A Preferred Stock are outstanding, no distributions, other than distributions in kind of the Corporation's Common Stock or other shares of the Corporation's equity securities ranking junior to the Series A Preferred Stock as to distributions and upon liquidation, may be declared or paid or set apart for payment, and no other distribution may be declared or made upon, the Corporation's Common Stock or any other shares of equity securities of the Corporation of any other class

or series ranking, as to distributions and upon liquidation, on parity with or junior to the Series A Preferred Stock unless full cumulative distributions have been or contemporaneously are declared and paid or declared and a sum sufficient is set apart for such payment on the Series A Preferred Stock for all past distribution periods and the then current distribution period. When distributions are not paid in full (or a sum sufficient for such full payment is not so set apart) upon the Series A Preferred Stock and all other equity securities ranking on parity, as to distributions, with the Series A Preferred Stock, all distributions declared upon the Series A Preferred Stock and any other equity securities ranking on parity, as to distributions, with the Series A Preferred Stock shall be authorized pro rata so that the amount of distributions authorized per share of Series A Preferred Stock and each such other equity security shall in all cases bear to each other the same ratio that accrued distributions per share of Series A Preferred Stock and such other equity security (which shall not include any accumulation in respect of unpaid distributions for prior distribution periods if such other equity securities do not

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have a cumulative distribution) bear to each other. No interest, or sum of money in lieu of interest, shall be payable in respect of any distribution payment or payments on Series A Preferred Stock which may be in arrears.

(d) Except as provided in clause (c), unless full cumulative distributions on the Series A Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient is set apart for payment for all past distribution periods and the then current distribution period, no Common Stock or any other shares of equity securities of the Corporation ranking junior to or on parity with the Series A Preferred Stock as to distributions or upon liquidation shall be redeemed, purchased or otherwise acquired for any consideration (or any monies be paid to or made available for a sinking fund for the redemption of any such shares) by the Corporation (except by conversion into or exchange for Common Stock or other shares of equity securities of the Corporation ranking junior to the Series A Preferred Stock as to distributions and amounts upon liquidation). The foregoing shall not prohibit any redemption, purchase or other acquisition by the Corporation of any class or series of equity securities of the Corporation for the purpose of enforcing restrictions on ownership contained in the Corporation's Charter or preserving the Corporation's status as a real estate investment trust.

(e) Holders of Series A Preferred Stock shall not be entitled to any distribution, whether payable in cash, property or shares, in excess of full cumulative distributions on the Series A Preferred Stock as described above. Any distribution payment made on the Series A Preferred Stock, including any capital gain distributions, shall first be credited against the earliest accrued but unpaid distribution due with respect to the Series A Preferred Stock which remains payable.

(f) If, for any taxable year, the Corporation elects to designate as a "capital gain dividend" (as defined in Section 857 of the Code) any portion (the "Capital Gains Amount") of the dividends (as determined for federal income tax purposes) paid or made available for the year to holders of all series or classes of the Corporation's stock (the "Total Dividends"), then, except as otherwise required by applicable law, that portion of the Capital Gains Amount that shall be allocable to the holders of Series A Preferred Stock shall be in proportion to the amount that the total dividends (as determined for federal income tax purposes) paid or made available to the holders of the Series A Preferred Stock for the year bears to the Total Dividends. Except as otherwise required by applicable law, the Corporation will make a similar allocation with respect to any undistributed long-term capital gains of the Corporation which are to be included in its stockholders' long-term capital gains, based on the allocation of the Capital Gains Amount which would have resulted if such undistributed long-term capital gains has been distributed as "capital gains dividends" by the Corporation to its stockholders.

#### (4) Liquidation Preference.

(a) In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation (referred to herein sometimes as a "liquidation"), the holders of Series A Preferred Stock then outstanding shall be entitled to receive out of the assets of the Corporation legally available for distribution to stockholders (after payment or provision for payment of all debts and other liabilities of the Corporation) the sum of (i) the liquidation

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preference of \$25.00 per share, (ii) the applicable premium per share (expressed as a percentage of the liquidation preference of \$25.00 per share) as set forth in the table below during the twelve-month period beginning on July 28 of each year and (c) an amount equal to any accrued and unpaid distributions (whether or not declared) to the date of payment, before any distribution of assets is made to holders of Common Stock (as defined in the Charter) or any equity securities that the Corporation may issue that rank junior to the Series A Preferred Stock as to liquidation rights.

<Table>

<Caption>

12-MONTH PERIOD	APPLICABLE PREMIUM
<S>	<C>
July 28, 2004 to July 27, 2005	5%
July 28, 2005 to July 27, 2006	4%
July 28, 2006 to July 27, 2007	3%
July 28, 2007 to July 27, 2008	2%
July 28, 2008 to July 27, 2009	1%
July 28, 2009 and thereafter	0

</Table>

(b) If, upon any such voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the assets of the Corporation are insufficient to make full payment to holders of the Series A Preferred Stock and any shares of other classes or series of equity securities of the Corporation ranking on parity with the Series A Preferred Stock as to liquidation rights, then the holders of the Series A Preferred Stock and all other such classes or series of equity securities ranking on parity with the Series A Preferred Stock as to liquidation rights shall share ratably in any distribution of assets in proportion to the full liquidating distributions to which they would otherwise be respectively entitled.

(c) Written notice of any such liquidation, dissolution or winding up of the Corporation, stating the payment date or dates when, and the place or places where, the amounts distributable in such circumstances shall be payable, shall be given by first class mail, postage pre-paid, not less than 30 nor more than 60 calendar days immediately preceding the payment date stated therein, to each record holder of the Series A Preferred Stock at the respective addresses of such holders as the same shall appear on the share transfer records of the Corporation.

(d) After payment of the full amount of the liquidating distributions to which they are entitled, the holders of Series A Preferred Stock shall have no right or claim to any of the remaining assets of the Corporation.

(e) None of a consolidation or merger of the Corporation with or into another entity, the merger of another entity with or into the Corporation, a statutory share exchange by the Corporation or a sale, lease, transfer or conveyance of all or substantially all of the Corporation's assets or business shall be considered a liquidation, dissolution or winding up of the Corporation.

(f) In determining whether a distribution (other than upon voluntary or involuntary dissolution) by dividend, redemption or other acquisition of shares of the Corporation or otherwise is permitted under Maryland law, amounts that would be needed, if the Corporation were to be dissolved at the time of the distribution, to satisfy the preferential rights

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upon dissolution of the holders of Series A Preferred Stock will not be added to the Corporation's total liabilities.

(5) Redemption.

(a) Except as otherwise set forth in this Section 5 and in Section 8, the Series A Preferred Stock is not redeemable prior to July 28, 2009, except that the Corporation will be entitled to redeem, purchase or acquire shares of Series A Preferred Stock in order to ensure that the Corporation remains qualified as a REIT for federal income tax purposes.

(b) On or after July 28, 2009 the Corporation, at its option, upon giving notice as provided below, may redeem the Series A Preferred Stock, in whole or from time to time in part, for cash, at a redemption price of \$25.00 per share, plus all accrued and unpaid distributions on such Series A Preferred Stock to the date of redemption, whether or not declared (the "Redemption Right").

(c) If fewer than all of the outstanding shares of Series A Preferred Stock are to be redeemed pursuant to the Redemption Right, the shares to be redeemed shall be selected pro rata (as nearly as practicable without creating fractional shares) or by lot or in such other equitable method prescribed by the Board of Directors. If such redemption is to be by lot and, as a result of such redemption, any holder of Series A Preferred Stock would become a holder of a number of Series A Preferred Stock in excess of the Ownership Limit because such holder's shares of Series A Preferred Stock were not redeemed, or were only redeemed in part, then, except as otherwise provided in the Charter, the Corporation shall redeem the requisite number of shares of Series A Preferred Stock of such holder such that no holder will hold in excess of the Ownership Limit subsequent to such redemption.

(d) Notwithstanding anything to the contrary contained herein, unless full cumulative distributions on all shares of Series A Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient is set apart for payment for all past distribution periods and the then current

distribution period, no shares of Series A Preferred Stock shall be redeemed unless all outstanding shares of Series A Preferred Stock are simultaneously redeemed. In addition, unless full cumulative distributions on all shares of Series A Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient is set apart for payment for all past distribution periods and the then current distribution period, the Corporation shall not purchase or otherwise acquire directly or indirectly any shares of Series A Preferred Stock or any other shares of equity securities of the Corporation ranking junior to or on parity with the Series A Preferred Stock as to distributions or upon liquidation (except by conversion into or exchange for shares of equity securities of the Corporation ranking junior to the Series A Preferred Stock as to distributions and upon liquidation). The restrictions in this Section 5 on redemptions, purchases and other acquisitions shall not prevent the redemption, purchase or acquisition by the Corporation of Preferred Stock of any series pursuant to Article IV of the Charter or Section 5(a) hereof, or otherwise in order to ensure that the Corporation remains qualified as a REIT for United States federal income tax purposes, or the purchase or acquisition of Series A Preferred Stock pursuant to a purchase or exchange offer made on the same terms to all holders of the Series A Preferred Stock.

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(e) Immediately prior to any redemption of shares of Series A Preferred Stock, the Corporation shall pay, in cash, any accrued and unpaid distributions to the redemption date, whether or not declared, unless a redemption date falls after a Distribution Record Date and prior to the corresponding Distribution Payment Date, in which case each holder of Series A Preferred Stock at the close of business on such Distribution Record Date shall be entitled to the distribution payable on such shares on the corresponding Distribution Payment Date notwithstanding the redemption of such shares before the Distribution Payment Date. Except as provided in the previous sentence, the Corporation shall make no payment or allowance for unpaid distributions, whether or not in arrears, on Series A Preferred Stock for which a notice of redemption has been given.

(f) The following provisions set forth the procedures for redemption.

(i) Notice of redemption will be mailed by the Corporation, postage prepaid, no less than 30 nor more than 60 calendar days immediately preceding the redemption date, addressed to the respective holders of record of the Series A Preferred Stock to be redeemed at their respective addresses as they appear on the stock transfer records of the Corporation. No failure to give such notice or any defect thereto or in the mailing thereof shall affect the validity of the proceedings for the redemption of any Series A Preferred Stock except as to the holder to whom notice was defective or not given.

(ii) In addition to any information required by law or by the applicable rules of any exchange upon which the Series A Preferred Stock may be listed or admitted to trading, each notice shall state: (A) the redemption date; (B) the redemption price; (C) the number of Series A Preferred Stock to be redeemed; (D) the place or places where the holders of Series A Preferred Stock may surrender certificates for payment of the redemption price; and (E) that distributions on the Series A Preferred Stock to be redeemed will cease to accrue on the redemption date. If less than all of the Series A Preferred Stock held by any holder are to be redeemed, the notice mailed to each holder shall also specify the number of Series A Preferred Stock held by such holder to be redeemed.

(iii) On or after the redemption date, each holder of Series A Preferred Stock to be redeemed shall present and surrender the certificates representing his Series A Preferred Stock to the Corporation at the place designated in the notice of redemption and thereupon the redemption price of such shares (including all accrued and unpaid distributions up to the redemption date) shall be paid to or on the order of the person whose name appears on such certificate representing Series A Preferred Stock as the owner thereof and each surrendered certificate shall be canceled. If fewer than all the shares represented by any such certificate representing Series A Preferred Stock are to be redeemed, a new certificate shall be issued representing the unredeemed shares.

(iv) From and after the redemption date (unless the Corporation defaults in payment of the redemption price), all distributions on the Series A Preferred Stock designated for redemption and all rights of the holders thereof,

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except the right to receive the redemption price thereof and all accrued and unpaid distributions up to the redemption date, shall terminate with respect to such shares and such shares shall not thereafter be transferred (except with the consent of the Corporation) on the Corporation's stock transfer records, and such shares shall not be deemed to be outstanding for any purpose whatsoever. At its election, the Corporation, prior to a redemption date, may irrevocably deposit the redemption price (including accrued and unpaid distributions to the redemption date) of the Series A Preferred Stock so called for redemption in trust for the holders thereof with a bank or trust company, in which case the redemption notice to holders of the Series A Preferred Stock to be redeemed shall (A) state the date of such deposit, (B) specify the office of such bank or trust company as the place of payment of the redemption price and (C) require such holders to surrender the certificates representing such shares at such place on or about the date fixed in such redemption notice (which may not be

later than the redemption date) against payment of the redemption price (including all accrued and unpaid distributions to the redemption date). Any monies so deposited which remain unclaimed by the holders of the Series A Preferred Stock at the end of two years after the redemption date shall be returned by such bank or trust company to the Corporation.

(g) Any Series A Preferred Stock that shall at any time have been redeemed shall, after such redemption, have the status of authorized but unissued Preferred Stock, without designation as to series until such shares are once more designated as part of a particular series by the Board of Directors.

(6) Voting Rights.

(a) Holders of the Series A Preferred Stock shall not have any voting rights, except as set forth below.

Whenever distributions on the Series A Preferred Stock are in arrears for six or more consecutive quarterly periods (a "Preferred Distribution Default"), the holders of Series A Preferred Stock (voting together as a single class with all other equity securities of the Corporation upon which like voting rights have been conferred and are exercisable ("Parity Preferred Stock")) shall be entitled to elect a total of two additional directors to the Corporation's Board of Directors (the "Preferred Stock Directors") at a special meeting called by the holders of record of at least 10% of the outstanding shares of Series A Preferred Stock (unless such request is received less than 90 calendar days before the date fixed for the next annual or special meeting of stockholders) or, if the request for a special meeting is received by the Corporation less than 90 calendar days before the date fixed for the next annual or special meeting of stockholders, at the next annual meeting of stockholders, and at each subsequent annual meeting until all distributions accrued on the Series A Preferred Stock for the past distribution periods and the then current distribution period shall have been fully paid or declared and a sum sufficient for the payment thereof set aside for payment. On any matter in which the holders of Series A Preferred Stock are entitled to vote (as expressly provided herein or as may be required by law), including any action by written consent, each share of Series A Preferred Stock shall have one vote per share, except that when shares of any other series of preferred stock of the Corporation shall

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have the right to vote with the Series A Preferred Stock as a single class on any matter, then the Series A Preferred Stock and such other series shall have with respect to such matters one vote per \$25.00 of stated liquidation preference.

(b) If and when all accrued distributions and the distribution for the then current distribution period on the Series A Preferred Stock shall have been paid in full or declared and a sum sufficient for the payment thereof set aside for payment in full, the holders of Series A Preferred Stock shall be divested of the voting rights set forth in clause (a) above (subject to revesting in the event of each and every Preferred Distribution Default) and, if all accrued distributions and the distribution for the then current distribution period have been paid in full or declared by the Board of Directors and set aside for payment in full on all other series of Parity Preferred Stock upon which like voting rights have been conferred and are exercisable, the term of office of each Preferred Stock Director so elected shall terminate. Any Preferred Stock Director may be removed at any time with or without cause by the vote or consent of, and shall not be removed otherwise than by the vote of, the holders of a majority of the outstanding Series A Preferred Stock when they have the voting rights set forth in clause (a) above and all other series of Parity Preferred Stock (voting as a single class). So long as a Preferred Distribution Default shall continue, any vacancy in the office of a Preferred Stock Director may be filled by written consent of the Preferred Stock Director remaining in office, or if none remains in office, by a vote of the holders of a majority of the outstanding Series A Preferred Stock when they have the voting rights set forth in clause (a) above and all other series of Parity Preferred Stock (voting as a single class). The Preferred Stock Directors shall each be entitled to one vote per director on any matter.

(c) So long as any Series A Preferred Stock remain outstanding, the Corporation shall not, without the affirmative vote or consent of the holders of at least two-thirds of the Series A Preferred Stock outstanding at the time, given in person or by proxy, either in writing or at a meeting (such series voting separately as a class), (i) authorize, create or increase the authorized or issued amount of any class or series of equity securities ranking senior to the outstanding Series A Preferred Stock with respect to the payment of distributions or the distribution of assets upon voluntary or involuntary liquidation, dissolution or winding up of the Corporation or reclassify any authorized equity securities of the Corporation into any such senior equity securities, or create, authorize or issue any obligation or security convertible into or evidencing the right to purchase any such senior equity securities; or (ii) amend, alter or repeal the provisions of the Charter (including these Articles Supplementary), whether by merger or consolidation (in either case, an "Event") or otherwise, so as to materially and adversely affect any right, preference, privilege or voting power of the Series A Preferred Stock; provided, however, that with respect to any such amendment, alteration or repeal of the

provisions of the Charter (including these Articles Supplementary) upon the occurrence of an Event, so long as shares of the Series A Preferred Stock remain outstanding with the terms thereof materially unchanged in any adverse respect, taking into account that, upon the occurrence of an Event, the Corporation may not be the surviving entity and such surviving entity may thereafter be the issuer of the Series A Preferred Stock, the occurrence of any such Event shall not be deemed to materially and adversely affect the rights, preferences or voting powers of the Series A Preferred Stock; and provided further that any increase in the amount of authorized Series A Preferred Stock or the creation or issuance of or increase in the amount of any other class or series of the Corporation's equity securities, in each case ranking on parity with or junior to the Series A

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Preferred Stock with respect to the payment of distributions and the distribution of assets upon voluntary or involuntary liquidation, dissolution or winding up of the Corporation, shall not be deemed to materially and adversely affect the rights, preferences, privileges or voting powers of the Series A Preferred Stock.

(d) The foregoing voting provisions shall not apply if, at or prior to the time when the action with respect to which such vote or consent would otherwise be required shall be effected, all outstanding Series A Preferred Stock shall have been redeemed or called for redemption upon proper notice and sufficient funds shall have been deposited in trust to effect such redemption.

(7) Conversion. The Series A Preferred Stock is not convertible into or exchangeable for any other property or securities of the Corporation.

(8) Ownership Limitations. The provisions of this Section 8 shall apply with respect to the limitations on the ownership and acquisition of shares of Series A Preferred Stock.

(a) Definitions

For the purposes of this Section 8, the following terms shall have the following meanings:

"Act" shall mean the General Corporation Law of Maryland.

"Beneficial Ownership" shall mean ownership of Series A Preferred Stock by a Person who would be treated as an owner of such shares of Series A Preferred 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 8(c) (i) of this Section 8.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time. All section references to the Code shall include any successor provisions thereof as may be adopted from time to time.

"Constructive Ownership" shall mean ownership of Series A Preferred Stock by a Person who would be treated as an owner of such shares of Series A Preferred 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.

"Holder" shall mean the record holder of shares of Series A Preferred Stock, or in the case of shares held by a Purported Record Transferee, the Charitable Trust.

"Initial Date" shall mean the date upon which the Corporation issues the Series A Preferred Stock.

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"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 Series A Preferred Stock on the trading day immediately preceding the relevant date, or if the Series A Preferred Stock is not then traded on the New York Stock Exchange, the last reported sales price of the Series A Preferred Stock on the trading day immediately preceding the relevant date as reported on any exchange or quotation system over which the Series A Preferred Stock may be traded, or if the Series A Preferred Stock is not then traded over any exchange or quotation system, then the market price of the Series A Preferred Stock on the relevant date as determined in good faith by the Board of Directors of the Corporation.

"Ownership Limit" shall mean 9.9% of the outstanding Series A Preferred Stock of the Corporation, and after any adjustment as set forth in subparagraph 8(i) of



this Section 8, shall mean such greater percentage.

"Partner" shall mean any Person owning Units.

"Partnership" shall mean Cedar Shopping Centers 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 amended, as such agreement may be further 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 an underwriter which participates in a public offering of the Series A Preferred Stock provided that the ownership of Series A Preferred 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 (or other event) which results in a violation of subparagraph 8(b) of this Section 8, the purported beneficial transferee or owner for whom the Purported Record Transferee would have acquired or owned shares of Series A Preferred 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 8(b) of this Section 8, the record holder of the Series A Preferred Stock if such Transfer had been valid under such subparagraph.

"REIT" shall mean a Real Estate Investment Trust under Section 856 of the Code.

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"Restriction Termination Date" shall mean the first day 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, issuance, transfer, gift, assignment, devise or other disposition of Series A Preferred Stock as well as any other event that causes any Person to Beneficially Own or Constructively Own Series A Preferred Stock (including (i) the granting of any option or entering into any agreement for the sale, transfer or other disposition of Series A Preferred Stock or (ii) the sale, transfer, assignment or other disposition of any securities or rights convertible into or exchangeable for Series A Preferred 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 Constrictive Ownership of Series A Preferred 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 Transfer.

(i) Except as provided in subparagraph 8(k) of this Section 8, from the Initial Date and prior to the Restriction Termination Date, no Person shall Beneficially Own shares of Series A Preferred Stock in excess of the Ownership Limit.

(ii) Except as provided in subparagraph 8(k) of this Section 8, from the Initial Date and prior to the Restriction Termination Date, any Transfer that, if effective, would result in any Person Beneficially Owning Series A Preferred Stock in excess of the Ownership Limit shall be void ab initio as to the Transfer of such shares of Series A Preferred 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 Series A Preferred Stock.

(iii) Except as provided in subparagraph 8(k) of this Section 8, from the Initial Date and prior to the Restriction Termination Date, any Transfer that, if effective, would result in the Series A Preferred 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 Series A Preferred Stock which would be otherwise beneficially owned by the transferee; and the intended transferee shall acquire no rights in such shares of Series A Preferred Stock.

(iv) Notwithstanding any other provisions contained in this Section 8, from the Initial Date 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

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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 Series A Preferred 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 Series A Preferred Stock.

(c) Effect of Transfer in Violation of Subparagraph 8(b).

(i) If, notwithstanding the other provisions contained in this Section 8, at any time after the Initial Date and prior to the Restriction Termination Date, there is a purported Transfer, or 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 8(b) above has been violated, then the shares of Series A Preferred 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 Series A Preferred Stock have been transferred in violation of subparagraph 8(b) of this Section 8, shall be repaid to the Corporation upon demand and shall be

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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) 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 Series A Preferred 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 Series A Preferred 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 Series A Preferred 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 Series A Preferred 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 8(b) of this Section 8 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 Series A Preferred Stock in violation of subparagraph 8(b) of this Section 8, the Corporation shall inform the Purported Transferee of its obligations pursuant to this Section 8, 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 8(b) of this Section 8 shall automatically result in a transfer to the Charitable Trust as described in subparagraph 8(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 of Series A Preferred Stock in violation of subparagraph 8(b) of this Section 8, 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 Initial Date and prior to the Restriction Termination Date each Person who is a beneficial owner or

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Beneficial Owner or Constructive Owner of Series A Preferred Stock and each Person (including the stockholder of record) who is holding Series A Preferred 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 Section 8 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 8 of this Section 8, including any definition contained in subparagraph 8(a), the Board of Directors shall have the power to determine the application of the provisions of this subparagraph 8 with respect to any situation based on the facts known to it.

(i) Modification of Ownership Limit. Subject to the limitations provided in subparagraph 8(j), the Board of Directors may from time to time increase the Ownership 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 Initial Date and prior to the Restriction Termination Date, the Ownership Limit may not be increased if, after giving effect to such increase, five Persons who are Beneficial Owners of Series A Preferred Stock could (taking into account the Ownership Limit) Beneficially Own, in the aggregate, more than 49.5% of the outstanding Series A Preferred Stock.

(ii) Prior to the modification of any Ownership Limit pursuant to subparagraph 8(i) of this Section 8, 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.

(k) Exceptions.

(i) The Board of Directors, in its sole discretion, may exempt a Person from the Ownership Limit, 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 Series A Preferred Stock will violate the Ownership Limit, and agrees that any violation of such representations or undertakings (or other action which is contrary to the restrictions contained in this subparagraph 8 of this Section 8) or attempted violation will result in such shares of Series A Preferred Stock automatically being transferred to the Charitable Trust.

(ii) Prior to granting any exception pursuant to subparagraph 8(k)(i) of this Section 8, 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

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discretion, as it may deem necessary or advisable in order to determine or ensure the Corporation's status as a REIT.

(l) Legend. Each certificate for shares of Series A Preferred 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 Shopping Centers, Inc., 44 South Bayles Avenue, Port Washington, New York 11050, Attention: Secretary.

The shares of Series A Preferred 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 Series A Preferred Stock in excess of 9.9% (or such greater percentage as may be determined by the Board of Directors of the Corporation) of the outstanding Series A Preferred Stock of the Corporation with certain exceptions set forth in the Corporation's charter. Any Person who attempts to Beneficially Own shares of Series A Preferred 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 Series A Preferred 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 Shopping Centers, Inc., 44 South Bayles Avenue, Port Washington, New York 11050, Attention: Secretary."

(m) Severability. If any provision of this Section 8 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 provision shall be affected only to the extent necessary to comply with the determination of such court.

(9) Status. Upon any redemption of shares of Series A Preferred Stock, the shares of Series A Preferred Stock which are redeemed will be reclassified as authorized and unissued shares of Preferred Stock, and the number of shares of Series A Preferred Stock which the Corporation has the authority to issue will be decreased by the redemption of shares of Series

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A Preferred Stock, so that the shares of Series A Preferred Stock which were redeemed may not be reissued.

(10) Exclusion of Other Rights. The shares of Series A Preferred Stock shall not have any preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications or terms or conditions of redemption other than those specifically set forth in these Articles Supplementary. The shares of Series A Preferred Stock shall have no preemptive or subscription rights.

(11) Headings of Subdivisions. The headings of the various subdivisions hereof are for convenience of reference only and shall not affect the interpretation of any of the provisions hereof.

(12) Severability of Provisions. If any preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications or terms or conditions of redemption of the Series A Preferred Stock set forth in the Charter is invalid, unlawful or incapable of being enforced by reason of any rule of law or public policy, all other preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications or terms or conditions of redemption of Series A Preferred Stock set forth in the Charter which can be given effect without the invalid, unlawful or unenforceable provision thereof shall, nevertheless, remain in full force and effect, and no preferences, conversion or other rights, voting powers, restrictions, limitations as to

dividends or other distributions, qualifications or terms or conditions of redemption of Series A Preferred Stock herein set forth shall be deemed dependent upon any other provision thereof unless so expressed therein.

SECOND : The Shares have been classified and designated by the Board of Directors under the authority contained in the Charter.

THIRD : These Articles Supplementary have been approved by the Board of Directors in the manner and by the vote required by law.

FOURTH : The undersigned President of the Corporation acknowledges these Articles Supplementary to be the corporate act of the Corporation and, as to all matters or facts required to be verified under oath, the undersigned President acknowledges that to the best of his knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under the penalties for perjury.

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IN WITNESS WHEREOF, the Corporation has caused these Articles Supplementary to be executed under seal in its name and on its behalf by its President and attested to by its Secretary on this 26th of July, 2004.

ATTEST: CEDAR SHOPPING CENTERS, INC.

/s/ STUART H. WIDOWSKI

/s/ LEO S. ULLMAN

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Stuart H. Widowski, Secretary

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Leo S. Ullman, President

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CEDAR SHOPPING CENTERS, INC.

ARTICLES SUPPLEMENTARY

87/8% Series A Cumulative Redeemable Preferred Stock

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Cedar Shopping Centers, Inc., a Maryland corporation (the "Corporation"), hereby certifies to the State Department of Assessments and Taxation of Maryland (the "Department") that:

FIRST: By Articles Supplementary filed with the Department on July 27, 2004 (the "July 2004 Articles Supplementary"), the Corporation classified and designated 2,350,000 shares of Preferred Stock (as defined in the Charter (defined below)) as shares of 87/8% Series A Cumulative Redeemable Preferred Stock (the "Series A Preferred Stock"), and set the preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications, terms and conditions of redemption and other terms and conditions of such Series A Preferred Stock, all as set forth in the July 2004 Articles Supplementary.

SECOND: Under a power contained in Article IV of the Articles of Incorporation of the Corporation, as amended and supplemented (the "Charter"), the Board of Directors of the Corporation (the "Board of Directors"), by resolution duly adopted at a meeting duly called and held on April 15, 2004 (the "Board Resolutions"), and the Pricing Committee of the Board of Directors established by the Board Resolutions, by resolution duly adopted on March 30, 2005, classified and designated an additional 1,200,000 shares of Preferred Stock as Series A Preferred Stock (the "Additional Shares of Series A Preferred Stock") and provided for the issuance thereof. The Additional Shares of Series A Preferred Stock form a single series with and have the same preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms and conditions of redemption of shares of stock as the Series A Preferred Stock established pursuant to the July 2004 Articles Supplementary, all as set forth in the July 2004 Articles Supplementary, except as provided herein. Upon any restatement of the Charter, Sections 1 and 2 of this Article SECOND shall become part of Article IV of the Charter, with such changes in enumeration as are necessary to complete such restatement.

Section 1. Number, Preferences and Other Rights. The number of Additional Shares of Series A Preferred Stock shall be 1,200,000 and shall form a single series with the 2,350,000 shares of Series A Preferred Stock established pursuant to the July 2004 Articles Supplementary for a total of 3,550,000 shares of Preferred Stock classified and designated as shares of Series A Preferred Stock. The Additional Shares of Series A Preferred Stock shall have the same preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms and conditions of redemption of shares of stock

as the 2,350,000 shares of Series A Preferred Stock established pursuant to the July 2004 Articles Supplementary, all as set forth in the July 2004 Articles Supplementary, except as provided herein. The par value of the Additional Shares of Series A Preferred Stock shall be \$.01 per share.

Section 2. Distributions. Holders of the Additional Shares of Series A Preferred Stock shall be entitled to receive the full amount of all distributions payable in respect of the Series A Preferred Stock from and after the date of original issuance of the Additional Shares of Series A Preferred Stock but shall not be entitled to receive any distributions paid or payable with regard to Series A Preferred Stock prior to the date of such issuance.

THIRD: The Additional Shares of Series A Preferred Stock have been classified and designated by the Board of Directors under the authority contained in the Charter.

FOURTH: These Articles Supplementary have been approved by the Board of Directors in the manner and by the vote required by law.

FIFTH: The undersigned President of the Corporation acknowledges these Articles Supplementary to be the corporate act of the Corporation and, as to all matters or facts required to be verified under oath, the undersigned President acknowledges that to the best of his knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under the penalties for perjury.

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IN WITNESS WHEREOF, the Corporation has caused these Articles Supplementary to be executed under seal in its name and on its behalf by its President and attested to by its Secretary on this 1st of April, 2005.

ATTEST:

CEDAR SHOPPING CENTERS, INC.

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Lise Oelbaum, Assistant Secretary

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Leo S. Ullman, President

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ARTICLES OF AMENDMENT  
OF ARTICLES OF INCORPORATION  
OF  
CEDAR SHOPPING CENTERS, INC.

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Cedar Shopping Centers, Inc., a Maryland corporation (the "Corporation"), hereby certifies to the State Department of Assessments and Taxation of Maryland that:

The Articles of Amendment presently being filed increase the number of authorized shares of Common Stock and Preferred Stock and the aggregate value thereof. The Corporation is presently authorized to issue 55 million shares, consisting of 50 million shares of Common Stock with a par value of \$.06, 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, amounting in the aggregate to par value of \$50,000. The Articles of Amendment increase the number of authorized shares of Common Stock to 150 million shares and the number of authorized shares of Preferred Stock to 12.5 million shares.

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 162.5 million shares, consisting of 150 million shares of Common Stock with a par value of \$.06 per share (the "Common Stock"), amounting in the aggregate to par value of \$9,000,000 and 12.5 million shares of Preferred Stock with a par value of \$.01 per share (the "Preferred Stock"), amounting in the aggregate to par value of \$125,000.

(ii) The first sentence of Article IV C shall be amended to read as follows:

"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; provided, however, (1) the preferred stock will not be used as, or in conjunction with, an anti-takeover defense (including potential mergers, in connection with an existing or future shareholder rights plan,

or by designating terms, or issuing shares in transactions for the purposes of aiding management in defending against an unsolicited bid for control of the Company) unless approved by the shareholders at such time; (2) the preferred stock will not be issued to an individual or group for the purpose of creating a block of voting power to support management on controversial issues without receiving shareholder approval; and (3) if the preferred stock is to have voting rights, the shares will have the same voting rights as the common stock (including upon conversion)".

2. 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 Special Meeting held on September 12, 2007.

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 12th day of September, 2007.

CEDAR SHOPPING CENTERS, INC.

By:

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Leo S. Ullman, President

Attest:

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Stuart H. Widowski, Secretary



CERTIFICATION

I, Leo S. Ullman, Chief Executive Officer of Cedar Shopping Centers, Inc. (the "Company"), certify that:

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

(a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2007

/s/ LEO S. ULLMAN

Leo S. Ullman, Chief Executive Officer

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CERTIFICATION

I, Lawrence E. Kreider, Jr., Chief Financial Officer of Cedar Shopping Centers, Inc. (the "Company"), certify that:

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

(a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2007

/s/ LAWRENCE E. KREIDER, JR.

Lawrence E. Kreider, Jr., Chief Financial Officer

CERTIFICATION

I, Leo S. Ullman, Chief Executive Officer of Cedar Shopping Centers, Inc. (the "Company"), pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, do hereby certify as follows:

1. The Quarterly Report on Form 10-Q of the Company for the period ended September 30, 2007 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in such Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, I have executed this Certification this 7<sup>th</sup> day of November, 2007.

/s/ LEO S. ULLMAN

Leo S. Ullman, Chief Executive Officer

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CERTIFICATION

I, Lawrence E. Kreider, Jr., Chief Financial Officer of Cedar Shopping Centers, Inc. (the "Company"), pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, do hereby certify as follows:

1. The Quarterly Report on Form 10-Q of the Company for the period ended September 30, 2007 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in such Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, I have executed this Certification this 7<sup>th</sup> day of November, 2007.

/s/ LAWRENCE E. KREIDER, JR.

Lawrence E. Kreider, Jr., Chief Financial Officer