

CEDAR SHOPPING CENTERS INC
Form DEF 14A
April 28, 2008
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934

[(Amendment No. ____)]

Filed by the Registrant [X]

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Check the appropriate box:

- [] Preliminary Proxy Statement
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(as permitted by Rule 14a-6(e)(2))
[X] Definitive Proxy Statement
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CEDAR SHOPPING CENTERS, INC.
(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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(3) Filing Party: _____
(4) Date Filed: _____

CEDAR SHOPPING CENTERS, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD JUNE 17, 2008

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Cedar Shopping Centers, Inc. (the "Company") will be held at the offices of Stroock & Stroock & Lavan LLP, 180 Maiden Lane, 34th Floor, New York, NY 10038, on Tuesday, June 17, 2008 at 4:00 in the afternoon for the following purposes:

1. To elect seven Directors.
2. To amend the 2004 Stock Incentive Plan.
3. To approve the appointment of Ernst & Young LLP as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2008.
4. To transact such other business as may properly come before the meeting, or any adjournment thereof.

Stockholders of record at the close of business on April 25, 2008, shall be entitled to notice of, and to vote at, the meeting.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON JUNE 17, 2008. THE PROXY STATEMENT AND OUR 2007 ANNUAL REPORT ARE AVAILABLE AT [HTTP://WWW.CEDARSHOPPINGCENTERS.COM](http://www.cedarshoppingcenters.com).

By order of the Board of Directors
Leo S. Ullman
Chairman of the Board

Dated: April 28, 2008

Port Washington, NY

IMPORTANT: PLEASE FILL IN, DATE, SIGN AND MAIL PROMPTLY THE ENCLOSED PROXY IN THE POSTAGE-PAID ENVELOPE PROVIDED TO ENSURE THAT YOUR SHARES ARE REPRESENTED AT THE MEETING.

CEDAR SHOPPING CENTERS, INC.

44 SOUTH BAYLES AVENUE

PORT WASHINGTON, NEW YORK 11050

PROXY STATEMENT

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The accompanying Proxy is solicited by the Board of Directors of Cedar Shopping Centers, Inc., a Maryland corporation (the "Company"), for use at the Annual Meeting of Stockholders (the "Meeting") to be held on June 17, 2008, at 4:00 in the afternoon, or any adjournment thereof, at which stockholders of record at the close of business on April 25, 2008 shall be entitled to vote. The cost of solicitation of proxies will be borne by the Company. The Company has retained The Altman Group, Inc. to assist in the solicitation of proxies for a fee of \$14,000, plus out-of-pocket expenses. The Company also may use the services of its directors, officers, employees and others to solicit proxies, personally or by telephone; arrangements may also be made with brokerage houses and other custodians, nominees, fiduciaries and stockholders of record to forward solicitation material to the beneficial owners of stock held of record by such persons. The Company may reimburse such solicitors for reasonable out-of-pocket expenses incurred by them in soliciting, but no compensation will be paid for their services.

Each proxy executed and returned by a stockholder may be revoked at any time before it is voted by timely submission of written notice of revocation or by submission of a duly executed proxy bearing a later date (in either case directed to the Secretary of the Company) or, if a stockholder is present at the Meeting, he may elect to revoke his proxy and vote his shares personally.

The Company's Annual Report to Stockholders for the fiscal year ended December 31, 2007 is being mailed herewith to each stockholder of record. It is intended that this Proxy Statement and form of Proxy will first be sent or given to stockholders on or about April 28, 2008. The Company's website address is www.cedarshoppingcenters.com.

On April 25, 2008, the Company had outstanding and entitled to vote with respect to all matters to be acted upon at the meeting, 44,460,886 shares of Common Stock. Each holder of Common Stock is entitled to one vote for each share of stock held by such holder. The presence of holders representing a majority of all the votes entitled to be cast at the meeting will constitute a quorum at the meeting. In accordance with Maryland law, abstentions, but not broker non-votes, are counted for purposes of determining the presence or absence of a quorum for the transaction of business. Each item on the agenda must receive the affirmative vote of a majority of the shares of Common Stock voted at the meeting in order to pass. Abstentions and broker non-votes are not counted in determining the votes cast with respect to any of the matters submitted to a vote of stockholders.

It is expected that the following business will be considered at the meeting and action taken thereon:

1. ELECTION OF DIRECTORS

Pursuant to the Certificate of Incorporation and Bylaws, as amended, the director nominees elected at this Meeting will be elected to serve one-year terms that expire upon the date of the next annual meeting or until their respective successors are duly elected and qualified.

It is intended that the accompanying form of Proxy will be voted for the nominees set forth below, each of whom, except for Ms. Pamela N. Hootkin, is presently a director of the Company. If some unexpected occurrence should make necessary, in the Board of Directors' judgment, the substitution of some other person or persons for these nominees, shares will be voted for such other persons as the Board of Directors may select.

The Board of Directors is not aware that any nominee may be unable or unwilling to serve as a director. The following table sets forth certain information with respect to the nominees.

NOMINEES FOR ELECTION

Name	Age	Principal Occupation and Positions Held	Served as a Director Since
James J. Burns	68	Mr. Burns, a director since 2001 and a member of the Audit (Chair), Compensation and Nominating/Corporate Governance Committees, was chief financial officer and senior vice president of Reis, Inc. (formerly Wellsford Real Properties, Inc.) from December 2000 until March 2006 when he became vice chairman. He joined Reis in October 1999 as chief accounting officer upon his retirement from Ernst & Young LLP in September 1999. At Ernst & Young LLP, Mr. Burns was a senior audit partner in the E&Y Kenneth Leventhal Real Estate Group for 22 years. Since 2000, Mr. Burns has also served as a director of One Liberty Properties, Inc., a real estate investment trust listed on the New York Stock Exchange. Mr. Burns is a certified public accountant and a member of the American Institute of Certified Public Accountants. Mr. Burns received a B.A. and M.B.A. from Baruch College of the City University of New York.	2001

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Richard Homburg	59	Mr. Homburg, a director since 1999, and chairman from November 1999 2002 to August 2000, was born and educated in the Netherlands. Mr. Homburg was the president and CEO of Uni-Invest N.V., a publicly-listed Netherlands real estate fund, from 1991 until 2000. In 2002, an investment group purchased 100% of the shares of Uni-Invest N.V., taking it private, at which time it was one of the largest real estate funds in the Netherlands with assets of approximately \$2.5 billion. Mr. Homburg is chairman and CEO of Homburg Invest Inc. and president of Homburg Invest USA Inc. (a wholly-owned subsidiary of Homburg Invest Inc.). In addition to his varied business interests, Mr. Homburg has served on many boards. Previous positions held by Mr. Homburg include president and director of the Investment Property Owners of Nova Scotia, the Evangeline Trust and the World Trade Center in Eindhoven, the Netherlands, as well as director or advisory board member of other large charitable organizations. Mr. Homburg holds an honorary Doctorate in Commerce from St. Mary's University in Canada and an honorary Doctorate in Law from the University of Prince Edward Island.	
Pamela N. Hootkin	60	Ms. Hootkin has been senior vice president, treasurer and director of investor relations at Phillips-Van Heusen Corporation since June 2007. She joined Phillips-Van Heusen in 1988 as vice president, treasurer and corporate secretary and in 1999 became vice president, treasurer and director of investor relations. From 1986 to 1988, Ms. Hootkin was vice president and chief financial officer of Yves Saint Laurent Parfums, Inc. From 1975 to 1986, she was employed by Squibb Corporation in various capacities, with her last position being vice president and treasurer of a division of Squibb. Ms. Hootkin is a board member of Safe Horizon, New York (a not-for-profit organization) where she also serves on the executive and finance committees. Ms. Hootkin received a B.A. from the State University of New York at Binghamton and a M.A. from Boston University.	
Paul G. Kirk, Jr.	70	Mr. Kirk, a director since 2005 and a member of the Nominating/Corporate Governance (Chair) and Compensation Committees and the Lead Director (as among the independent directors), is a retired partner of the law firm of Sullivan & Worcester, LLP of Boston, MA. He was a member of the firm from 1977 through 1990. He also serves as Chairman and CEO of Kirk & Associates, Inc., a business advisory and consulting firm. Mr. Kirk currently serves on the Board of Directors of the Hartford Financial Services Group, Inc. and Rayonier, Incorporated (a real estate investment trust listed on the New York Stock Exchange). He has previously served on the Boards of Directors of ITT Corporation (1989-1997) and of Bradley Real Estate, Inc. (1991-2000), a real estate investment trust that was subsequently acquired by Heritage Property Investment Trust, Inc. Mr. Kirk also serves as Chairman of the Board of Directors of the John F. Kennedy Library Foundation and was a founder and continues to serve as co-chairman of the Commission on Presidential Debates. From 1985 to 1989, Mr. Kirk served as Chairman of the Democratic Party of the U.S., and from 1983-1985 as its Treasurer. A graduate of Harvard College and Harvard Law School, Mr. Kirk is past-Chairman of the Harvard Board of Overseers' Nominating Committee and currently serves as Chairman of the Harvard Board of Overseers' Committee to Visit the Department of Athletics. He has received many awards for civic leadership and public service, including honorary doctors of law degrees from Stonehill College and the Southern New England School of Law.	2005
Everett B. Miller, III	62	Mr. Miller, a director since 1998 and a member of the Audit and Compensation Committees, is vice president of alternative investments at the YMCA Retirement Fund. In March 2003, Mr. Miller was appointed to the Real Estate Advisory Committee of the New York State Common Retirement Fund. Prior to his retirement in May 2002 from Commonfund Realty, Inc., a registered investment advisor, Mr. Miller was the chief operating officer of that company from 1997 until	1998

Leo S. Ullman	68	<p>May 2002. From January 1995 through March 1997, Mr. Miller was the Principal Investment Officer for Real Estate and Alternative Investment at the Office of the Treasurer of the State of Connecticut. Prior thereto, Mr. Miller was employed for eighteen years at affiliates of Travelers Realty Investment Co., at which his last position was senior vice president. Mr. Miller received a B.S. from Yale University. Mr. Ullman, chief executive officer, president and chairman of the board of directors, has been involved in real estate property and asset management for more than thirty years. He was chairman and president since 1978 of the real estate management companies which were merged into the Company in 2003, and their respective predecessors and affiliates. Mr. Ullman was first elected as the Company's chairman in April 1998 and served until November 1999. He was re-elected in December 2000. Mr. Ullman also has been chief executive officer and president from April 1998 to date. He has been a member of the New York Bar since 1966 and was in private legal practice until 1998. From 1984 until 1993, he was a partner in the New York law firm of Reid & Priest (now Thelen Reid Brown Raysman & Steiner LLP), and served as initial director of its real estate group. Mr. Ullman received an A.B. from Harvard University, an M.B.A. from the Columbia University Graduate School of Business and a J.D. from the Columbia University School of Law where he was a Harlan Fiske Stone scholar. He has lectured and written several books, monographs and articles on investment in U.S. real estate, and is a former adjunct professor of business at the NYU Graduate School of Business. He also serves on the boards of several charities, is a member of the Development Committee of the U.S. Holocaust Memorial Museum, and has received several awards for community service. From 2005 to date, Mr. Ullman, a past regional winner, has served as a National Judge for the Ernst & Young LLP Entrepreneur of the Year Award Program.</p>	1998
Roger M. Widmann	68	<p>Mr. Widmann, a director since 2003 and a member of the Audit, Compensation (Chair), and Nominating/Corporate Governance Committees, is an investment banker. He was a principal of the investment banking firm of Tanner & Co., Inc. from 1997 to 2004. From 1986 to 1995, Mr. Widmann was a senior managing director of Chemical Securities, Inc., a subsidiary of Chemical Banking Corporation (now JPMorgan Chase Corporation). Prior to joining Chemical Securities, Inc., Mr. Widmann was a founder and managing director of First Reserve Corporation, the largest independent energy investing firm in the U.S. Previously, he was senior vice president with the investment banking firm of Donaldson, Lufkin & Jenrette, responsible for the firm's domestic and international investment banking business. He had also been a vice president with New Court Securities (now Rothschild, Inc.). He was a director of Lydall, Inc. (NYSE), a manufacturer of thermal, acoustical and filtration materials, from 1974 to 2004, and its chairman from 1998 to 2004. He is a director of Standard Motor Products, Inc., a manufacturer of automobile replacement parts and GigaBeam Corporation, a manufacturer of "last mile" wireless transmission systems. He is also a senior moderator of the Executive Seminar at The Aspen Institute, and is a board member of the March of Dimes of Greater New York and of Oxfam America. Mr. Widmann received an A.B. from Brown University and a J.D. from Columbia University.</p>	2003

CORPORATE GOVERNANCE PRINCIPLES

Independent Directors

Pursuant to rules of the New York Stock Exchange and applicable law, a majority of the Company's directors must be independent as specified therein. As a result, the Board undertook a review of the independence of the Company's directors. During this review, the Board considered

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transactions and relationships between each director or any member of his or her immediate family and the Company and its subsidiaries and affiliates, including those reported under “Transactions with Related Persons” below. The Board also examined transactions and relationships between directors or their affiliates and members of the Company’s senior management or their affiliates. The purpose of this review was to determine whether any such relationship or transaction was inconsistent with a determination that the director is independent.

As the result of this review, the Board affirmatively determined that each of Messrs. Burns, Kirk, Miller and Widmann is independent of the Company and its management. The Board determined that none of these independent directors had any material relationships with the Company. The directors who are not independent are Messrs. Ullman and Homburg and Ms. Walker. Ms. Walker is not standing for re-election as a director. If elected, Ms. Hootkin would be an independent director.

Corporate Governance Principles and Committee Charters

Our Board of Directors has adopted a comprehensive set of corporate governance principles to reflect its commitment to corporate governance and the role of such principles in building and sustaining stockholder value. These principles are discussed more fully below and are set forth in our Code of Business Conduct and Ethics and the committee charters for our Audit Committee, Compensation Committee and Nominating/Corporate Governance Committee. These documents are available on our website at www.cedarshoppingcenters.com or by written request to the Company, attention: Investor Relations, 44 South Bayles Avenue, Port Washington, NY 11050-3765.

Code of Business Conduct and Ethics

All of our employees, including our chief executive officer, chief financial officer and chief accounting officer, and our Directors are required to comply with our Code of Business Conduct and Ethics. Our Code is available on our website. It is our intention to disclose any amendments to, or waivers from, any provisions of this Code as it applies to our chief executive officer, chief financial officer and chief accounting officer on our website within three business days of such amendment or waiver.

Audit Committee

The Board of Directors has established an Audit Committee consisting of James J. Burns, Everett B. Miller, III and Roger M. Widmann. The charter of the Audit Committee is available on the Company’s website. All the members of the Audit Committee are independent under the rules of the New York Stock Exchange and applicable law. Mr. Burns is qualified as an audit committee financial expert within the meaning of applicable law and the Board has determined that he has accounting and related financial management expertise under the rules of the New York Stock Exchange. The functions of this committee include engaging and discharging of the independent registered public accounting firm, reviewing with the independent registered public accounting firm the plan and results of the auditing engagement, reviewing the independence of the independent registered public accounting firm and reviewing the range of audit and non-audit fees.

Compensation Committee

The Board of Directors has established a Compensation Committee consisting of James J. Burns, Paul G. Kirk, Jr., Everett B. Miller, III and Roger M. Widmann, all of whom are independent. This committee reviews and approves the compensation and benefits of executive officers and directors, administers and makes recommendations to the Board of Directors regarding executive and director compensation and stock incentive plans and produces an annual report on executive compensation for inclusion in the proxy statement.

Nominating/Corporate Governance Committee

The Board of Directors has established a Nominating/Corporate Governance Committee consisting of James J. Burns, Paul G. Kirk, Jr., and Roger M. Widmann, all of whom are independent. This committee develops and recommends to the Board of Directors a set of corporate governance principles, adopts a code of ethics, adopts policies with respect to conflicts of interest, monitors compliance with corporate governance requirements of state and federal law and the rules and regulations of the New York Stock Exchange, establishes criteria for prospective members of the Board of Directors, conducts candidate searches and interviews, oversees and evaluates the Board of Directors and management, evaluates from time to time the appropriate size and composition of the Board of Directors and formally proposes the slate of Directors to be elected at each Annual Meeting of Stockholders.

Nomination of Directors

The Nominating/Corporate Governance Committee is responsible for the selection and nomination of directors. The Committee has adopted a policy to consider nominees recommended by stockholders of the Company. Stockholders who wish to recommend a nominee should send nominations directly to the Nominating/Corporate Governance Committee, at the principal executive offices of the Company, that include all information relating to such person that is required to be disclosed in solicitations of proxies for the election of directors, including the nominee’s name, business experience and consent to be nominated for membership on our Board of Directors and to serve if elected by the stockholders.

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The recommendation must be received not later than the date for stockholder proposals set forth herein under “Other Matters—Stockholder Proposals.” We did not receive for this Meeting any recommended nominees for director from any of our stockholders, other than from our directors. We do not currently pay any fees to third parties to identify or evaluate or assist in identifying or evaluating potential nominees for director. The Nominating/Corporate Governance Committee considers candidates for Board membership suggested by its members and other Board members, as well as management and stockholders.

Once the Nominating/Corporate Governance Committee has identified a prospective nominee, the Committee makes an initial determination as to whether to conduct a full evaluation of the candidate. This initial determination is based on whatever information is provided to the Committee with the recommendation of the prospective candidate, as well as the Committee’s own knowledge of the prospective candidate, which may be supplemented by inquiries to the person making the recommendation or others. The preliminary determination is based primarily on the need for additional Board members to fill vacancies or expand the size of the Board and the likelihood that the prospective nominee can satisfy the evaluation factors described below. If the Committee determines, in consultation with the Chairman of the Board and other Board members as appropriate, that additional consideration is warranted, it may request additional information about the prospective nominee’s background and experience and report its findings to the Board. The Committee then evaluates the prospective nominee against the standards and qualifications set out in the Company’s guidelines, including:

- the ability of the prospective nominee to represent the interests of the stockholders of the Company;
- the prospective nominee’s standards of integrity, commitment and independence of thought and judgment;
- the prospective nominee’s ability to dedicate sufficient time, energy and attention to the diligent performance of his or her duties, including the prospective nominee’s service on other public company boards and other professional experience to enhance the Board’s effectiveness;
- the extent to which the prospective nominee contributes to the range of talent, skill and expertise appropriate for the business of the Company; and
- the extent to which the prospective nominee helps the Board reflect the diversity of the Company’s stockholders, employees, customers and communities.

The Committee also considers such other relevant factors as it deems appropriate, including the current composition of the Board, the balance of management and independent directors, the need for Audit Committee expertise and the evaluations of other prospective nominees. In connection with this evaluation, the Committee determines whether to interview the prospective nominee, and if warranted, one or more members of the Committee, and others as appropriate, interview prospective nominees in person or by telephone. After completing this evaluation and interview, the Committee makes a recommendation to the full Board as to the persons who should be nominated by the Board, and the Board determines the nominees after considering the recommendation and report of the Committee.

There would be no differences in the manner in which the Nominating/Corporate Governance Committee evaluates nominees for director based on whether the nominee is recommended by a stockholder or the Committee.

Board Meetings

In the fiscal year ended December 31, 2007, there were ten meetings of the Board of Directors, four meetings of the Audit Committee, six meetings of the Compensation Committee and five meetings of the Nominating/Corporate Governance Committee. Each Director of the Company attended in excess of 75% of the total number of meetings of the Board of Directors and committees on which he or she served. Board members are encouraged to attend our Annual Meeting of Stockholders. All but one of our Directors attended our 2007 Annual Meeting.

Communications with the Board

The Nominating/Corporate Governance Committee of the Board approved a process for handling letters received by the Company and addressed to non-management members of the Board. Stockholders and other parties interested in communicating with any Directors of the Company (or the Board as a group), may do so by writing to the Secretary of the Company, at the Company’s principal executive offices. The Secretary will review all such correspondence and regularly forward to the Board a summary of all such correspondence and copies of all correspondence that, in the Secretary’s opinion, deals with the functions of the Board or committees thereof or that he otherwise determines to require the Board’s attention. The Board, or any member thereof, may at any time request that copies of all such correspondence be forwarded to the Board.

Correspondence relating to accounting, internal controls or auditing matters is handled by the Audit Committee in accordance with its procedures.

The non-management directors of our Board meet in executive session several times during the year, generally on the same day as regularly scheduled meetings of the Board of Directors or as considered necessary or appropriate. Mr. Kirk has been chosen by the non-management Directors to be the independent lead director and to preside at each such meeting.

COMPENSATION DISCUSSION AND ANALYSIS

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Overview of Compensation Program

In 2004, shortly after completion of a significant offering of our common stock, we formulated a preliminary compensation philosophy that was designed to provide a market-competitive, performance-based compensation package consisting of base salary, annual bonuses and long-term equity awards for performance. Since then, our Compensation Committee has designed and implemented this compensation program for the chief executive officer, or CEO, and other executives. The Committee evaluates the performance of the CEO and determines his compensation in light of the goals and objectives of the compensation program, based on all the criteria discussed herein. Based on initial recommendations and input from the CEO, the Committee assesses the performance of the other executives and determines their compensation. Our Compensation Committee retained a compensation consulting firm, Chernoff Diamond & Co., LLC, to assist our Committee in implementing the compensation policy. The consultant provides to our Committee relevant market data about our peer companies and makes recommendations as to compensation matters. The discussion under this Compensation Discussion and Analysis relates to the CEO and the other named executive officers included in the Summary Compensation Table.

Compensation Objectives

As set forth in its Charter, the Committee's compensation philosophy is to align executive compensation with the interests of stockholders, attract, retain and motivate a highly competent team of executives, link pay to performance, achieve a balance between short-term and long-term results, teamwork and individual contributions and utilize equity as a significant reward for performance.

The Committee uses three components in establishing executive compensation, namely base salary, annual bonuses and long-term equity compensation. As a result, two key elements of compensation depend upon the performance of the executive, including (a) an annual bonus that is based on an assessment of the executive's performance against pre-determined measures within the context of our overall performance and (b) equity compensation in the form of performance-based full value shares that are earned only if a three-year total stockholder return target is achieved, and that are subject to three-year vesting to require continued service with us. Salary is intended to be commensurate with the executive's scope of responsibility and effectiveness. Bonuses are designed to reward annual results. Long-term equity compensation focuses on our Company achieving long-term sustained results. We attempt to retain our executives by rewarding the executives with long-term equity only if the executive remains with us for the entire three-year performance period. The policy for allocating between either cash and non-cash compensation or short-term or long-term compensation is established on an annual basis. The Committee determines the appropriate level and mix of compensation. The Committee also considers the individual components of compensation, as well as the total compensation received by each named executive officer, relative to such officer's performance, the peer group and each other (i.e., internal equity) in making its determination. The Company does not provide material perquisites or supplemental retirement benefits. The Committee has not utilized tally sheets or wealth accumulation in evaluating compensation, but it may do so in the future.

Implementation

The consultant selected a peer group of 16 equity REITs with a business focus similar to ours, a majority of which are our direct competitors. The data that was obtained for these companies was for the 2006 fiscal year. The peer group selected by the consultant was reviewed and approved by the Chairman of the Committee and consisted of the following companies:

Agree Realty Corp.	Inland Real Estate Corp.
Hersha Hospitality Trust	Tanger Factory Outlet Centers Inc.
Kite Realty Group Trust	Ashford Hospitality Trust Inc.
Ramco Gershenson Properties Trust	Lexington Realty Trust
First Potomac Realty Trust	National Retail Properties, Inc.
Acadia Realty Trust	Pennsylvania Real Estate Investment Trust
Saul Centers Inc.	Washington Real Estate Investment Trust
Glimcher Realty Trust	Cousins Properties Inc.

Since we had a market capitalization that was smaller than 70% of such peers, the Committee determined to utilize the median of the peer group as an indication of target market position. With respect to the long-term compensation, the consultant determined that restricted stock was used more widely among the peer group than stock options, as is the practice of our Company. Although comparisons of compensation paid to our named executive officers relative to compensation paid to similarly situated executives in our peer group assists the Committee in determining compensation, the Committee evaluates compensation based on the corporate objectives discussed above.

Based on its review of compensation amounts for 2006, the consultant determined that the total compensation for the named executive officers (consisting of base salary, annual bonus and value of long-term equity grants) was at or slightly above the median of the peer group. Base salaries were determined to be within a reasonable range of the peer group median, total cash compensation was generally slightly below the

median of the peer group and total equity grants were slightly above the median of the peer group.

Base Salary

Base salaries for our named executive officers depend on the scope of their responsibilities and their performance. Base salary is designed to compensate the executives for services rendered during the year. These salaries are compared to amounts paid to the executive's peers outside our company. Salary levels are typically considered annually as part of the Committee's performance review process and increases are based, in part, on the Committee's assessment of the performance of the executive. Due to the growth and performance of our Company and other factors, the Committee determined that base salary for 2008 for each of the named executive officers would be increased by 5%.

Annual Bonus

We seek to align the interests of the named executive officers by evaluating executive performance on the basis of specified financial tests. Target bonuses were established at a percentage of base salary according to the executive's level of responsibility. In addition, 30% of the bonus for the CEO would be discretionary and tied to strategic planning, governance, relationship with the Board of Directors, succession planning and other factors deemed relevant by the Committee. We attempt to achieve an appropriate mix between cash payments and equity awards.

As part of its continuing review of appropriate performance measures in 2006, the Compensation Committee determined that the bonus award should be based entirely on a calculation of the Company's adjusted funds from operations ("AFFO"). The Committee believes that such AFFO calculation is the appropriate benchmark for incentive compensation. For 2007, the Committee set \$1.04 per share of AFFO as the performance target for receiving the bonus, a significant increase over the \$0.89 per share of AFFO realized by the Company in 2006. The payout scale for 2007 was a 3% increase (or decrease) in bonus for each 1% increase (or decrease) in actual performance from the base target. No bonus would be paid if our actual results were less than 80% of the target. The maximum payout would be 200% of the target bonus. AFFO is defined as funds from operations ("FFO"), as reduced by straight-line rents and amortization of intangible lease liabilities, and increased by non-real estate amortization and the effect of restricted stock awards. For 2007, the Committee increased the AFFO result for the one-time charge related to the retirement of our former chief financial officer and for the hiring of a new chief financial officer, which had the effect of increasing the annual bonus amount by approximately \$90,000 in the aggregate for the named executive officers. The resulting bonus amounts paid to the named executive officers, premised on such AFFO calculation, was approximately 13.8% below the target amount for such officers.

Each year, a portion of the annual bonus is deferred in the form of restricted stock to be issued in accordance with the terms of our 2004 Stock Incentive Plan (the "2004 Stock Incentive Plan"), which is discounted 15% from the market price and which cliff vests on the third anniversary of the grant date, subject to acceleration of vesting under the 2004 Stock Incentive Plan upon retirement, death or disability or upon the occurrence of a change in control. For 2007, the portion of annual bonus allocated to restricted stock was 50%.

Long-Term Compensation

The Committee determined that long-term incentive compensation would be in the form of performance-based restricted stock to be issued in accordance with the terms of our 2004 Stock Incentive Plan, with performance measured against an agreed-upon three-year total stockholder return ("TSR") target. TSR was selected since it ties this portion of the compensation to stockholder value, with the total value of these awards corresponding to stock price appreciation and dividends. It was determined to use different criteria for long-term compensation than for annual bonuses, with TSR having a longer-term focus than AFFO. For 2006, such compensation was paid by the granting of restricted stock under the 2004 Stock Incentive Plan, with 50% vesting on the third anniversary if the employee was still employed by the Company, and the remaining 50% to vest if the TSR over the three year period of 2006-2008 averaged 8% or more per year for the three years. For 2007, the Committee determined to use the same dollar amount as for 2006, with 40% to be based on time and 60% on performance, subject to the same vesting requirements. Dividends are paid on the shares issued as restricted stock even though such stock has not vested. TSR is determined by adding dividends paid during the year to the change in stock price for such year, with the stock price to be measured as the average closing price for the last 20 trading days of the year. This would be measured for the complete three-year period. Stock awards are based on both performance and continued service with us, subject to acceleration of vesting upon retirement, death or disability or upon a change in control. In order for the stock to be earned, we must achieve TSR goals within the three-year performance period and the employee must remain employed by us for such three years. Our practice is to determine the dollar amount of equity compensation to be granted and then to grant a number of full value shares that have a fair market value equal to that amount on the first trading day of the year for which the grant is made. Fair market value is determined by selecting the closing price of our common stock applicable to the relevant grant dates. The Committee reserved the right to establish different criteria for grants in future years. Historically, our practice has been to issue restricted stock and not to grant stock options. Aside from some minor grants of stock options to our directors in 2001, we have not granted any stock options.

Perquisites

The only material perquisite provided to our named executive officers is reimbursement for use of an automobile for business purposes since the executives need such vehicles for frequent travel to and from the Company's numerous shopping centers. No other material perquisites are provided. Since the perquisites are de minimus, the Committee does not focus on them.

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Retirement Benefits

Named executive officers participate in the Company's tax qualified 401(k) plan providing for employer and employee contributions.

We do not provide any supplemental retirement benefits for the named executive officers.

Employment Agreements

We entered into employment agreements with the named executive officers and other officers commencing in 2003 and with our new chief financial officer in 2007. Each of these agreements has change in control provisions that are designed to promote stability and continuity of senior management. These agreements, including change in control payments, were negotiated on an arms-length basis and are more fully described in "Employment Agreements with Named Executive Officers." The Committee does not believe these provisions will adversely affect the interests of our shareholders in the event of a change in control.

Stock Ownership Guidelines

In March 2007, we established target stock ownership guidelines for our named executive officers to more closely align their interests with our shareholders. The number of shares of our common stock that is targeted to be owned is set at a multiple of the executive's base salary. For the chief executive officer, the multiple is four times base salary, while for the other named executive officers the multiple is two times base salary. The chief executive officer exceeds this level, while the other named executive officers have until March 2011 to reach such level.

We also established target ownership guidelines for our directors. For each director who has served as a director for at least four years, such director is expected to own shares of our common stock totaling not less than the number of shares constituting the equity portion of his annual retainer for the previous four years. All our directors meet such guidelines.

Tax Deductibility of Compensation

The financial reporting and income tax consequences to the Company of the compensation components for the executive officers are considered by the Committee in analyzing the level and mix of compensation. The Internal Revenue Code of 1986, as amended (the "Code"), was amended in 1993 with respect to the ability of publicly-held corporations such as the Company to deduct compensation in excess of \$1,000,000 per individual, other than performance-based compensation. The Compensation Committee continues to evaluate the deductibility of executive compensation, while retaining the discretion it deems necessary to compensate executive officers.

Executive Compensation

The following table sets forth certain information regarding compensation paid by the Company to its chief executive officer, chief financial officer and to each of its three other most highly compensated executive officers whose salary and bonus for 2007 exceeded \$100,000.

Summary Compensation Table

Name and Principal Position	Year	Salary ⁽¹⁾	Bonus ⁽¹⁾⁽²⁾	Stock Awards ⁽³⁾	All Other Compensation ⁽⁴⁾	Total
		(\$)	(\$)	(\$)	(\$)	(\$)
Leo S. Ullman	2007	456,875	428,337	275,866	39,387	1,200,465
President and Chief Executive Officer	2006	425,000	514,568	212,156	16,922	1,168,646
Thomas J. O'Keefe ⁽⁵⁾	2007	161,250	167,500	486,894 ⁽⁵⁾	30,662	844,306
Chief Financial Officer	2006	300,000	363,230	93,964	16,813	774,007
Lawrence E. Kreider, Jr. ⁽⁶⁾	2007	331,731	145,138	84,611	5,000	566,480
Chief Financial Officer						