MITEK SYSTEMS INC
Form DEF 14A
January 27, 2015
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

SCHEDULE 14A

(RULE 14a-101)

INFORMATION REQUIRED IN

PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of

the Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x

Filed by a party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement
¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
x Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material under § 240.14a-12

MITEK SYSTEMS, 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):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

Table of Contents

MITEK SYSTEMS, INC.

8911 BALBOA AVENUE

SAN DIEGO, CALIFORNIA 92123

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD MARCH 4, 2015

TO THE STOCKHOLDERS OF MITEK SYSTEMS, INC.

The annual meeting of stockholders of Mitek Systems, Inc., will be held at 9:00 a.m., local time, on Wednesday, March 4, 2015, at our executive offices located at 8911 Balboa Avenue, San Diego, California 92123, for the following purposes:

1. To elect the following seven directors to serve until our 2016 annual meeting of stockholders and until their respective successors have been elected and qualified: John M. Thornton, James B. DeBello, Vinton P. Cunningham, Bill K. Aulet, James C. Hale, Bruce E. Hansen, and Alex W. Pete Hart;

2. To ratify the selection of Mayer Hoffman McCann P.C. as our independent registered public accounting firm for the fiscal year ending September 30, 2015; and

3. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

These items of business are more fully described in the Proxy Statement accompanying this notice.

Our Board of Directors has fixed the close of business on January 16, 2015 as the record date for the determination of stockholders entitled to notice of and to vote at the annual meeting and all adjournments or postponements thereof. A list of these stockholders will be open to examination by any stockholder at the annual meeting and for ten days prior thereto during normal business hours at our executive offices located at 8911 Balboa Avenue, San Diego, California 92123. Enclosed for your convenience is a proxy card which may be used to vote your shares at the annual meeting. The proxy materials, including a proxy card and our Annual Report on Form 10-K for the fiscal year ended September 30, 2014, are available online at *www.proxydocs.com/MITK*.

You are invited to attend the annual meeting in person. Even if you expect to attend the annual meeting, it is important that you complete, sign, date and return the enclosed proxy card as promptly as possible in the enclosed return envelope (which is postage prepaid if mailed in the United States) in order to ensure that your shares are represented at the annual meeting. Even if you have voted by proxy, you may still revoke such proxy and vote in person if you attend the annual meeting. However, please note that if your shares are held of record by a broker, bank or other agent and you wish to vote at the annual meeting, you must obtain a proxy card issued in your name from such record holder.

	By Order of the Board of Directors
San Diego, California	John M. Thornton
January 27, 2015	Chairman of the Board

Table of Contents

TABLE OF CONTENTS

Table of Contents

MITEK SYSTEMS, INC.

8911 BALBOA AVENUE

SAN DIEGO, CALIFORNIA 92123

PROXY STATEMENT

FOR THE 2015 ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON MARCH 4, 2015

QUESTIONS AND ANSWERS ABOUT THIS PROXY MATERIAL AND VOTING

Why am I receiving these materials?

We sent you this proxy statement (the **Proxy Statement**) and the enclosed proxy card because the Board of Directors (the **Board**) of Mitek Systems, Inc. (sometimes referred to as **we**, **us**, **our**, **Mitek** or the **Company**) is soliciting your proxy to vote at our 2015 annual meeting of stockholders, or any adjournment or postponement thereof (the **Annual Meeting**). You are invited to attend the Annual Meeting and we request that you vote on the proposals described in this Proxy Statement. However, you do not need to attend the Annual Meeting to vote your shares. Instead, you may simply complete, sign, date and return the enclosed proxy card or submit your proxy through the Internet or by telephone according to the instructions contained in the enclosed proxy card.

We intend to mail this Proxy Statement and the accompanying materials to all stockholders of record entitled to vote at the Annual Meeting on or about January 30, 2015.

When and where will the Annual Meeting be held?

The Annual Meeting will be held at 9:00 a.m., local time, on Wednesday, March 4, 2015, at our executive offices located at 8911 Balboa Avenue, San Diego, California 92123.

Who can vote at the Annual Meeting and how many votes do I have?

Only stockholders of record at the close of business on January 16, 2015 will be entitled to vote at the Annual Meeting. At the close of business on this record date, there were 30,654,705 shares of common stock outstanding and entitled to vote. With respect to each proposal to be voted upon at the Annual Meeting, you are entitled to one vote for each share of common stock held as of the record date.

Stockholder of Record: Shares Registered in Your Name

If at the close of business on January 16, 2015, your shares of common stock were registered directly in your name with our transfer agent, Computershare, then you are the stockholder of record of these shares. As a stockholder of record, you may vote either in person at the Annual Meeting or by proxy. Whether or not you plan to attend the Annual Meeting, we urge you to complete, sign, date and return the enclosed proxy card or submit your proxy through the Internet or by telephone by following the instructions provided in the enclosed proxy card to ensure that your vote is counted.

Beneficial Owner: Shares Registered in the Name of Your Broker, Bank or Other Agent

If at the close of business on January 16, 2015 your shares of common stock were held, not in your name, but rather in an account at a brokerage firm, bank or other similar organization, then you are the beneficial owner of shares held in street name and these proxy materials are being forwarded to you by that organization. The organization holding your account is considered the stockholder of record for purposes of voting at the Annual Meeting. As the beneficial owner, you have the right to direct your broker, bank or other agent regarding how to vote the shares in your account. Certain of these institutions offer the ability to direct your agent how to vote through the Internet or by telephone. You are also invited to attend the Annual Meeting. However, because you are not the stockholder of record, you may not vote your shares in person at the Annual Meeting unless you request and obtain a valid proxy card issued in your name from your broker, bank or other agent in whose name the shares are registered prior to the Annual Meeting.

Table of Contents

What am I voting on?

There are two matters scheduled for a vote at the Annual Meeting:

- Election of the seven nominees for director named in this Proxy Statement to serve until our 2016 annual meeting of stockholders and until their respective successors have been elected and qualified; and
- Ratification of the selection of Mayer Hoffman McCann P.C. (**Mayer Hoffman**) as our independent registered public accounting firm for the fiscal year ending September 30, 2015.

Will there be any other items of business on the agenda?

Other than the election of directors and ratification of the selection of Mayer Hoffman as our independent registered public accounting firm, the Board knows of no other matters to be presented at the Annual Meeting. If any other matter should be presented at the Annual Meeting upon which a vote may properly be taken, shares represented by all proxies received by the Board will be voted with respect to such matter in accordance with the judgment of the persons named as attorneys-in-fact in the proxies.

What is the Board s voting recommendation?

The Board recommends that you vote your shares:

- For each of the seven nominees for director named in this Proxy Statement; and
- For the ratification of the selection of Mayer Hoffman as our independent registered public accounting firm for the fiscal year ending September 30, 2015.

How do I vote?

With respect to the election of directors, you may either vote for any or all of the nominees proposed by the Board or you may withhold your vote for any or all of the nominees. For each of the other matters to be voted on, you may vote for or against or abstain from voting. The procedures for voting are described below, based upon the form of ownership of your shares.

Stockholder of Record: Shares Registered in Your Name

If you do not wish to vote in person or you will not be attending the Annual Meeting, you may vote by proxy. You may vote by proxy using the enclosed proxy card, vote by proxy through the Internet or vote by proxy over the telephone. The procedures for voting by proxy are as follows:

- To vote by proxy using the enclosed proxy card, complete, sign and date your proxy card and return it promptly in the envelope provided.
- To vote by proxy through the Internet, go to the website address set forth on the enclosed proxy card and follow the instructions provided at the website.
- To vote by proxy over the telephone, dial the toll-free phone number listed on your proxy card under the heading Vote by Phone using a touch-tone phone and follow the recorded instructions.

If you vote by proxy, your vote must be received by 11:59 p.m. Eastern Time on Tuesday, March 3, 2015, to be counted. If you are a stockholder of record and attend the Annual Meeting in person, you may vote in person at the Annual Meeting. We will give you a ballot when you arrive and any previous proxy that you submitted, whether by mail, Internet or telephone, will be superseded by the vote that you cast in person at the Annual Meeting. If you have any questions regarding how to submit your proxy or vote your shares at the Annual Meeting, please call our Corporate Secretary at (858) 309-1700.

Table of Contents

We provide Internet and telephone proxy voting with procedures designed to ensure the authenticity and correctness of your proxy vote instructions. However, please be aware that you must bear any costs associated with your Internet and telephone access, such as usage charges from Internet access providers and telephone companies.

Beneficial Owner: Shares Registered in the Name of Your Broker, Bank or Other Agent

If you are a beneficial owner of shares registered in the name of your broker, bank or other agent, you should have received a proxy card and voting instructions with these proxy materials from that organization rather than from Mitek. To ensure that your vote is counted, simply complete, sign, date and mail the proxy card or, if provided by your agent, follow the instructions for submitting your proxy through the Internet or by telephone. To vote in person at the Annual Meeting, you must obtain a proxy card issued in your name from your broker, bank or other agent in whose name the shares are registered prior to the Annual Meeting. Follow the instructions from your broker, bank or other agent included with these proxy materials or contact your broker, bank or other agent to request a proxy card.

Who is paying for this proxy solicitation?

We will pay the expenses of soliciting proxies for the Annual Meeting, including the cost of preparing, assembling and mailing the proxy materials. Proxies may be solicited personally, by mail, by telephone or by facsimile by our directors, officers or other employees. Our directors, officers or other employees will not receive additional compensation for soliciting proxies. We may request that any person holding stock in their name for the benefit of others, such as a broker, bank or other agent, forward the proxy materials to such beneficial owners and request authority to execute the proxy. We will reimburse any such broker, bank or other agent for their expenses in connection therewith.

What does it mean if I receive more than one proxy card?

If you receive more than one proxy card, your shares are registered in more than one name or are registered in different accounts. Please complete, sign, date and return each proxy card to ensure that all of your shares are voted.

Can I change my vote after submitting my proxy?

Yes. You may change your vote with respect to any proposal by revoking your proxy at any time prior to the commencement of voting with respect to such proposal at the Annual Meeting. If you are a stockholder of record, you may revoke your proxy in any one of three ways:

- You may submit another properly completed proxy with a later date by mail, through the Internet or by telephone (your latest Internet or telephone instructions submitted prior to the deadline will be followed);

- You may send a written notice that you are revoking your proxy to our Corporate Secretary at Mitek Systems, Inc., 8911 Balboa Avenue, San Diego, California 92123, Attn: Corporate Secretary by no later than the close of business on Tuesday, March 3, 2015; or

- You may attend the Annual Meeting and vote in person. However, simply attending the Annual Meeting will not, by itself, revoke your proxy.

If your shares are held of record by a broker, bank or other agent, you must contact such record holder to revoke any prior voting instructions or obtain a proxy card issued in your name from such record holder in order to vote in person at the Annual Meeting. Following the commencement of voting with respect to a proposal, you may not revoke your proxy or otherwise change your vote with respect to such proposal.

Votes will be counted by the inspector of elections appointed for the Annual Meeting.

How are my shares voted if I give no specific instruction?

We must vote your shares as you have instructed. If there is a matter on which a stockholder of record has given no specific instruction but has authorized us generally to vote the shares, they will be voted as follows:

- For each of the seven nominees for director named in this Proxy Statement; and
- For the ratification of the selection of Mayer Hoffman as our independent registered public accounting firm for the fiscal year ending September 30, 2015.

This general authorization would exist, for example, if a stockholder of record merely signs, dates and returns the proxy card but does not indicate how its shares are to be voted on one or more proposals. If other matters properly come before the Annual Meeting, or any adjournment or postponement thereof, and you do not provide specific voting instructions, your shares will be voted as recommended by the Board.

If your shares are held of record by a broker, bank or other agent, see What is a broker non-vote? below regarding the ability of brokers, banks and other such holders of record to vote the uninstructed shares of their clients or other beneficial owners in their discretion and for an explanation of broker non-votes.

What is a broker non-vote?

Under rules that govern brokers, banks and other agents that are record holders of company stock held in brokerage accounts for their clients who beneficially own the shares, such record holders who do not receive voting instructions from their clients have the discretion to vote uninstructed shares on certain matters (discretionary matters), but do not have discretion to vote uninstructed shares as to certain other matters (non-discretionary matters). Accordingly, a broker may submit a proxy card on behalf of a beneficial owner from whom the broker has not received voting instructions that casts a vote with regard to discretionary matters but expressly states that the broker is not voting as to non-discretionary matters. The broker s inability to vote on non-discretionary matters with respect to which the broker has not received voting instructions from the beneficial owner is referred to as a broker non-vote.

What are the voting requirements that apply to the proposals discussed in this Proxy Statement?

The election of directors contemplated by Proposal No. 1 Election of Directors will be decided by a plurality of the votes cast. Accordingly, the seven director nominees receiving the highest number of votes will be elected. The ratification of the selection of Mayer Hoffman as our independent registered public accounting firm contemplated by Proposal No. 2 Ratification of the Selection of our Independent Registered Public Accounting Firm requires the affirmative vote of the holders of a majority of the shares of common stock present and entitled to vote either in person or by proxy at the Annual Meeting.

What is the effect of withhold authority votes, abstentions and broker non-votes?

Withhold Authority Votes: Shares subject to instructions to withhold authority to vote on the election of directors will not be voted. This will have no effect on Proposal No. 1 Election of Directors because, under plurality voting rules, the seven director nominees receiving the highest number of for votes will be elected.

Abstentions: Under Delaware law (under which Mitek is incorporated), abstentions are counted as shares present and entitled to vote at the Annual Meeting. Therefore, abstentions will have the same effect as a vote against Proposal No. 2 Ratification of the Selection of our Independent Registered Public Accounting Firm. However, abstentions will have no effect on Proposal No. 1 Election of Directors because, under plurality voting rules, the seven director nominees receiving the highest number of for votes will be elected.

Broker Non-Votes: As a result of a change in the rules related to discretionary voting and broker non-votes, brokers, banks and other agents are no longer permitted to vote the uninstructed shares of their clients on a discretionary basis in the election of directors. Because broker non-votes are not considered under Delaware law to be entitled to vote at the Annual Meeting with respect to non-discretionary matters, they will have no effect on the outcome of the vote on Proposal No. 1 Election of Directors. If you hold your shares in street name and you do not instruct your broker, bank or other agent how to vote your shares on Proposal No. 1 Election of Directors, no votes will be cast on your behalf on these proposals. Therefore, it is critical that you indicate your vote on these proposals if you want your vote to be counted. Proposal No. 2 Ratification of the Selection of our Independent Registered Public Accounting Firm is considered a routine or discretionary matter on which your broker, bank or other agent will be able to vote on your behalf even if it does not receive instructions from you and, therefore, no broker non-votes are expected to exist in connection with Proposal No. 2.

What is the quorum requirement?

A quorum of stockholders is necessary to hold a valid meeting. A quorum will be present if at least a majority of the shares of our common stock outstanding on the record date are present either in person or by proxy at the Annual Meeting. At the close of business on January 16, 2015, the record date for the Annual Meeting, there were 30,654,705 shares of common stock outstanding. Thus, a total of 30,654,705 shares are entitled to vote at the Annual Meeting and holders of common stock representing at least 15,327,353 votes must be represented at the Annual Meeting either in person or by proxy to have a quorum.

Your shares will be counted towards the quorum only if you submit a valid proxy (or if one is submitted on your behalf by your broker, bank or other agent) or if you vote in person at the Annual Meeting. Votes withheld from a director nominee and abstentions will be counted as present for purposes of establishing the required quorum. Broker non-votes will be counted as present for purposes of establishing the required quorum. If there is no quorum, the chairman of the meeting or a majority of the shares present in person or by proxy at the Annual Meeting may adjourn the Annual Meeting to another date.

I have also received a copy of the Company s Annual Report on Form 10-K. Is that a part of the proxy materials?

Our Annual Report on Form 10-K for the fiscal year ended September 30, 2014 (the **Form 10-K**), as filed with the Securities and Exchange Commission (the **SEC**) on December 5, 2014, accompanies this Proxy Statement. This document constitutes our Annual Report to Stockholders and is being made available to all stockholders entitled to receive notice of and to vote at the Annual Meeting. Except as otherwise stated, the Form 10-K is not incorporated into, and is not part of, this Proxy Statement and should not be considered proxy solicitation material.

How can I find out the results of the voting at the Annual Meeting?

Voting results are expected to be announced at the Annual Meeting and will also be disclosed in a Current Report on Form 8-K (the **Form 8-K**) that we will file with the SEC within four business days of the date of the Annual Meeting. In the event the results disclosed in the Form 8-K are preliminary, we will subsequently amend the Form 8-K to report the final voting results within four business days of the date that such results are known.

When are stockholder proposals due for next year s annual meeting of stockholders?

Stockholders may submit proposals regarding matters appropriate for stockholder action for consideration at our next annual meeting of stockholders consistent with Rule 14a-8 promulgated under the Securities Exchange Act of 1934, as amended (the **Exchange Act**), and our second amended and restated bylaws (the **Bylaws**). To be considered for inclusion in the proxy materials for our 2016 annual meeting of stockholders, a stockholder proposal, including a proposal for the nomination of directors, must be submitted in writing no later than October 2, 2015 to our Corporate Secretary at Mitek Systems, Inc., 8911 Balboa Avenue, San Diego, California

92123, Attn: Corporate Secretary. Pursuant to the terms of our Bylaws, stockholders wishing to submit proposals or director nominations, including those that are not to be included in our 2016 proxy statement and proxy, must provide timely notice in writing to our Secretary. To be timely, a stockholder s notice must be delivered to or mailed and received at our principal executive offices not later than the close of business on December 5, 2015 nor earlier than November 5, 2015, subject to certain exceptions. Stockholders are advised to review our Bylaws, which contain additional requirements with respect to advance notice of stockholder proposals and director nominations.

Table of Contents

PROPOSAL NO. 1

ELECTION OF DIRECTORS

Background

Pursuant to our Bylaws, the Board has fixed the number of authorized directors at eight. Gerald I. Farmer, Ph.D., is not standing for re-election when his term expires at the Annual Meeting and therefore will cease to be a member of the Board as of such time. The seven director nominees receiving the highest number of votes at the Annual Meeting will be elected to the Board, to serve until our next annual meeting of stockholders and until their successors have been duly elected and qualified.

Unless authorization to do so is withheld, it is intended that the persons named in the enclosed proxy will vote for the election of the seven director nominees proposed by the Board. All incumbent directors have been recommended by the Nominating and Corporate Governance Committee of the Board (the **Nominating Committee**) as nominees for re-election to the Board. If any of the director nominees should become unavailable for election prior to the Annual Meeting, the proxy will be voted for a substitute nominee or nominees, if any, designated by the Board.

The following table includes the names and certain information about the nominees for director. All of the nominees named below have consented to being named herein and to serve on the Board, if elected.

Name	Age	Position
John M. Thornton	82	Chairman of the Board
James B. DeBello	56	President and Chief Executive Officer and Director
Vinton P. Cunningham(1)	78	Director
Bill K. Aulet(4)	57	Director
James C. Hale(1)	62	Director
Bruce E. Hansen(1)(2)	55	Director
Alex W. Pete Hart(2)(3)	74	Director

(1) Member of the Audit Committee of the Board
(2) Member of the Compensation Committee of the Board
(3) Member of the Nominating and Corporate Governance Committee of the Board
(4) Immediately following the Annual Meeting, Mr. Aulet will be appointed to the Compensation Committee and the Nominating and Corporate Governance Committee to fill the seats on such committees currently held by Dr. Farmer.

John M. Thornton. Mr. Thornton has served as a director since March 1986 and as our Chairman since October 1987. He also served as our President and Chief Executive Officer and Chief Financial Officer from September 1998 to May 2003, when he resigned from his positions as President and Chief Executive Officer. He resigned from his position as Chief Financial Officer in May 2005. From May 1991 to February 1992, Mr. Thornton served as our President and from May 1991 to July 1991, he served as our Chief Executive Officer. From 1976 through 1988, Mr. Thornton served as Chairman and Vice Chairman of the Board at Micom Systems, Inc. Mr. Thornton is also Chairman of the Board of Thornton Winery Corporation in Temecula, California. Mr. Thornton is married to Sally B. Thornton, a former member of the Board. Mr. Thornton holds an A.B. in economics from Pomona College and an MBA from Harvard Business School. As a director since the Company s formation in 1986 and having previously served as our President, Chief Executive Officer and Chief Financial Officer, Mr. Thornton has in-depth knowledge of our company and the industries in which we sell our products. Mr. Thornton also brings to the Board his extensive executive management and chairman experience with public and privately held companies, which the Board believes provides him with the skills necessary to serve as our Chairman.

James B. DeBello. Mr. DeBello has served as a director since November 1994 and as our President and Chief Executive Officer since May 2003. From January 2009 to September 2011, Mr. DeBello also served as our

Chief Financial Officer and from January 2009 to February 2013, he also served as our Secretary, in each case in addition to his other positions. Prior to joining Mitek, he was Chief Executive Officer of AsiaCorp Communications, Inc., a wireless data infrastructure and software company, from July 2001 to May 2003. He was Venture Chief Executive Officer for IdeaEdge Ventures, Inc., a venture capital company, from June 2000 to June 2001. From May 1999 to May 2000, he was President, Chief Operating Officer and a member of the board of directors of CollegeClub.com, an Internet company. From November 1998 to April 1999, he was Chief Operating Officer of WirelessKnowledge, Inc., a joint venture company formed between Microsoft and Qualcomm, Inc. From November 1996 to November 1998, Mr. DeBello held positions as Vice President, Assistant General Manager and General Manager of Qualcomm, Inc. s Eudora Internet Software Division, and Vice President of Product Management of Qualcomm, Inc. s Subscriber Equipment Division. Mr. DeBello holds a B.A., magna cum laude, from Harvard University and an MBA from Harvard Graduate School of Business, and he was a Rotary Scholar at the University of Singapore where he studied economics and Chinese. Mr. DeBello has over 15 years of experience in various senior executive positions, including chief executive officer, at other global technology companies. As a director of the Company for approximately 18 years and in his role in the day-to-day operations of the Company as our President and Chief Executive Officer since 2003, Mr. DeBello has gained extensive knowledge of the industries in which we operate, allowing him to bring to the Board a broad understanding of the operational issues and strategic opportunities facing the Company.

Vinton P. Cunningham. Mr. Cunningham has served as a director since May 2005. He served as Senior Vice President Finance of EdVision Corporation, a provider of curriculum development and assessment tools for the education community, from 1993 until his retirement in 2002. Mr. Cunningham was Chief Operating Officer and Chief Financial Officer of Founders Club Golf Company, a golf equipment manufacturer, from 1990 to 1993. He was Vice President Finance of Amcor Capital, Inc., a company that organized and managed real estate syndications, from 1985 to 1990. Mr. Cunningham was Chief Financial Officer and Treasurer of Superior Farming Company, a wholly owned subsidiary of Superior Oil Company, a grower of various fruits, vegetables, nuts and cotton in California and Arizona, from 1981 to 1985. Mr. Cunningham holds a B.S. in accounting from the University of Southern California. The Board believes Mr. Cunningham s financial background provides the Board with valuable financial and accounting expertise and makes him well suited to serve on the Audit Committee of the Board. Having served as a director of the Company since 2005, Mr. Cunningham has a strong understanding of our business, operations and culture.

Bill K. Aulet. Mr. Aulet has served as a director since January 2015. Since 2009, he has served as the managing director in the Martin Trust Center for MIT Entrepreneurship at MIT. From 2005 to 2009, Bill was a Senior Lecturer and Entrepreneur in Residence at the MIT Sloan School of Management. From 2003 to 2005, he served as Senior Vice President and Chief Financial Officer of Viisage Technology, a security technology company with a dual focus in the areas of drivers licenses and facial recognition. From 1996 to 2002, he served as President and Director of SensAble Technologies, a provider of force-feedback haptic devices and touch-enabled 3D modeling software solutions. Prior to joining SensAble, Mr. Aulet started his career at IBM as a Systems Engineer and then was rapidly promoted through various jobs where he gained training and experience in technical, marketing, sales, financial and international business operations and management. His last job was the Finance and Planning Manager for the IBM New England Region. Mr. Aulet holds a bachelor s degree in engineering from Harvard University and a Masters in Management Science from the MIT Sloan School of Management. Mr. Aulet s experience in technology entrepreneurship, and specifically his experience in document and facial recognition, makes him well qualified to serve on the Board.

James C. Hale. Mr. Hale has served as a director since November 2014 and served as a member of our advisory board from September 2012 to November 2014. In 1998, he co-founded FTV Capital, which manages over $1.7 billion in growth equity funds. Mr. Hale served as managing partner of FTV Capital from 1998 through 2007. Mr. Hale has three decades of management experience in private equity investing and commercial and investment banking and prior to founding FTV Capital, Mr. Hale served as Senior Managing Partner and Head of the Financial Services Group at Montgomery Securities from 1982 to 1998, and as a member of the corporate planning and development group at Bank of America from 1978 to 1982. Mr. Hale currently serves on the boards of directors of

Table of Contents

Bank of Marin and Loyal3 and was a member of the board of directors of the National Venture Capital Association, San Francisco Venture Capital Forum, Duke University Management Company, and the Investment Committee of University of California Berkeley Foundation. In addition, Mr. Hale recently served as Chairman of the Board at Official Payments Holdings, Inc. until its acquisition in 2013 by ACI Worldwide, a leading international provider of electronic payment systems. Mr. Hale holds a B.S. from the University of California at Berkeley, an MBA from Harvard Graduate School of Business and is a Certified Public Accountant. The Board believes Mr. Hale s experience in corporate development, specifically in the payments and technology industries, makes him well qualified to serve on the Board while his financial expertise makes him well suited to serve on the Audit Committee of the Board. Having served as a member of the Company s Advisory Board since 2012, Mr. Hale has a strong understanding of our technology and the industries in which we operate.

Bruce E. Hansen. Mr. Hansen has served as a director since October 2012 and served as a member of our advisory board from October 2010 to October 2012. In 2002, he co-founded ID Analytics Inc., a consumer risk management company, and served as its Chairman and Chief Executive Officer from its inception until it was acquired by LifeLock, Inc. in March 2012. Prior to founding ID Analytics, he was President at HNC Software Inc., a global provider of analytic software solutions for financial services, telecommunications and healthcare firms, from 2000 to 2002. Mr. Hansen s previous experience also includes the role of Chief Executive Officer of the Center for Adaptive Systems Applications and executive roles at CitiCorp (now CitiGroup), Automatic Data Processing (ADP) and Chase Manhattan Bank (now JP Morgan Chase). He currently serves as a member of the board of directors at BrightScope, Inc. and as a member of the board of directors of Performant Financial Corporation, Zyme Solutions, Inc. and the San Diego Venture Group. Mr. Hansen holds a B.A. in economics from Harvard University and an M.B.A. from the University of Chicago. As a proven leader with decades of analytics industry experience ranging from concept-stage companies to established financial services companies, Mr. Hansen brings to the Board a unique perspective, an expansive knowledge base and domain expertise in the fields of identity verification and big data systems. The Board believes that Mr. Hansen s experience as both a key executive and director will enable him to contribute to the Board with respect to both general governance matters and industry-specific operations.

Alex W. Pete Hart. Mr. Hart has served as a director since February 2011. In April 2012, he retired as Chairman of the SVB Financial Group and has worked as an independent consultant in the financial services industry since 1997. He served as Chief Executive Officer of Advanta Corporation, a public diversified financial services company, from 1995 to 1997, where he had previously served as Executive Vice Chairman from 1994 to 1995. Prior to joining Advanta, he was President and Chief Executive Officer of MasterCard International, a worldwide payment service provider, from 1988 to 1994. Mr. Hart currently serves as an advisor to a number of private companies, including NoLie MRI, Cimbal Technologies and US Encode. Mr. Hart is currently a member of the board of directors of the following public companies: Global Payments, Inc., a payment services company, and VeriFone Holdings, Inc., an electronics company. He is also a director of Solicore, Inc., a privately held battery manufacturer. In addition to SVB Financial, Mr. Hart has also previously served as a member of the board of directors of the following companies: FICO, Inc., HNC Software Inc., Retek Inc., Shopping.com, Sanchez Computer Associates, US Encode, eHarmony.com and Sequal Technologies, Inc. Mr. Hart holds a B.A. in social relations from Harvard University. As an experienced leader in the financial services industry, Mr. Hart combines extensive general business expertise with a deep knowledge of the financial services and payments industry. His experience on the boards of directors of other companies in the financial services industry further augments his range of knowledge, providing experience on which he can draw while serving as a member of the Board.

There currently are no legal proceedings, and during the past 10 years there have been no legal proceedings, that are material to the evaluation of the ability or integrity of any of our directors or director nominees.

THE BOARD RECOMMENDS THAT YOU VOTE FOR THE ELECTION TO THE BOARD OF THE DIRECTOR NOMINEES DISCUSSED IN THIS PROPOSAL NO. 1.

Table of Contents

PROPOSAL NO. 2

RATIFICATION OF THE SELECTION OF OUR

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board (the **Audit Committee**) has selected the firm of Mayer Hoffman McCann P.C., independent certified public accountants, to serve as our independent registered public accounting firm for the fiscal year ending September 30, 2015. Representatives of Mayer Hoffman are expected to be present at the Annual Meeting and will have the opportunity to make a statement and respond to appropriate questions. Mayer Hoffman leases substantially all its personnel, who work under the control of Mayer Hoffman shareholders, from wholly-owned subsidiaries of CBIZ, Inc., in an alternative practice structure. All of the hours expended on Mayer Hoffman s engagement to audit our financial statements for the 2014 fiscal year were attributed to work performed by such leased personnel.

Neither our governing documents nor applicable laws require stockholder ratification of the selection of Mayer Hoffman as our independent registered public accounting firm. However, the Board is submitting the selection of Mayer Hoffman to our stockholders for ratification as a matter of good corporate governance. If our stockholders fail to ratify the selection of Mayer Hoffman, the Audit Committee will reconsider whether or not to retain Mayer Hoffman. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of different independent auditors at any time during the year if they determine that such a change would be in the best interests of the Company and our stockholders.

Independent Registered Public Accounting Firm Fee Information

The following table sets forth the aggregate fees billed by Mayer Hoffman for the services indicated for the fiscal years ended September 30, 2014 and 2013. All fees described below were approved by the Audit Committee.

	Fiscal Year Ended September 30, 2014	Fiscal Year Ended September 30, 2013
Audit Fees(1)	$ 169,000	$ 164,300
Audit-Related Fees(2)		18,852
Tax Fees		
All Other Fees		
Total Fees	**$ 169,000**	**$ 183,152**

(1) Includes fees for: (i) the audit of our annual financial statements for the fiscal years ended September 30, 2014 and 2013 included in our annual reports on Form 10-K; (ii) the audit of our internal control over financial reporting for the fiscal years ended September 30, 2014 and 2013; and (iii) the review of our interim period financial statements for the fiscal years ended September 30, 2014 and 2013 included in our quarterly reports on Form 10-Q.

(2) Includes fees for related services that are normally provided in connection with regulatory filings or engagements.

Pre-Approval Policies

The Audit Committee has established policies and procedures by which it approves in advance any audit and permissible non-audit services to be provided by our independent registered public accounting firm. Under these policies and procedures, prior to the engagement of the independent registered public accounting firm for pre-approved services, requests or applications for the independent registered public accounting firm to provide services must be submitted to the Audit Committee and must include a detailed description of the services to be

Table of Contents

rendered. Our chief financial officer and the independent registered public accounting firm must ensure that the independent registered public accounting firm is not engaged to perform the proposed services unless those services are within the list of services that have received the Audit Committee s pre-approval, and must cause the Audit Committee to be informed in a timely manner of all services rendered by the independent registered public accounting firm and the related fees.

Each request or application must include:

- a recommendation by our chief financial officer as to whether the Audit Committee should approve the request or application; and
- a joint statement of our chief financial officer and the independent registered public accounting firm as to whether, in their view, the request or application is consistent with the SEC s requirements for auditor independence of the Public Company Accounting Oversight Board (the **PCAOB**).

The Audit Committee also will not permit the independent registered public accounting firm to be engaged to provide any services to the extent that the SEC has prohibited the provision of those services by an independent registered public accounting firm, which generally include:

- bookkeeping or other services related to accounting records or financial statements;
- financial information systems design and implementation;
- appraisal or valuation services, fairness opinions or contribution-in-kind reports;
- actuarial services;
- internal audit outsourcing services;
- management functions;
- human resources;
- broker-dealer, investment adviser or investment banking services;
- legal services;
- expert services unrelated to the audit; and
- any service that the PCAOB determines is not permissible.

THE BOARD RECOMMENDS THAT YOU VOTE FOR THIS PROPOSAL NO. 2 TO RATIFY THE SELECTION OF MAYER HOFFMAN TO SERVE AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2015.

Table of Contents

REPORT OF THE AUDIT COMMITTEE

The Audit Committee of our Board of Directors has furnished the following report to stockholders of the Company in accordance with rules adopted by the SEC.

As described in its charter, the Audit Committee meets with the independent auditors and our officers or other personnel responsible for our financial reports. The Audit Committee is responsible for reviewing the scope of the auditors examination of the Company and the audited results of the examination. The Audit Committee is also responsible for discussing with the auditors the scope, reasonableness and adequacy of internal accounting controls. The Audit Committee is not responsible for the planning or conduct of the audits or the determination that our financial statements are complete and accurate and in accordance with generally accepted accounting principles. Among other matters, the Audit Committee considers and selects a certified public accounting firm as our independent auditor. The Audit Committee held four meetings during the 2014 fiscal year.

In accordance with rules adopted by the SEC, the Audit Committee states that:

The Audit Committee has reviewed and discussed with management our audited financial statements for the 2014 fiscal year.

The Audit Committee has discussed with Mayer Hoffman McCann P.C., our independent registered public accountants, the matters required to be discussed by the statement on Auditing Standards No. 61, as amended, as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

The Audit Committee has received the written disclosures and the letter from Mayer Hoffman McCann P.C. required by applicable requirements of the Public Company Accounting Oversight Board regarding Mayer Hoffman McCann P.C. s communications with the Audit Committee concerning independence, and has discussed with Mayer Hoffman McCann P.C. its independence.

Based upon the review and discussions referred to above, the Audit Committee recommended to our Board of Directors that our audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2014, for filing with the SEC.

Audit Committee

Vinton P. Cunningham

James C. Hale

Bruce E. Hansen

This foregoing Audit Committee report is not soliciting material, is not deemed filed with the SEC and shall not be deemed incorporated by reference by any general statement incorporating by reference this proxy statement into any filing of ours under the Securities Act of 1933, as amended, or under the Exchange Act, except to the extent we specifically incorporate this report by reference.

Table of Contents

INFORMATION REGARDING THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

General

This section describes key corporate governance guidelines and practices that we have adopted. Complete copies of the charters of the committees of the Board and our Code of Business Conduct and Ethics described below may be viewed on our Internet website at *www.miteksystems.com* under Investors. You may also request a copy of any of these documents free of charge by writing to our Corporate Secretary at Mitek Systems, Inc., 8911 Balboa Avenue, San Diego, California 92123, Attn: Corporate Secretary.

Director Independence

The Board is responsible for establishing corporate policies and for the overall performance of the Company, although it is not involved in day-to-day operations. As required under NASDAQ listing standards, a majority of the members of a listed company s board of directors must qualify as independent, as affirmatively determined by the company s board of directors. The Board consults with our counsel to ensure that the Board s determinations regarding the independence of our directors are consistent with all relevant securities and other laws and regulations regarding the definition of independent, including those set forth in applicable NASDAQ listing standards, as in effect from time to time. Consistent with these considerations, after review of all relevant transactions or relationships between each director (or former director, as applicable), or any of his or her family members, and the Company, our senior management and our independent auditors, the Board has determined that all of our directors other than Mr. DeBello and Mr. Thornton are independent, in each case as defined in NASDAQ Listing Rule 5605(a)(2). In addition, the Board has determined that the members of the Audit Committee meet the additional independence criteria required for audit committee membership.

Meetings of the Board

The Board meets on a regular basis throughout the year to review significant developments affecting the Company and to act upon matters requiring its approval. The Board also holds special meetings as required from time to time when important matters arise requiring Board action between scheduled meetings. During the 2014 fiscal year, the Board met four times and acted by unanimous written consent one time. No director attended fewer than 75% of the aggregate number of meetings held by the Board during the 2014 fiscal year.

Executive Sessions

As required under applicable NASDAQ listing standards, our independent directors periodically meet in executive session at which only they are present.

Director Attendance at Annual Meetings

Although we do not have a formal policy regarding attendance by members of the Board at our annual meeting of stockholders, we encourage all of our directors to attend. Each director nominee discussed in Proposal No. 1 above attended our 2014 annual meeting of stockholders, except for Mr. Hart.

Board Leadership Structure

The leadership structure of the Board is such that our Chairman and our Chief Executive Officer positions are separated. Mr. Thornton has served as our Chairman since October 1987. We believe having a chairman separate from the chief executive officer with extensive experience as both an officer and director of the Company has provided the Board with consistent and knowledgeable leadership that has enhanced the effectiveness of the Board as a whole. Our corporate governance guidelines do not require the Board to choose a chairman separate from the chief executive officer, but the Board believes this leadership structure is the appropriate structure for the Company at this time. The Board has the discretion to choose its chairman in any manner that it deems to be in the best interests of the Company and our stockholders.

Table of Contents

As Dr. Farmer is not standing for re-election when his term expires at the Annual Meeting, he will cease to be a member of the Board following the Annual Meeting and the size of the Board will be reduced accordingly to seven. Dr. Farmer will continue to serve on the Compensation Committee and Nominating and Corporate Governance Committee until the Annual Meeting. Immediately following the Annual Meeting, Mr. Aulet will be appointed to the Compensation Committee and the Nominating and Corporate Governance Committee to fill the seats on such committees currently held by Dr. Farmer.

Board s Role in Risk Oversight

The Board is responsible for oversight of risks facing the Company, while our management is responsible for day-to-day management of risk. The Board, as a whole, directly administers its risk oversight function. In addition, the risk oversight function is also administered through the standing committees of the Board, which oversee risks inherent in their respective areas of responsibility, reporting to the Board regularly and involving the Board in their performance of risk oversight, as necessary. For example, the Audit Committee oversees our financial exposure and financial reporting related risks and the Compensation Committee of the Board (the **Compensation Committee**) oversees risks related to our compensation programs and practices. The Board, as a whole, directly oversees our strategic and business risk, including product development risk, through regular interactions with our management and, from time-to-time, input from independent advisors. We believe the Board s leadership structure supports its role in risk oversight, with our President and Chief Executive Officer and our Chief Financial Officer responsible for assessing and managing risks facing the Company day-to-day and our Chairman and other members of the Board providing oversight of such risk management.

Information Regarding Board Committees

The Board has established standing Audit, Compensation, and Nominating and Corporate Governance Committees to devote attention to specific subjects and to assist it in the discharge of its responsibilities. The three committees operate under written charters adopted by the Board, each of which is available on our Internet website at *www.miteksystems.com* under Investors. The following table provides meeting information for the 2014 fiscal year for each of the committees of the Board and current membership for each of the committees of the Board. Each member of the committees of the Board during the 2014 fiscal year attended at least 75% of the meetings of each of the committees of the Board on which he served that were held during the period for which he was a committee member.

	Audit Committee	**Nominating and Corporate Governance Committee**	**Compensation Committee**	
Employee Director:				
James B. DeBello				
Non-Employee Directors:				
John M. Thornton	4,740,000	(4,158,000)	5,626,000	
Net (loss) attributable to Cedar Realty Trust, Inc.	(249,000)	(66,525,000)	(833,000)	(99,461,000)
Preferred stock dividends	(3,877,000)	(3,580,000)	(11,015,000)	(10,621,000)
Preferred stock redemption costs	(173,000)		(555,000)	
Net (loss) attributable to common shareholders	$ (4,299,000)	$ (70,105,000)	$ (12,403,000)	$ (110,082,000)
Per common share attributable to common shareholders (basic and diluted):				
Continuing operations	$ (0.05)	$ (0.16)	$ (0.20)	$ (0.48)
Discontinued operations	(0.02)	(0.89)	0.01	(1.19)
	$ (0.07)	$ (1.05)	$ (0.19)	$ (1.67)
Amounts attributable to Cedar Realty Trust, Inc. common				

shareholders, net of noncontrolling interests:				
(Loss) from continuing operations	$ (2,850,000)	$ (10,540,000)	$ (13,337,000)	$ (30,993,000)
(Loss) income from discontinued operations	(1,449,000)	(59,565,000)	934,000	(79,089,000)
Net (loss)	$ (4,299,000)	$ (70,105,000)	$ (12,403,000)	$ (110,082,000)
Weighted average number of common shares basic and diluted	68,232,000	66,800,000	67,932,000	66,253,000

See accompanying notes to consolidated financial statements.

Table of Contents

CEDAR REALTY TRUST, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2012	**2011**	**2012**	**2011**
Net income (loss)	$ 2,298,000	$ (71,265,000)	$ 3,325,000	$ (105,087,000)
Other comprehensive income (loss):				
Unrealized gain (loss) on change in fair value of cash flow hedges:				
Consolidated	174,000	(678,000)	483,000	(265,000)
Unconsolidated	20,000		78,000	
Other comprehensive income (loss)	194,000	(678,000)	561,000	(265,000)
Comprehensive income (loss)	2,492,000	(71,943,000)	3,886,000	(105,352,000)
Comprehensive (income) loss attributable to noncontrolling interests	(2,547,000)	4,756,000	(4,158,000)	5,638,000
Comprehensive (loss) attributable to Cedar Realty Trust, Inc.	$ (55,000)	$ (67,187,000)	$ (272,000)	$ (99,714,000)

See accompanying notes to consolidated financial statements.

Table of Contents

CEDAR REALTY TRUST, INC.

Consolidated Statement of Equity

Nine months ended September 30, 2012

(unaudited)

	Cedar Realty Trust, Inc. Shareholders								
	Preferred stock		Common stock						
	Shares	$25.00 Liquidation value	Shares	$0.06 Par value	Treasury stock, at cost	Additional paid-in capital	Cumulative distributions in excess of net income	Accumulated other comprehensive (loss)	Total
Balance, December 31, 2011	6,400,000	$ 158,575,000	67,928,000	$ 4,076,000	$ (10,528,000)	$ 718,974,000	$ (373,741,000)	$ (3,513,000)	$ 493,843,000
Net income (loss)							(833,000)		(833,000)
Unrealized gain on change in fair value of cash flow hedges								483,000	483,000
Unrealized gain on change in fair value of cash flow hedge - unconsolidated joint venture								78,000	78,000
Share-based compensation, net			2,729,000	164,000	(10,588,000)	13,254,000			2,830,000
Net proceeds from sales of Series B shares	5,429,000	128,787,000				(4,417,000)			124,370,000
Redemptions/repurchases of Series A shares	(487,000)	(12,068,000)				374,000	(555,000)		(12,249,000)
Common stock sales and issuance expenses, net			1,000			(169,000)			(169,000)
Preferred stock dividends							(11,015,000)		(11,015,000)
Distributions to common shareholders/noncontrolling interests							(10,808,000)		(10,808,000)
Conversions of OP Units into common stock			1,134,000	68,000		7,827,000			7,895,000
Reallocation adjustment of limited partners interest						(386,000)			(386,000)
Balance, September 30, 2012	11,342,000	$ 275,294,000	71,792,000	$ 4,308,000	$ (21,116,000)	$ 735,457,000	$ (396,952,000)	$ (2,952,000)	$ 594,039,000

	Noncontrolling Interests			
	Minority interests in consolidated joint ventures	Limited partners interest in Operating Partnership	Total	Total equity
Balance, December 31, 2011	$ 56,511,000	$ 5,418,000	$ 61,929,000	$ 555,772,000
Net income (loss)	4,272,000	(94,000)	4,178,000	3,345,000
Unrealized gain on change in fair value of cash flow hedges				483,000
Unrealized gain on change in fair value of cash flow hedge - unconsolidated joint venture				78,000
Share-based compensation, net				2,830,000
Net proceeds from sales of Series B shares				124,370,000
Redemptions/repurchases of Series A shares				(12,249,000)
Common stock sales and issuance expenses, net				(169,000)
Preferred stock dividends				(11,015,000)

Distributions to common shareholders/noncontrolling interests	(3,608,000)	(65,000)	(3,673,000)	(14,481,000)
Conversions of OP Units into common stock		(3,998,000)	(3,998,000)	3,897,000
Reallocation adjustment of limited partners interest		263,000	263,000	(123,000)
Balance, September 30, 2012	$ 57,175,000	$ 1,524,000	$ 58,699,000	$ 652,738,000

See accompanying notes to consolidated financial statements.

7

Table of Contents

CEDAR REALTY TRUST, INC.

Consolidated Statements of Cash Flows

(unaudited)

	Nine months ended September 30, 2012	2011
Cash flow from operating activities:		
Net income (loss)	$ 3,325,000	$ (105,087,000)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Equity in income of unconsolidated joint ventures	(1,432,000)	(1,152,000)
Distributions from unconsolidated joint ventures	1,432,000	865,000
Write-off of investment in unconsolidated joint venture		7,961,000
Acquisition transaction costs and terminated projects		1,169,000
Impairment (reversals)/charges	(1,138,000)	94,706,000
Gain on sales	(1,231,000)	(632,000)
Straight-line rents	(782,000)	(1,266,000)
Provision for doubtful accounts	2,053,000	2,572,000
Depreciation and amortization	34,825,000	32,917,000
Amortization of intangible lease liabilities	(4,164,000)	(5,055,000)
Expense and market price adjustments relating to share-based compensation	2,895,000	3,907,000
Amortization (including accelerated write-off) of deferred financing costs	4,246,000	3,212,000
Increases/decreases in operating assets and liabilities:		
Rents and other receivables, net	(1,335,000)	(5,443,000)
Prepaid expenses and other	(2,204,000)	(5,843,000)
Accounts payable and accrued liabilities	294,000	(1,464,000)
Net cash provided by operating activities	36,784,000	21,367,000
Cash flow from investing activities:		
Expenditures for real estate and improvements	(22,171,000)	(76,064,000)
Net proceeds from sales of real estate	18,775,000	11,708,000
Net proceeds from transfers to unconsolidated Cedar/RioCan joint venture		4,787,000
Investments in and advances to unconsolidated joint ventures		(4,185,000)
Distributions of capital from unconsolidated joint ventures	2,895,000	3,990,000
Construction escrows and other	2,589,000	(7,308,000)
Net cash provided by (used in) in investing activities	2,088,000	(67,072,000)
Cash flow from financing activities:		
Net (repayments)/advances from revolving credit facilities	(73,317,000)	33,720,000
Proceeds from mortgage financings		45,791,000
Mortgage repayments	(53,279,000)	(9,255,000)
Payments of debt financing costs	(4,405,000)	
Noncontrolling interests:		
Contributions from consolidated joint venture minority interests		268,000
Distributions to consolidated joint venture minority interests	(3,608,000)	(2,193,000)
Distributions to limited partners	(85,000)	(386,000)
Net proceeds from sales of preferred stock	124,370,000	
Redemptions/repurchases of preferred stock	(12,141,000)	
Net proceeds from sales of common stock	(169,000)	4,313,000
Preferred stock dividends	(10,084,000)	(10,650,000)
Distributions to common shareholders	(10,808,000)	(18,427,000)

Net cash (used in) provided by financing activities	(43,526,000)	43,181,000
Net (decrease) in cash and cash equivalents	(4,654,000)	(2,524,000)
Cash and cash equivalents at beginning of period	12,070,000	14,166,000
Cash and cash equivalents at end of period	$ 7,416,000	$ 11,642,000

See accompanying notes to consolidated financial statements.

Table of Contents

Cedar Realty Trust, Inc.

Notes to Consolidated Financial Statements

September 30, 2012

(unaudited)

Note 1. Business and Organization

Cedar Realty Trust, Inc. (the Company) is a real estate investment trust (REIT) that focuses primarily on ownership and operation of supermarket-anchored shopping centers straddling the Washington, DC to Boston corridor. At September 30, 2012, the Company owned and managed a portfolio of 67 operating properties (excluding properties held for sale/conveyance). In addition, the Company had a 20% interest in 22 operating properties through its Cedar/RioCan joint venture (see below).

During 2011, the Company determined (1) to completely exit the Ohio market, principally the Discount Drug Mart portfolio of drugstore/convenience centers, and concentrate on the mid-Atlantic and Northeast coastal regions, (2) to concentrate on grocery-anchored strip centers, by disposing of its mall and single-tenant/triple-net-lease properties, and (3) to focus on improving operations and performance at the Company s remaining properties, and to reduce development activities, by disposing of certain development projects, land acquired for development, and other non-core assets. In addition, discontinued operations reflect the consummation of the Homburg joint venture buy/sell transactions (see Note 4).

On October 10, 2012, the Company concluded definitive agreements with RioCan Real Estate Investment Trust (RioCan) to exit the 20% Cedar / 80% RioCan joint venture that owns 22 retail properties. Pursuant to the agreements, the Company exchanged its 20% interest in the joint venture for (1) a 100% ownership interest in Franklin Village, located in Franklin, Massachusetts, at an agreed-upon value of approximately $75.1 million, including the assumption of related in-place mortgage financing of approximately $43.1 million, and (2) approximately $40.0 million in cash, which was initially used to reduce the outstanding balance under the Company s Credit Facility. The Company will continue to manage the properties acquired by RioCan subject to a management agreement which will terminate effective January 31, 2013.

The Company has concluded separation arrangements and terminations of employment agreements relating primarily to employee headcount reductions in connection with the recent property dispositions and exit from the Cedar/RioCan joint venture discussed above. As a result, the Company has accrued approximately $1.1 million as of September 30, 2012 applicable thereto (included in management transition charges and employee termination costs in the consolidated statements of operations).

See Notes 7 and 9 for details relating to sales of 7.25% Series B Preferred Stock and related interim repayments of borrowings under the Company s Credit facility, and October 2012 redemptions of 8.875% Series A Preferred Stock funded by borrowings under the Company s Credit facility.

Cedar Realty Trust, Inc.

Notes to Consolidated Financial Statements

September 30, 2012

(unaudited)

Cedar Realty Trust 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, 2012, the Company owned a 99.6% economic interest in, and was the sole general partner of, the Operating Partnership. The limited partners interest in the Operating Partnership (0.4% at September 30, 2012) is represented by Operating Partnership Units (OP Units). The carrying amount of such interest 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 281,000 OP Units outstanding at September 30, 2012 are economically equivalent to the Company s common stock. The holders of OP Units have the right to exchange their OP Units for the same number of shares of the Company s common stock or, at the Company s option, for cash.

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

Note 2. Summary of Significant Accounting Policies

Principles of Consolidation/Basis of Preparation

The accompanying consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and include all of the information and disclosures required by U.S. Generally Accepted Accounting Principles (GAAP) for interim reporting. Accordingly, they do not include all of the disclosures required by GAAP for complete financial statement disclosures. In the opinion of management, all adjustments necessary for fair presentation (including normal recurring accruals) have been included. The 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. The financial statements reflect certain reclassifications of prior-period amounts to conform to the 2012 presentation, principally to reflect the sale and/or treatment as held for sale/conveyance of certain operating properties and the treatment thereof as discontinued operations . The reclassifications had no impact on previously-reported net income attributable to common shareholders or earnings per share. The consolidated financial statements in this Form 10-Q should be read in conjunction with the audited consolidated financial statements and related notes contained in the Company s Annual Report on Form 10-K for the year ended December 31, 2011.

Cedar Realty Trust, Inc.

Notes to Consolidated Financial Statements

September 30, 2012

(unaudited)

The consolidated financial statements include the accounts and operations of the Company, the Operating Partnership, its subsidiaries, and certain joint venture partnerships in which it participates. The Company consolidates all variable interest entities (VIEs) for which it is the primary beneficiary. Generally, a VIE is an entity with one or more of the following characteristics: (a) the total equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support, (b) as a group, the holders of the equity investment at risk (i) lack the power to make decisions about the entity s activities that significantly impact the entity s performance through voting or similar rights, (ii) have no obligation to absorb the expected losses of the entity, or (iii) have no right to receive the expected residual returns of the entity, or (c) the equity investors have voting rights that are not proportional to their economic interests, and substantially all of the entity s activities either involve, or are conducted on behalf of, an investor that has disproportionately fewer voting rights. A VIE is required to be consolidated by its primary beneficiary. The primary beneficiary of a VIE has (i) the power to direct the activities that most significantly impact the entity s economic performance, and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could be significant to the VIE. Significant judgments related to these determinations include estimates about the current and future fair values, performance of real estate held by these VIEs, and general market conditions.

Supplemental Consolidated Statements of Cash Flows Information

	Nine months ended September 30, 2012	2011
Supplemental disclosure of cash activities:		
Cash paid for interest	$ 33,756,000	$ 35,630,000
Supplemental disclosure of non-cash activities:		
Conversion of OP Units into common stock	7,895,000	
Mortgage loans payable assumed by buyers	4,148,000	4,975,000
Capitalization of interest and deferred financing costs	1,000,000	2,036,000

Recently-Issued Accounting Pronouncements

Effective January 1, 2012, the Company adopted the Financial Accounting Standards Board s (FASB) Accounting Standards Update (ASU) No. 2011-04, Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in US GAAP and IFRS . This update defines fair value, clarifies a framework to measure fair value, and requires specific disclosures of fair value measurements. The adoption of this guidance did not have a material impact on the Company s financial condition or results of operations.

Cedar Realty Trust, Inc.

Notes to Consolidated Financial Statements

September 30, 2012

(unaudited)

Effective January 1, 2012, the Company adopted the FASB ASU 2011-05, Presentation of Comprehensive Income , which requires the components of other comprehensive income to be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The guidance has been applied retrospectively and, other than presentation as a separate financial statement, its adoption did not have an effect on the Company s financial position or results of operations.

Note 3. Real Estate

At September 30, 2012, substantially all of the Company s real estate was pledged as collateral for mortgage loans payable and the Company s credit facility.

Note 4. Discontinued operations and land dispositions

In March 2012, the Company determined to sell Kingston Plaza, located in Kingston, New York, and subsequently sold the property in April 2012. As such, the property has been treated as a discontinued operation for all periods presented.

The Company conducts a continuing review of the values for all remaining properties held for sale/conveyance and, based on final sales prices and sales contracts entered into, the Company recorded $1.1 million net reversals of impairment charges for the nine months ended September 30, 2012. At September 30, 2012, the Company had 17 properties that were held for sale/conveyance.

As of September 30, 2012, the Company is in the process of conveying four of its properties (Roosevelt II, Gahanna Discount Drug Mart Plaza, Westlake Discount Drug Mart Plaza and McCormick Place) to their respective lenders (mortgage loans payable and accrued interest aggregated $23.3 million at that date). In connection with these conveyances, each applicable subsidiary borrower has stopped paying monthly mortgage payments and is currently in default on these non-recourse mortgages.

On October 12, 2012, the Company concluded definitive agreements with Homburg Invest Inc. (HII) relating to the previously disclosed application of the buy/sell provisions of the joint venture agreements for each of the nine properties owned by the joint venture. Pursuant to the agreements, the Company acquired HII s 80% ownership in Meadows Marketplace, located in Hershey, Pennsylvania, and Fieldstone Marketplace, located in New Bedford, Massachusetts, for approximately $27.3 million, including the assumption of related in-place mortgage financing of $21.8 million, giving the Company a 100% ownership interest in these two properties. In addition, the Company sold to HII its 20% ownership interest in the remaining seven joint venture properties for approximately $23.6 million, including the assumption of related in-place mortgage financing of $14.5 million. The Company s property management agreements for the sold properties terminated upon the closing of the sale.

Table of Contents

Cedar Realty Trust, Inc.

Notes to Consolidated Financial Statements

September 30, 2012

(unaudited)

The following is a summary of the components of income (loss) from discontinued operations:

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Revenues:				
Rents	$ 4,409,000	$ 6,466,000	$ 13,907,000	$ 20,808,000
Expense recoveries	1,059,000	1,654,000	3,557,000	5,139,000
Other	30,000	10,000	89,000	369,000
Total revenues	5,498,000	8,130,000	17,553,000	26,316,000
Expenses:				
Operating, maintenance and management	1,524,000	2,041,000	5,303,000	7,191,000
Real estate and other property-related taxes	973,000	1,334,000	2,979,000	4,129,000
Depreciation and amortization		1,652,000	21,000	5,256,000
Interest expense	1,776,000	2,476,000	5,622,000	6,885,000
Total expenses	4,273,000	7,503,000	13,925,000	23,461,000
Income from discontinued operations before impairments	1,225,000	627,000	3,628,000	2,855,000
Impairment (charges)/reversals, net		(64,671,000)	1,138,000	(87,287,000)
Income (loss) from discontinued operations	$ 1,225,000	$ (64,044,000)	$ 4,766,000	$ (84,432,000)
Gain on sales of discontinued operations	$	$	$ 750,000	$ 502,000

Table of Contents

Cedar Realty Trust, Inc.

Notes to Consolidated Financial Statements

September 30, 2012

(unaudited)

During the nine months ended September 30, 2012, the Company completed the following transactions related to properties held for sale/conveyance :

Property	Percent Owned	Location	Date Sold	Sales Price	Gain on Sale
Discontinued operations:					
Hilliard Discount Drug Mart Plaza	100%	Hilliard, OH	2/7/2012	$ 1,434,000	$
First Merit Bank at Akron	100%	Akron, OH	2/23/2012	633,000	
Grove City Discount Drug Mart Plaza	100%	Grove City, OH	3/12/2012	1,925,000	
CVS at Naugatuck	50%	Naugatuck, CT	3/20/2012	3,350,000	457,000
CVS at Bradford	100%	Bradford, PA	3/30/2012	967,000	
CVS at Celina	100%	Celina, OH	3/30/2012	1,449,000	
CVS at Erie	100%	Erie, PA	3/30/2012	1,278,000	
CVS at Portage Trail	100%	Akron, OH	3/30/2012	1,061,000	
Rite Aid at Massillon	100%	Massillon, OH	3/30/2012	1,492,000	
Kingston Plaza	100%	Kingston, NY	4/12/2012	1,182,000	293,000
Stadium Plaza	100%	East Lansing, MI	5/3/2012	5,400,000	
				$ 20,171,000	$ 750,000
Continuing operations:					
Blue Mountain Commons (land parcel)	100%	Harrisburg. PA	6/19/2012	$ 102,000	$ 79,000
Oregon Pike (land parcel)	100%	Lancaster, PA	6/28/2012	1,100,000	
Trindle Springs (land parcel)	100%	Mechanicsburg, PA	7/20/2012	800,000	
Aston (land parcel)	100%	Aston, PA	7/27/2012	1,365,000	402,000
				$ 3,367,000	$ 481,000

Note 5. Investment in Cedar/RioCan Joint Venture

At September 30, 2012, the Cedar/RioCan joint venture (RioCan 80%; Cedar 20%) owned 22 properties (see Note 1 for information relating to the Company s exit from the joint venture on October 10, 2012). The Company earned fees from the joint venture of approximately $0.9 million and $0.7 million for the three months ended September 30, 2012 and 2011, respectively, and $2.1 million and $1.9 million for the nine months ended September 30, 2012 and 2011, respectively. Such fees are included in other revenues in the accompanying consolidated statements of operations.

Table of Contents

Cedar Realty Trust, Inc.

Notes to Consolidated Financial Statements

September 30, 2012

(unaudited)

The following summarizes certain financial information related to the Company s investment in the Cedar/RioCan unconsolidated joint venture:

Balance Sheets	**September 30, 2012**	**December 31, 2011**
Assets:		
Real estate, net	$ 519,115,000	$ 532,071,000
Cash and cash equivalents	7,463,000	12,797,000
Restricted cash	3,254,000	3,689,000
Rent and other receivables	2,107,000	2,419,000
Straight-line rents	3,902,000	2,743,000
Deferred charges, net	11,516,000	12,682,000
Other assets	6,268,000	5,549,000
Total assets	$ 553,625,000	$ 571,950,000
Liabilities and partners capital:		
Mortgage loans payable	$ 313,592,000	$ 317,293,000
Due to the Company	623,000	1,203,000
Unamortized intangible lease liabilities	19,637,000	22,182,000
Other liabilities	10,063,000	8,248,000
Total liabilities	343,915,000	348,926,000
Preferred stock	97,000	97,000
Partners capital	209,613,000	222,927,000
Total liabilities and partners capital	$ 553,625,000	$ 571,950,000
The Company s share of partners capital	$ 41,923,000	$ 44,743,000

15

Table of Contents

Cedar Realty Trust, Inc.

Notes to Consolidated Financial Statements

September 30, 2012

(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
Statements of Income	**2012**	**2011**	**2012**	**2011**
Revenues	$ 15,866,000	$ 15,538,000	$ 47,810,000	$ 46,827,000
Property operating and other expenses	(1,262,000)	(1,361,000)	(4,230,000)	(5,327,000)
Management fees	(541,000)	(501,000)	(1,593,000)	(1,451,000)
Real estate taxes	(1,896,000)	(1,826,000)	(5,758,000)	(5,377,000)
Acquisition transaction costs	(964,000)	(55,000)	(964,000)	(913,000)
General and administrative	(39,000)	(87,000)	(174,000)	(219,000)
Depreciation and amortization	(5,104,000)	(5,339,000)	(15,274,000)	(15,479,000)
Interest and other non-operating expenses, net	(4,006,000)	(4,835,000)	(12,660,000)	(13,914,000)
Net income	$ 2,054,000	$ 1,534,000	$ 7,157,000	$ 4,147,000
The Company s share of net income	$ 411,000	$ 327,000	$ 1,432,000	$ 829,000

Note 6. Fair Value Measurements

The carrying amounts of cash and cash equivalents, restricted cash, rents and other receivables, certain other assets, accounts payable and accrued liabilities approximate fair value. The fair value of the Company s investments and liabilities related to deferred compensation plans were determined to be a Level 1 within the valuation hierarchy, and were based on independent values provided by financial institutions. The valuation of the liability for the Company s interest rate swaps, which is measured on a recurring basis, was determined to be a Level 2 within the valuation hierarchy, and was based on independent values provided by financial institutions. The valuation of the assets for the Company s real estate held for sale/conveyance discontinued operations, which is measured on a nonrecurring basis, has been determined to be (i) a Level 2 within the valuation hierarchy, based on the respective contracts of sale, adjusted for closing costs and expenses, or (ii) a Level 3 within the valuation hierarchy, where applicable, based on estimated sales prices, adjusted for closing costs and expenses, determined by discounted cash flow analyses, direct capitalization analyses or a sales comparison approach if no contracts had been concluded. The discounted cash flow analyses and direct capitalization analyses include all estimated cash inflows and outflows over a specific holding period and where applicable, any estimated debt premiums. These cash flows were comprised of unobservable inputs which included forecasted rental revenues and expenses based upon existing in-place leases, market conditions and expectations for growth. Capitalization rates and discount rates utilized in these analyses were based upon observable rates that the Company believed to be within a reasonable range of current market rates for the respective properties. The sales comparison approach was utilized for certain land values and include comparable sales that were completed in the selected market areas. The comparable sales utilized in these analyses were based upon observable per acre rates that the Company believed to be within a reasonable range of current market rates for the respective properties.

Table of Contents

Cedar Realty Trust, Inc.

Notes to Consolidated Financial Statements

September 30, 2012

(unaudited)

Generally, the Company engages third party valuation experts to assist with the preparation of the valuation methods noted above. These valuations are reviewed and approved by a diverse group of management, as deemed necessary, including personnel from acquisitions, accounting, finance, operations, development and leasing departments. During every reporting period, management reviews and updates the valuations as appropriate.

The following tables show the hierarchy for those assets measured at fair value on a recurring basis as of September 30, 2012 and December 31, 2011, respectively:

	Assets/Liabilities Measured at Fair Value on a Recurring Basis September 30, 2012			
Description	Level 1	Level 2	Level 3	Total
Investments related to deferred compensation liabilities (a)	$ 434,000	$	$	$ 434,000
Deferred compensation liabilities (b)	$ 430,000	$	$	$ 430,000
Interest rate swaps liability (b)	$	$ 1,841,000	$	$ 1,841,000

	December 31, 2011			
Description	Level 1	Level 2	Level 3	Total
Investments related to deferred compensation liabilities (a)	$ 3,562,000	$	$	$ 3,562,000
Deferred compensation liabilities (b)	$ 3,562,000	$	$	$ 3,562,000
Interest rate swaps liability (b)	$	$ 2,053,000	$	$ 2,053,000

(a) Included in other assets in the accompanying consolidated balance sheets.
(b) Included in accounts payable and accrued liabilities in the accompanying consolidated balance sheets.

Cedar Realty Trust, Inc.

Notes to Consolidated Financial Statements

September 30, 2012

(unaudited)

The fair value of the Company s fixed rate mortgage loans was estimated using available market information and discounted cash flows analyses based on borrowing rates the Company believes it could obtain with similar terms and maturities. As of September 30, 2012 and December 31, 2011, the aggregate fair values of the Company s fixed rate mortgage loans payable, which were determined to be a Level 3 within the valuation hierarchy, were approximately $514.2 million and $528.5 million, respectively; the carrying values of such loans were $496.9 million and $524.7 million, respectively.

The following tables show the hierarchy for those assets measured at fair value on a non-recurring basis as of September 30, 2012 and December 31, 2011, respectively:

	Assets Measured at Fair Value on a Non-Recurring Basis September 30, 2012			
Asset Description	Level 1	Level 2	Level 3	Total
Real estate held for sale/conveyance	$	$ 122,243,000	$ 71,931,000	$ 194,174,000

	December 31, 2011			
Asset Description	Level 1	Level 2	Level 3	Total
Real estate held for sale/conveyance	$	$ 124,154,000	$ 82,520,000	$ 206,674,000(a)

(a) Excludes $0.9 million relating to a property subsequently treated as held for sale/conveyance .

18

Cedar Realty Trust, Inc.

Notes to Consolidated Financial Statements

September 30, 2012

(unaudited)

The following table details the quantitative information regarding Level 3 assets measured at fair value on a non-recurring basis as of September 30, 2012:

Quantitative Information about Level 3 Fair Value Measurements

	Fair value at September 30, 2012	Valuation Technique	Unobservable inputs	Range (weighted average)
Real estate held for sale/conveyance:				
Operating retail real estate (nine properties)	$ 62,620,000	Discounted cash flow	Capitalization rates	7.5% to 11.3% (9.8%)
			Discount rates	11.5% to 12.0% (11.6%)
Land (six parcels)	9,311,000	Sales comparison approach	Price per acre	$29,000 to $217,000 per acre ($118,000 per acre)
	$ 71,931,000			

Note 7. Debt

Amended, Restated and Consolidated Credit Facility

On January 26, 2012, the Company entered into a $300 million secured credit facility (the Credit Facility), which amended, restated and consolidated its $185 million stabilized property revolving credit facility and its $150 million development property credit facility. The two prior facilities were due to expire on January 31, 2012 and June 13, 2012, respectively.

The Credit Facility is comprised of a four-year $75 million term loan and a three-year $225 million revolving credit facility, subject to collateral in place. In connection with the Credit Facility, the Company paid participating lender fees and closing and transaction costs of approximately $4.0 million. In addition, the Company wrote off $2.6 million of unamortized fees associated with the terminated stabilized property and development credit facilities.

Borrowings under the Credit Facility are priced at LIBOR plus 275 bps (a weighted average rate of 3.0% per annum at September 30, 2012), and can range from LIBOR plus 200 to 300 bps based on the Company s leverage ratio. Subject to customary conditions, the term loan and the revolving credit facility may both be extended for one additional year at the Company s option. Under an accordion feature, the Credit Facility can be increased to $500 million, subject to customary conditions, collateral in place and lending commitments from participating banks.

Cedar Realty Trust, Inc.

Notes to Consolidated Financial Statements

September 30, 2012

(unaudited)

The Credit Facility contains financial covenants including, but not limited to, maximum debt leverage, minimum interest coverage, minimum fixed charge coverage, and minimum net worth. In addition, the Credit Facility contains restrictions including, but not limited to, limits on indebtedness, certain investments and distributions. The Company s failure to comply with these covenants or the occurrence of an event of default under the Credit Facility could result in the acceleration of the related debt. The Credit Facility is available to fund acquisitions, redevelopment and remaining development activities, capital expenditures, mortgage repayments, dividend distributions, working capital and other general corporate purposes.

As of September 30, 2012, the Company has $18.0 million outstanding under the revolving credit portion of the Credit Facility, and had $164.9 million available for additional borrowings as of the date. A significant portion of the revolving credit availability is the result of the application of net cash proceeds from the sale of 4.8 million shares of the Company s Series B Preferred Stock during September 2012 (see Note 9). In October 2012, the Company redeemed 4.5 million shares of its Series A Preferred Stock for a total cash outlay of $114.1 million which was drawn on its Credit Facility.

Derivative financial instruments

At September 30, 2012, the Company had approximately $31.6 million of mortgage loans payable subject to interest rate swaps. Such interest rate swaps converted LIBOR-based variable rates to fixed annual rates of 5.2% to 6.5% per annum. At that date, the Company had accrued liabilities of $1.8 million (included in accounts payable and accrued liabilities on the consolidated balance sheet) relating to the fair value of interest rate swaps applicable to existing mortgage loans payable. Charges and/or credits relating to the changes in fair values of such interest rate swaps are made to accumulated other comprehensive (loss) income, noncontrolling interests (minority interests in consolidated joint ventures and limited partners interest), or operations (included in interest expense), as appropriate.

Table of Contents

Cedar Realty Trust, Inc.

Notes to Consolidated Financial Statements

September 30, 2012

(unaudited)

The following is a summary of the derivative financial instruments held by the Company and the Cedar/RioCan joint venture at September 30, 2012 and December 31, 2011:

Designation/ Cash flow	Derivative	Count	Notional values September 30, 2012	Count	Notional values December 31, 2011	Maturity dates	Balance sheet location	Fair value September 30, 2012	Fair value December 31, 2011
Qualifying	Interest rate swaps Consolidated	3	$ 31,595,000	3	$ 32,091,000	2013-2018	Accrued liabilities Consolidated	$ 1,841,000	$ 2,053,000
Qualifying	Cedar/RioCan Joint Venture	1	$ 13,892,000	1	$ 14,182,000	2016	Cedar/RioCan Joint Venture	$ 2,235,000	$ 2,419,000

The following presents the effect of the Company s derivative financial instruments on the consolidated statements of operations and the consolidated statements of equity for the three and nine months ended September 30, 2012 and 2011, respectively:

Designation/ Cash flow	Derivative	Amount of gain (loss) recognized in other comprehensive income (loss) (effective portion) Three months ended September 30, 2012	2011	Nine months ended September 30, 2012	2011
Qualifying	Consolidated	$ 174,000	$ (676,000)	$ 483,000	$ (265,000)
Qualifying	Cedar/RioCan Joint Venture	$ 20,000	$	$ 78,000	$

As of September 30, 2012, the Company believes it has no significant risk associated with non-performance of the financial institutions which are the counterparties to its derivative contracts. Additionally, based on the rates in effect as of September 30, 2012, if a counterparty were to default, the Company would receive a net interest benefit.

Note 8. Commitments and Contingencies

The Company is a party to certain legal actions arising in the normal course of business. Management does not expect there to be adverse consequences from these actions that would be material to the Company s consolidated financial statements.

21

Table of Contents

Cedar Realty Trust, Inc.

Notes to Consolidated Financial Statements

September 30, 2012

(unaudited)

The Company has entered into joint venture arrangements with respect to a number of its properties. The applicable joint venture agreements generally include buy/sell provisions pursuant to which, after a specified period of years, either party may initiate the buy/sell provision whereby the initiating party can designate a value for the relevant property or properties, and the other party may then elect either to sell its proportionate ownership interest in the joint venture based on the offered value for the property or properties, or to purchase the initiating party s ownership interest based on such valuation for the property or properties.

Note 9. Shareholders Equity

On May 15, 2012, the Company concluded a public offering of 400,000 shares of its 7.25% Series B Cumulative Redeemable Preferred Stock (Series B Preferred Stock) at $23.00 per share, and realized net proceeds, after offering expenses, of approximately $8.6 million. On September 11, 2012, the Company concluded another public offering of 4,200,000 shares of its Series B Preferred Stock at $23.94 per share, and realized net proceeds, after offering expenses, of approximately $96.8 million. On September 14, 2012, the underwriters exercised their over-allotment option to the extent of 630,000 additional shares of the Company s Series B Preferred Stock, and the Company realized additional net proceeds of $14.5 million. In addition, on May 29, 2012 the Company entered into an at-the-market (ATM) equity program in which the Company may, from time to time, offer and sell additional shares of its Series B Preferred Stock. During the nine months ended September 30, 2012, the Company sold approximately 199,000 shares under the ATM equity program at a weighted average price of $23.23 per share, and realized net proceeds, after offering expenses, of approximately $4.5 million. The Series B Preferred Stock has a liquidation preference of $25.00 per share, has no stated maturity, is not convertible into any other security of the Company, and is redeemable at the Company s option beginning May 22, 2017 at a price of $25.00 per share plus accrued and unpaid distributions.

During the nine months ended September 30, 2012, the Company redeemed and/or purchased on the open-market approximately 487,000 shares of its 8.875% Series A Cumulative Redeemable Preferred Stock (Series A Preferred Stock), for a total cash outlay of $12.4 million (including $181,000 of redemption costs and $141,000 of accrued dividends). In addition, during October 2012, the Company redeemed an aggregate of approximately 4.5 million of its Series A Preferred Stock for a total cash outlay of $114.1 million (including $1.5 million of accrued dividends).

Cedar Realty Trust, Inc.

Notes to Consolidated Financial Statements

September 30, 2012

(unaudited)

The following table provides a summary of dividends declared and paid per share:

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Common stock	$ 0.050	$ 0.090	$ 0.150	$ 0.270
Cumulative Redeemable Preferred Stock:				
8.875% Series A	$ 0.555	$ 0.555	$ 1.109	$ 1.664
7.250% Series B	$ 0.453	$	$ 0.453	$

During the nine months ended September 30, 2012, holders of approximately 1,134,000 OP Units (including 564,000 mezzanine OP Units) converted their holdings to shares of the Company s common stock. In connection therewith, $3.9 million of the carrying value of mezzanine OP Units was reclassified to equity.

Note 10. Revenues

Rental revenues for the three and nine months ended September 30, 2012 and 2011, respectively, are comprised of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Base rents	$ 24,975,000	$ 24,086,000	$ 74,642,000	$ 72,097,000
Percentage rent	314,000	302,000	778,000	687,000
Straight-line rents	216,000	187,000	778,000	932,000
Amortization of intangible lease liabilities	1,174,000	1,890,000	4,164,000	4,323,000
Total rents	$ 26,679,000	$ 26,465,000	$ 80,362,000	$ 78,039,000

Other revenues, reflected in the accompanying consolidated statements of operations, include items such as lease termination fees which tend to fluctuate more than rents from period to period. For the nine months ended September 30, 2012, the Company recorded lease termination income of approximately $3.0 million.

Cedar Realty Trust, Inc.

Notes to Consolidated Financial Statements

September 30, 2012

(unaudited)

Note 11. Share-Based Compensation

The following tables set forth certain share-based compensation information for the three and nine months ended September 30, 2012 and 2011, respectively:

	Three months ended September 30, 2012	2011	Nine months ended September 30, 2012	2011
Share-based compensation:				
Expense relating to share grants (including the equity and liability awards)	$ 1,149,000	$ 978,000	$ 2,885,000	$ 4,789,000
Adjustments to reflect changes in market price of Company s common stock		(39,000)	10,000	(707,000)
Total charged to operations (a)	$ 1,149,000	$ 939,000	$ 2,895,000	$ 4,082,000

(a) The amounts charged to operations include $362,000, $0, $362,000, and $1,980,000, respectively, applicable to accelerated vestings included in management transition charges and employee termination costs.

On June 15, 2012, the Company s shareholders approved the 2012 Stock Incentive Plan (the 2012 Plan), which was designed to replace the existing 2004 Stock Incentive Plan (the 2004 Plan). In connection with the approval of the 2012 Plan, the Company agreed not to grant any additional new awards under the 2004 Plan. The 2012 Plan establishes the procedures for the granting of, among other things, restricted stock awards and, in addition to mirroring the basic provisions of the 2004 Plan, specifically provides for the awarding of the remaining 2.0 million shares to the Company s President and Chief Executive Officer, as provided in his employment agreement. As a result of the approval, 500,000 of such shares, which had previously been recorded as a liability award, were reclassified to equity. In addition, during the nine months ended September 30, 2012, there were 557,000 other time-based restricted shares issued with a weighted average grant date fair value of $4.60 per share. The 2012 Plan authorized 4.5 million shares to be available for grant and increased the maximum number of shares that may be granted to a participant in any calendar year to 500,000. At September 30, 2012, 2.5 million shares remained available for grants pursuant to the 2012 Plan.

Table of Contents

Cedar Realty Trust, Inc.

Notes to Consolidated Financial Statements

September 30, 2012

(unaudited)

Note 12. Earnings Per Share

Basic earnings per share (EPS) is calculated by dividing net income (loss) attributable to the Company s common shareholders by the weighted average number of common shares outstanding for the period including participating securities (restricted shares issued pursuant to the Company s share-based compensation program are considered participating securities, as such shares have non-forfeitable rights to receive dividends). Unvested restricted shares are not allocated net losses and/or any excess of dividends declared over net income, as such amounts are allocated entirely to the common shareholders. For the three and nine months ended September 30, 2012, the Company had 3.6 million and 3.2 million, respectively, of weighted average unvested restricted shares outstanding. For the three and nine months ended September 30, 2011, the Company had 3.0 million and 2.1 million, respectively, of weighted average unvested restricted shares outstanding. The following table provides a reconciliation of the numerator and denominator of the EPS calculations for the three and nine months ended September 30, 2012 and 2011, respectively:

	Three months ended September 30,		Nine months ended September 30	
	2012	2011	2012	2011
Numerator				
Income (loss) from continuing operations	$ 1,073,000	$ (7,221,000)	$ (2,191,000)	$ (21,157,000)
Preferred stock dividends	(3,877,000)	(3,580,000)	(11,015,000)	(10,621,000)
Preferred stock redemption costs	(173,000)		(555,000)	
Net loss attributable to noncontrolling interests	127,000	261,000	424,000	785,000
Net earnings allocated to unvested shares	(178,000)	(266,000)	(626,000)	(546,000)
(Loss) from continuing operations attribtuable to common shareholders	(3,028,000)	(10,806,000)	(13,963,000)	(31,539,000)
Results from discontinued operations, net of noncontrolling interests	(1,449,000)	(59,565,000)	934,000	(79,089,000)
Net (loss) attributable to common shareholders, basic and diluted	$ (4,477,000)	$ (70,371,000)	$ (13,029,000)	$ (110,628,000)
Denominator				
Weighted average number of vested common shares outstanding	68,232,000	66,800,000	67,932,000	66,253,000
Earnings (loss) per common share, basic and diluted				
Continuing operations	$ (0.05)	$ (0.16)	$ (0.20)	$ (0.48)
Discontinued operations	$ (0.02)	$ (0.89)	$ 0.01	$ (1.19)
	$ (0.07)	$ (1.05)	$ (0.19)	$ (1.67)

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. The net loss attributable to noncontrolling interests of the Operating Partnership has been excluded from the numerator and the related OP Units have been excluded from the denominator for the purpose of calculating diluted EPS as there would have been no effect had such amounts been included. The weighted average number of OP Units outstanding was 281,000 and 1,415,000 for the three months ended September 30, 2012 and 2011, respectively and 518,000 and 1,415,000 for the nine months ended September 30, 2012 and 2011, respectively. In addition, warrants for the purchase of OP Units, which expired on May 31, 2012, have been excluded as they were anti-dilutive for all applicable periods.

Table of Contents

Cedar Realty Trust, Inc.

Notes to Consolidated Financial Statements

September 30, 2012

(unaudited)

Note 13. Subsequent Events

In determining subsequent events, management reviewed all activity from October 1, 2012 through the date of filing this Quarterly Report on Form 10-Q.

On October 26, 2012, the Company s Board of Directors declared a dividend of $0.05 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 declared dividends of $0.5546875 per share with respect to the Company s 8.875% Series A Preferred Stock and $0.453125 per share with respect to the Company s 7.25% Series B Preferred Stock. The distributions are payable on November 20, 2012 to shareholders of record on November 9, 2012.

26

Table of Contents

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 investment trust which currently focuses primarily on ownership and operation of supermarket-anchored shopping centers straddling the Washington, DC to Boston corridor. At September 30, 2012, the Company owned and managed a portfolio of 67 operating properties (excluding properties held for sale/conveyance) totaling approximately 9.6 million square feet of GLA. In addition, the Company had an ownership interest in 22 operating properties, with approximately 3.7 million square feet of GLA, through its Cedar/RioCan joint venture in which the Company has a 20% interest (see below). The entire managed portfolio, including the Cedar/RioCan properties, was approximately 92.6% leased at September 30, 2012 (67 operating properties 90.9%; Cedar/RioCan joint venture properties 97.0%).

In keeping with its stated goal of reducing overall leverage to an appropriate level by selling non-core assets, the Company determined (1) to completely exit the Ohio market, principally the Discount Drug Mart portfolio of drugstore/convenience centers, and concentrate on the mid-Atlantic and Northeast coastal regions (two properties sold in 2012 and two properties held for sale as of September 30, 2012), (2) to concentrate on grocery-anchored strip centers, by disposing of its mall and single-tenant/triple-net-lease properties (seven properties sold in 2012 and four properties held for sale as of September 30, 2012), and (3) to focus on improving operations and performance at the Company s remaining properties, and to reduce development activities, by disposing of certain development projects, land acquired for development, and other non-core assets (two properties sold in 2012 and four properties held for sale as of September 30, 2012). In addition, discontinued operations reflect the consummation of the Homburg joint venture buy/sell transactions (seven properties held for sale as of September 30, 2012).

On October 10, 2012, the Company concluded definitive agreements with RioCan to exit the 20% Cedar / 80% RioCan joint venture that owns 22 retail properties. Pursuant to the agreements, the Company exchanged its 20% interest in the joint venture for (1) a 100% ownership interest in Franklin Village, located in Franklin, Massachusetts, at an agreed-upon value of approximately $75.1 million, including the assumption of related in place mortgage financing of $43.1 million, and (2) approximately $40.0 million in cash, which was used to reduce the outstanding balance under the Company s Credit Facility. The Company will continue to manage the properties acquired by RioCan subject to a management agreement which will terminate effective January 31, 2013.

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

Table of Contents

Significant Transactions

Dispositions

The following table details dispositions of properties held for sale/conveyance during the nine months ended September 30, 2012:

Property	Percent owned	Location	GLA	Date Sold	Sales Price
Hilliard Discount Drug Mart Plaza	100%	Hilliard, OH	40,988	2/7/2012	$ 1,434,000
First Merit Bank at Akron	100%	Akron, OH	3,200	2/23/2012	633,000
Grove City Discount Drug Mart Plaza	100%	Grove City, OH	40,848	3/12/2012	1,925,000
CVS at Naugatuck	50%	Naugatuck, CT	13,225	3/20/2012	3,350,000
CVS at Bradford	100%	Bradford, PA	10,722	3/30/2012	967,000
CVS at Celina	100%	Celina, OH	10,195	3/30/2012	1,449,000
CVS at Erie	100%	Erie, PA	10,125	3/30/2012	1,278,000
CVS at Portage Trail	100%	Akron, OH	10,722	3/30/2012	1,061,000
Rite Aid at Massillon	100%	Massillon, OH	10,125	3/30/2012	1,492,000
Kingston Plaza	100%	Kingston, NY	5,324	4/12/2012	1,182,000
Stadium Plaza	100%	East Lansing, MI	77,688	5/3/2012	5,400,000
Blue Mountain Commons (land parcel)	100%	Harrisburg. PA	N/A	6/19/2012	102,000
Oregon Pike (land parcel)	100%	Lancaster, PA	N/A	6/28/2012	1,100,000
Trindle Springs (land parcel)	100%	Mechanicsburg, PA	N/A	7/20/2012	800,000
Aston (land parcel)	100%	Aston, PA	N/A	7/27/2012	1,365,000
Total					$ 23,538,000

On October 12, 2012, the Company concluded definitive agreements with HII relating to the application of the buy/sell provisions of the joint venture agreements for each of the nine properties owned by the joint venture. Pursuant to the agreements, the Company acquired HII s 80% ownership in Meadows Marketplace, located in Hershey, Pennsylvania, and Fieldstone Marketplace, located in New Bedford, Massachusetts, for approximately $27.3 million, including the assumption of related in-place mortgage financing of $21.8 million, giving the Company a 100% ownership interest in these two properties. In addition, the Company sold to HII its 20% ownership interest in the remaining seven joint venture properties for approximately $23.6 million, including the assumption of related in-place mortgage financing of $14.5 million. The Company s property management agreements for these sold properties terminated upon the closing of the sale.

28

Table of Contents

New Credit Facility

On January 26, 2012, the Company entered into a $300 million secured credit facility (the Credit Facility). The Credit Facility amends, restates and consolidates the Company s prior $185 million stabilized property revolving credit facility and its $150 million development property credit facility that were due to expire on January 31, 2012 and June 13, 2012, respectively. See Liquidity below for additional details.

Results of Operations

Comparison of the three months ended September 30, 2012 and 2011

			Change	
	2012	**2011**	**Dollars**	**Percent**
Revenues	$ 33,579,000	$ 33,418,000	$ 161,000	0.5%
Property operating expenses	9,706,000	10,557,000	(851,000)	-8.1%
Property operating income	23,873,000	22,861,000	1,012,000	4.4%
General and administrative	(3,637,000)	(2,899,000)	(738,000)	25.5%
Management transition charges and employee termination costs	(1,131,000)		(1,131,000)	n/a
Impairment charges		(7,419,000)	7,419,000	n/a
Depreciation and amortization	(9,282,000)	(9,794,000)	512,000	-5.2%
Interest expense	(9,626,000)	(10,468,000)	842,000	-8.0%
Interest income	63,000	41,000	22,000	53.7%
Equity in income in unconsolidated joint ventures:	411,000	327,000	84,000	25.7%
Gain on sales	402,000	130,000	272,000	n/a
Income (loss) from continuing operations	1,073,000	(7,221,000)	8,294,000	
Discontinued operations:				
Income from operations	1,225,000	627,000	598,000	95.4%
Impairment (charges), net		(64,671,000)	64,671,000	n/a
Net income (loss)	2,298,000	(71,265,000)	73,563,000	
Net income (loss) attributable to noncontrolling interests	2,547,000	(4,740,000)	7,287,000	
Net (loss) attributable to Cedar Realty Trust, Inc.	$ (249,000)	$ (66,525,000)	$ 66,276,000	

Table of Contents

Properties held in both periods. The Company held 67 properties (excluding properties held for sale/conveyance) during the three months ended September 30, 2012 and 2011.

Revenues were higher primarily as a result of increases in (i) rental revenues and expense recoveries at ground-up development properties ($0.5 million) and (ii) other income ($0.2 million), offset by a decrease in expense recoveries at the Company s other operating properties ($0.3 million), due to lower property operating expenses discussed below.

Property operating expenses were lower primarily as a result of decreases in payroll and related benefits and costs ($1.1 million), offset by an increase in real estate taxes ($0.3 million).

General and administrative expenses were higher primarily as a result of increases in payroll and related benefits and costs.

Management transition charges and employee termination costs in 2012 reflect separation arrangements and terminations of employment agreements relating primarily to employee headcount reductions instituted in connection with recent property dispositions and the exit from the Cedar/RioCan joint venture. Such costs consist of severance and benefits ($0.6 million), accelerated vesting of share-based compensation grants ($0.4 million), and other costs ($0.1 million).

Impairment charges in 2011 relate principally to land parcels treated as held for sale/conveyance as part of the Company s 2011 business plan, as more fully discussed elsewhere in this report.

Depreciation and amortization expenses were lower primarily as a result of the completion of scheduled amortization of lease intangibles.

Interest expense decreased primarily as a result of (i) lower amortization of deferred financing costs related to the new credit facility entered into during the first quarter of 2012 ($0.7 million), (ii) a decrease in the overall outstanding principal balance of debt ($0.7 million), and (iii) a decrease in the overall weighted average interest rate ($0.1 million), offset by a decrease in capitalized interest ($0.6 million).

Equity in income of unconsolidated joint ventures was higher in 2012 as a result of an increase in operating results from the Cedar/RioCan joint venture.

Discontinued operations for 2012 and 2011 include the results of operations, impairment reversals/charges and gain on sales for properties sold or treated as held for sale/conveyance , as part of the Company s 2011 business plan, as more fully discussed elsewhere in this report.

Table of Contents

Comparison of the nine months ended September 30, 2012 and 2011

			Change	
	2012	**2011**	**Dollars**	**Percent**
Revenues	$ 105,046,000	$ 100,493,000	$ 4,553,000	4.5%
Property operating expenses	30,247,000	32,994,000	(2,747,000)	-8.3%
Property operating income	74,799,000	67,499,000	7,300,000	10.8%
General and administrative	(10,999,000)	(7,770,000)	(3,229,000)	41.6%
Management transition charges and employee termination costs	(1,131,000)	(6,875,000)	5,744,000	n/a
Impairment charges		(7,419,000)	7,419,000	n/a
Acquisition transaction costs and terminated projects		(1,169,000)	1,169,000	n/a
Depreciation and amortization	(34,804,000)	(27,824,000)	(6,980,000)	25.1%
Interest expense	(29,549,000)	(31,136,000)	1,587,000	-5.1%
Accelerated write-off of deferred financing costs	(2,607,000)		(2,607,000)	n/a
Interest income	187,000	216,000	(29,000)	-13.4%
Unconsolidated joint ventures:				
Equity in income	1,432,000	1,152,000	280,000	24.3%
Write-off of investment		(7,961,000)	7,961,000	n/a
Gain on sales	481,000	130,000	351,000	n/a
(Loss) from continuing operations	(2,191,000)	(21,157,000)	18,966,000	
Discontinued operations:				
Income from operations	3,628,000	2,855,000	773,000	27.1%
Impairment reversals/(charges), net	1,138,000	(87,287,000)	88,425,000	n/a
Gain on sales	750,000	502,000	248,000	n/a
Net income (loss)	3,325,000	(105,087,000)	108,412,000	
Net income (loss) attributable to noncontrolling interests	4,158,000	(5,626,000)	9,784,000	
Net (loss) attributable to Cedar Realty Trust, Inc.	$ (833,000)	$ (99,461,000)	$ 98,628,000	

Properties held in both periods. The Company held 67 properties (excluding properties held for sale/conveyance) during the nine months ended September 30, 2012 and 2011.

Revenues were higher primarily as a result of increases in (i) lease termination income ($3.0 million), (ii) rental revenues and expense recoveries at ground-up development properties ($1.5 million), (iii) rental revenues at the Company s other operating properties ($0.6 million), and (iv) rental revenues and expense recoveries at a property acquired during the first quarter of 2011 ($0.6 million), offset by a decrease in expense recoveries at the Company s other operating properties, due primarily to a decrease in property operating expenses ($1.2 million).

Property operating expenses were lower primarily as a result of decreases in (i) snow removal costs ($2.0 million) and (ii) payroll and related benefits and costs ($1.9 million), offset by an increase in real estate taxes ($0.7 million).

31

Table of Contents

General and administrative expenses were higher primarily as a result of increases in payroll and related benefits costs ($2.4 million). In addition, the 2011 period reflected a mark-to-market benefit related to share-based compensation ($0.7 million).

Management transition charges and employee termination costs in 2012 reflect separation arrangements and terminations of employment agreements relating primarily to employee headcount reductions instituted in connection with recent property dispositions and the exit from the Cedar/RioCan joint venture. Such costs consist of severance and benefits ($0.6 million), accelerated vesting of share-based compensation grants ($0.4 million), and other costs ($0.1 million). Management transition charges and employee termination costs in 2011 relate to the retirement of the Company s then Chairman of the Board, Chief Executive Officer and President, and the end of the employment of the Company s then Chief Financial Officer, and include (i) an aggregate of approximately $3.7 million in cash severance payments (including the cost of related payroll taxes and benefits), (ii) the write off of all amounts related to the vesting of restricted share grants (an aggregate of approximately $2.0 million), and (iii) approximately $0.8 million of other non-recurring costs, primarily professional fees and expenses related to the hiring of a new President/Chief Executive Officer and Chief Financial Officer.

Impairment charges in 2011 relate principally to land parcels treated as held for sale/conveyance , as part of the Company s 2011 business plan, as more fully discussed elsewhere in this report.

Acquisition transaction costs and terminated projects in 2011 include (i) costs incurred related to a property acquisition ($0.7 million), and (ii) termination of several redevelopment projects that the Company determined would not go forward ($0.4 million).

Depreciation and amortization expenses increased principally by the lease up of a vacant space at a property which required the demolition of an existing building and the related acceleration of depreciation expense.

Interest expense decreased primarily as a result of (i) lower amortization of deferred financing costs related to the new credit facility entered into during the first quarter of 2012 ($1.6 million), (ii) a decrease in the overall outstanding principal balance of debt ($0.6 million), and (ii) a decrease in the overall weighted average interest rate ($0.4 million), offset by a decrease in capitalized interest ($1.0 million).

Accelerated write-off of deferred financing costs in 2012 relates to the write-off of unamortized fees associated with the Company s terminated stabilized property and development property credit facilities.

Equity in income of unconsolidated joint ventures was higher in 2012 as a result of an increase in operating results in 2012 from the Cedar/RioCan joint venture ($0.8 million), and lost revenues from the tenant at its then redevelopment joint venture in Philadelphia, Pennsylvania vacating the premises in April 2011 ($0.3 million).

Table of Contents

Write-off of investment in unconsolidated joint venture in 2011 relates to the Company s decision not to go forward with the development of two adjacent properties in Philadelphia, Pennsylvania. The impairment loss for the wholly-owned property is included in loss from discontinued operations.

Discontinued operations for 2012 and 2011 include the results of operations, impairment reversals/charges and gain on sales for properties sold or treated as held for sale/conveyance , as part of the Company s 2011 business plan, as more fully discussed elsewhere in this report.

Liquidity and Capital Resources

The Company funds operating expenses and other short-term liquidity requirements, including debt service, tenant improvements, leasing commissions, preferred and common dividend distributions and distributions to minority interest partners, if made, primarily from its operations. The Company may also use its revolving credit facility for these purposes. The Company expects to fund long-term liquidity requirements for property acquisitions, redevelopment costs, remaining development costs, capital improvements, joint venture contributions, and maturing debt initially with its credit facility, 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). Although the Company believes it has access to secured financing, there can be no assurance that the Company will have the availability of mortgage financing on completed development projects, additional construction financing, net proceeds from the contribution of properties to joint ventures, or proceeds from the refinancing of existing debt.

Debt is comprised of the following at September 30, 2012:

		Interest rates	
Description	**Balance outstanding**	**Weighted - average**	**Range**
Fixed-rate mortgages	$ 496,927,000	5.8%	5.0% - 7.5%
Variable-rate mortgage	63,106,000	3.0%	
Total property-specific mortgages	560,033,000	5.5%	
Corporate credit facilities:			
Revolving facility	18,000,000	3.0%	
Term loan	75,000,000	3.0%	
	$ 653,033,000	5.1%	

Table of Contents

As noted above, on January 26, 2012, the Company entered into a new $300 million Credit Facility, comprised of a four-year $75 million term loan and a three-year $225 million revolving credit facility, subject to collateral in place. Subject to customary conditions, the term loan and the revolving credit facility may both be extended for one additional year at the Company s option. Under an accordion feature, the Credit Facility can be increased to $500 million, subject to customary conditions, collateral in place and lending commitments from participating banks. The Credit Facility contains financial covenants including, but not limited to, maximum debt leverage, minimum interest coverage, minimum fixed charge coverage, and minimum net worth. In addition, the Credit Facility contains restrictions including, but not limited to, limits on indebtedness, certain investments and distributions. The Credit Facility is available to fund acquisitions, redevelopment and remaining development activities, capital expenditures, mortgage repayments, dividend distributions, working capital and other general corporate purposes. Borrowings under the Credit Facility are priced at LIBOR plus 275 bps (a weighted-average of 3.0% per annum at September 30, 2012) and can range from LIBOR plus 200 to 300 bps based on the Company s leverage ratio. As of September 30, 2012, the Company has $18.0 million outstanding under the revolving credit portion of the Credit Facility, and had $164.9 million available for additional borrowings as of the date. A significant portion of the revolving credit availability is the result of the application of net cash proceeds from the sale of 4.8 million shares of the Company s Series B Preferred Stock during September. In October 2012, the Company redeemed 4.5 million shares of its Series A Preferred Stock for a total cash outlay of $114.1 million which was drawn on its Credit Facility.

Property-specific mortgage loans payable at September 30, 2012 consisted of fixed-rate notes totaling $496.9 million, with a weighted average interest rate of 5.8%, and a LIBOR-based variable-rate note totaling $63.1 million, with an effective interest rate of 3.0% per annum at that date. For the remainder of 2012, the Company has approximately $2.3 million of scheduled debt principal amortization payments and $10.7 million of scheduled balloon payments.

Total mortgage loans payable and secured credit facilities have an overall weighted average interest rate of 5.1% and mature at various dates through 2029. The terms of several of the Company s mortgage loans payable require the Company to deposit certain replacement and other reserves with its lenders. Such restricted cash is generally available only for property-level requirements for which the reserves have been established, and is not available to fund other property-level or Company-level obligations.

In order to continue qualifying as a REIT, the Company is required to distribute at least 90% of its REIT taxable income , as defined in the Internal Revenue Code of 1986, as amended (the Code). The Company paid dividends totaling $0.36 per share during 2011. However, in keeping with its stated goal of reducing overall leverage, and in order to improve financial flexibility, the Company s Board of Directors determined to reduce the quarterly dividend for 2012 to a target rate of $0.05 per share (an annual rate of $0.20 per share). While the Company intends to continue paying regular quarterly dividends, future dividend declarations will continue to be at the discretion of the Board of Directors, and will depend on the cash flow and financial condition of the Company, capital requirements, annual distribution requirements under the REIT provisions of the Code, and such other factors as the Board of Directors may deem relevant.

Table of Contents

Contractual obligations and commercial commitments

The following table sets forth the Company s significant debt repayment, interest and operating lease obligations at September 30, 2012:

	Maturity Date						
	Remainder of 2012	2013	2014	2015	2016	Thereafter	Total
Debt: (i)							
Mortgage loans payable (ii)	$ 12,992,000	$ 122,815,000	$ 106,423,000	$ 77,321,000	$ 98,922,000	$ 141,560,000	$ 560,033,000
Credit facilities (iii)				18,000,000	75,000,000		93,000,000
Interest payments (iv)	8,999,000	29,748,000	24,123,000	16,586,000	12,723,000	19,926,000	112,105,000
Operating lease obligations	372,000	1,501,000	1,515,000	1,530,000	1,539,000	11,257,000	17,714,000
Total	$ 22,363,000	$ 154,064,000	$ 132,061,000	$ 113,437,000	$ 188,184,000	$ 172,743,000	$ 782,852,000

(i) Does not include amounts applicable to unconsolidated joint ventures or discontinued operations.
(ii) Mortgage loans payable for 2013 includes $59.7 million applicable to property-specific construction financing which is subject to a one-year extension option.
(iii) Each credit facility is subject to a one-year extension option.
(iv) Represents interest payments expected to be incurred on the Company s consolidated debt obligations as of September 30, 2012, including capitalized interest. For variable-rate debt, the rate in effect at September 30, 2012 is assumed to remain in effect until the maturities of the respective obligations.

Net Cash Flows

	September 30, 2012	September 30, 2011
Cash flows provided by (used in):		
Operating activities	$ 36,784,000	$ 21,367,000
Investing activities	$ 2,088,000	$ (67,072,000)
Financing activities	$ (43,526,000)	$ 43,181,000

Operating Activities

Net cash provided by operating activities, before net changes in operating assets and liabilities, increased to $40.0 million for the nine months ended September 30, 2012 from $34.1 million for the nine months ended September 30, 2011. Such amounts include $3.0 million of lease termination income received in 2012 and expenditures of $4.4 million for management transition charges and employee termination costs in 2011. The net changes in operating assets and liabilities ($(3.2) million in 2012 and $(12.8) million in 2011) were primarily the result of collections of receivables and the timing of payments of accounts payable and accrued liabilities.

Table of Contents

Investing Activities

Net cash flows provided by (used in) investing activities were primarily the result of the Cedar/RioCan joint venture transactions, expenditures for property improvements, and the Company s property disposition activities. During the nine months ended September 30, 2012, the Company received proceeds from sales of properties treated as discontinued operations ($18.8 million), had distributions of capital from the Cedar/RioCan joint venture ($2.9 million), and applied the proceeds from other escrows ($2.6 million), offset by expenditures for property improvements ($22.2 million). During the nine months ended September 30, 2011, the Company acquired a grocery-anchored shopping center and incurred expenditures for property improvements (an aggregate of $76.1 million), had an increase in construction escrows and other ($7.3 million), had investments in and advances to unconsolidated joint ventures ($4.2 million), offset by proceeds from sales of properties treated as discontinued operations ($11.7 million), net proceeds relating to the properties transferred to the Cedar/RioCan joint venture ($4.8 million), and distributions of capital from the Cedar/RioCan joint venture ($4.0 million).

Financing Activities

During the nine months ended September 30, 2012, the Company had net repayments under its credit facilities ($73.3 million), repayments of mortgage obligations ($53.3 million), preferred and common stock distributions ($20.9 million), redemptions and repurchases of the 8.875% Series A Cumulative Redeemable Preferred Stock ($12.1 million), the payment of debt financing costs ($4.4 million), and distributions to noncontrolling interests (minority interest and limited partners $3.7 million), offset by proceeds from the sale of the 7.25% Series B Cumulative Redeemable Preferred Stock ($124.4 million). During the nine months ended September 30, 2011, the Company received proceeds from mortgage refinancings ($45.8 million), received net advances from its revolving credit facilities ($33.7 million), and proceeds from the sale of common stock ($4.3 million), offset by preferred and common stock distributions ($29.1 million), repayment of mortgage obligations ($9.3 million), and distributions to noncontrolling interests (minority interest and limited partners $2.2 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 a REIT s operating performance. The Company considers FFO 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.

Table of Contents

The Company computes FFO in accordance with the White Paper published by the National Association of Real Estate Investment Trusts (NAREIT), which defines FFO as net income applicable to common shareholders (determined in accordance with GAAP), excluding impairment charges, 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, 2012 and 2011:

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Net (loss) attributable to common shareholders	$ (4,299,000)	$ (70,105,000)	$ (12,403,000)	$ (110,082,000)
Add (deduct):				
Real estate depreciation and amortization	9,185,000	11,380,000	34,577,000	32,729,000
Limited partners interest	(17,000)	(1,455,000)	(114,000)	(2,294,000)
Impairment charges / (reversals)		72,114,000	(1,138,000)	102,647,000
Gain on sales	(402,000)		(1,231,000)	(502,000)
Consolidated minority interests:				
Share of income	2,564,000	(3,285,000)	4,272,000	(3,332,000)
Share of FFO	(1,287,000)	(1,462,000)	(4,078,000)	(4,442,000)
Unconsolidated joint ventures:				
Share of income	(411,000)	(327,000)	(1,432,000)	(1,152,000)
Share of FFO	1,433,000	1,374,000	4,488,000	4,438,000
FFO	$ 6,766,000	$ 8,234,000	$ 22,941,000	$ 18,010,000

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

The Company is exposed to interest rate changes primarily through (i) the variable-rate credit facilities used to maintain liquidity, fund capital expenditures and ground-up development/redevelopment activities, and expand its real estate investment portfolio, (ii) property-specific variable-rate construction financing, and (iii) other property-specific variable-rate mortgages. The Company s objectives with respect to interest rate risk are to limit the impact of interest rate changes on operations and cash flows, and to lower its overall borrowing costs. To achieve these objectives, the Company may borrow at fixed rates and may enter into derivative financial instruments such as interest rate swaps, caps, etc., in order to mitigate its interest rate risk on a related variable-rate financial instrument. The Company does not enter into derivative or interest rate transactions for speculative purposes. At September 30, 2012, the Company had approximately $31.6 million of mortgage loans payable subject to interest rate swaps which converted LIBOR-based variable rates to fixed annual rates ranging from 5.2% to 6.5% per annum. At that date, the Company had accrued liabilities of $1.8 million (included in accounts payable and accrued liabilities on the consolidated balance sheet) relating to the fair value of interest rate swaps applicable to these mortgage loans payable.

Table of Contents

At September 30, 2012, long-term debt consisted of fixed-rate mortgage loans payable and variable-rate debt (including the Company s variable-rate credit facility). The average interest rate on the $496.9 million of fixed-rate indebtedness outstanding was 5.8%, with maturities at various dates through 2029. The average interest rate on the $156.1 million of variable-rate debt (including $93.0 million in advances under the Company s Credit Facility) was 3.0%. The $75 million term loan segment of the new facility matures in January 2016, and the $18.0 million revolving credit segment matures in January 2015, each subject to a one-year extension option. With respect to the $156.1 million of variable-rate debt outstanding at September 30, 2012, if interest rates either increase or decrease by 1%, the Company s interest cost would increase or decrease respectively by approximately $1.6 million 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 rules and regulations of the Securities and Exchange Commission (SEC). 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 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, 2012, and have determined that such disclosure controls and procedures are effective.

During the nine months ended September 30, 2012, 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, these internal controls over financial reporting.

Table of Contents

Part II Other Information

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds
(c) Repurchases of 8.875% Series A Cumulative Redeemable Preferred Stock

The following sets forth certain information relating to open-market purchases by the Company of its 8.875% Series A Cumulative Redeemable Preferred Stock (Series A Preferred Stock) during the three months ended September 30, 2012:

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs (a)	Maximum number of shares that may yet be purchased under the plans or programs (b)
July 1 through July 31	6,000	$ 25.50	6,000	6,014,000
August 1 through August 31	101,000	$ 25.66	101,000	5,913,000
September 1 through September 30		$		5,913,000
	107,000	$ 25.65	107,000	5,913,000

(a) The Company intends to use the net proceeds from periodic sales of its 7.25% Series B Cumulative Redeemable Preferred Stock for general working capital and other corporate purposes, including potential future repurchases or redemptions of its Series A Preferred Stock and/or the repayment of outstanding indebtedness.
(b) During October 2012, the Company redeemed an additional 4.5 million shares of its Series A Preferred Stock.

Item 5. Other Information
The Company intends to hold its 2013 Annual Meeting of Stockholders on May 3, 2013, which is a date in advance of that of prior years. Accordingly, proposals of stockholders intended to be presented at such meeting must be received by the Company on or prior to December 29, 2012 to be eligible for inclusion in the Company s proxy statement to be used in connection with such meeting. Any notice of stockholder proposals received after that date will be considered untimely. In addition, proposed nominations by stockholders at the 2013 Annual Meeting for persons to serve as directors must be received by the Company on or prior to February 4, 2013. Nominations received after that date will be considered untimely.

39

Table of Contents

Item 6. Exhibits

Exhibit 10.1	Agreement Regarding Purchase Of Interests (Franklin) By And Between RC Cedar REIT Property Subsidiary LP And Cedar Realty Trust Partnership, L.P. And RC Cedar REIT LP and RioCan Holdings USA, Inc., dated as of September 6, 2012.
Exhibit 31	Section 302 Certifications
Exhibit 32	Section 906 Certifications
Exhibit 101.INS	XBRL Instance Document
Exhibit 101.SCH	XBRL Taxonomy Extension Schema Document
Exhibit 101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
Exhibit 101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
Exhibit 101.LAB	XBRL Taxonomy Extension Label Linkbase Document
Exhibit 101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

Table of Contents

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 REALTY TRUST, INC.

By: /s/ BRUCE J. SCHANZER
Bruce J. Schanzer
President and Chief Executive Officer
(Principal executive officer)
November 8, 2012

By: /s/ PHILIP R. MAYS
Philip R. Mays
Chief Financial Officer
(Principal financial officer)