

CEDAR SHOPPING CENTERS INC  
Form 8-K  
December 13, 2006

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

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**FORM 8-K**

**CURRENT REPORT**

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

**Date of Report (Date of Earliest Event Reported): September 27, 2006**

**Cedar Shopping Centers, Inc.**

(Exact name of registrant as specified in its charter)

**Maryland**  
(State or other jurisdiction of  
incorporation)

**001-31817**  
(Commission File No.)

**42-1241468**  
(IRS Employer Identification  
No.)

**44 South Bayles Avenue**  
**Port Washington, NY**  
(Address of principal executive  
offices)  
**(516) 767-6492**

**11050-3765**  
(Zip Code)

(Registrant's telephone number,  
including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))



**Item 8.01. Other Events.**

With the completion of an acquisition on September 27, 2006, the total of the Company's 2006 non-material acquisitions had reached an amount requiring that a majority of such acquisitions be audited pursuant to Rule 3-14 of Regulation S-X of the Securities and Exchange Commission.

**Item 9.01. Financial Statements and Exhibits.**

**(a) Financial Statements of Businesses Acquired:**

**Elmhurst Square Associates I LLC, Elmhurst Square Associates II LLC and Long Reach Plaza Associates LLC:**

Report of Independent Registered Public Accounting Firm

Combined Statements of Revenues and Certain Expenses:

For the year ended December 31, 2005

For the nine months ended September 30, 2006 (unaudited)

Notes to the Combined Statements of Revenues and Certain Expenses

**(b) Pro Forma Financial Information:**

Pro Forma Condensed Consolidated Balance Sheet as of September 30, 2006 (unaudited)

Pro Forma Condensed Consolidated Statements of Income (unaudited):

For the year ended December 31, 2005

For the nine months ended September 30, 2006

Notes to Pro Forma Condensed Consolidated Financial Statements (unaudited)

**(d) Exhibits:**

23.1 Consent of Independent Registered Public Accounting Firm dated December 11, 2006

**Signatures**

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**Report of Independent Registered Public Accounting Firm**

Board of Directors and Shareholders

Cedar Shopping Centers, Inc.

We have audited the combined statement of revenues and certain expenses of the Elmhurst Square Associates I LLC, Elmhurst Square Associates II LLC and Long Reach Plaza Associates LLC (the Properties ) for the year ended December 31, 2005. The combined statement of revenues and certain expenses is the responsibility of Cedar Shopping Centers, Inc. s (the Company ) management. Our responsibility is to express an opinion on this combined statement of revenues and certain expenses based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined statement of revenues and certain expenses is free of material misstatement. We were not engaged to perform an audit of the Properties internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Properties internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined statement of revenues and certain expenses, assessing the accounting principles used and significant estimates made by management, and evaluating the overall combined statement of revenues and certain expenses presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the accompanying combined statement of revenues and certain expenses was prepared for the purpose of complying with Rule 3-14 of Regulation S-X of the Securities and Exchange Commission for inclusion in Form 8-K of Cedar Shopping Centers, Inc. and is not intended to be a complete presentation of the combined revenues and certain expenses of the Properties.

In our opinion, the combined statement of revenues and certain expense referred to above presents fairly, in all material respects, the combined statement of revenues and certain expenses of the Properties as described in Note 1 for the year ended December 31, 2005, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

New York, New York

December 11, 2006

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**Elmhurst Square Associates I LLC, Elmhurst Square Associates II LLC and Long Reach Plaza Associates LLC****Combined Statements of Revenues and Certain Expenses**

|  | <b>Nine months<br/>ended<br/>September 30, 2006</b> | <b>Year<br/>ended<br/>December 31, 2005</b> |
|--|---|---|
|  | <b>(Unaudited)</b>                                  |   |
| Revenues:                              |   |   |
| Base rents                             | \$ 1,167,000  | \$ 1,465,000                                |
| Tenant reimbursements                  | 303,000   | 402,000                                     |
| Other                                  | 2,000   | 16,000                                      |
|  | <hr/>   | <hr/>                                       |
| Total revenues                         | 1,472,000   | 1,883,000                                   |
|  | <hr/>   | <hr/>                                       |
| Certain expenses:                      |   |   |
| Real estate taxes                      | 103,000   | 133,000                                     |
| Property operating expenses            | 363,000   | 555,000                                     |
| Management fees - related party        | 71,000  | 93,000                                      |
|  | <hr/>   | <hr/>                                       |
| Total certain expenses                 | 537,000   | 781,000                                     |
|  | <hr/>   | <hr/>                                       |
| Revenues in excess of certain expenses | \$ 935,000  | \$ 1,102,000                                |
|  | <hr/>   | <hr/>                                       |

See accompanying notes to combined statements of revenues and certain expenses.

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**Elmhurst Square Associates I LLC, Elmhurst Square Associates II LLC and Long Reach Plaza Associates LLC**

**Notes to Combined Statements of Revenues and Certain Expenses**

**For the year ended December 31, 2005**

**For the nine months ended September 30, 2006 (unaudited)**

**1. Basis of Presentation**

Presented herein are the combined statements of revenues and certain expenses of Elmhurst Square Associates I LLC, Elmhurst Square Associates II LLC and Long Reach Plaza Associates LLC, which as a whole comprise the operations of two supermarket-anchored shopping centers located in Portsmouth, Virginia (a/k/a Elmhurst Square) and Columbia, Maryland (a/k/a Long Reach Village) collectively known as the Properties. The Properties contain approximately 171,000 square feet of gross leasable area. Cedar Shopping Centers, Inc. (the Company) acquired Long Reach Village in September 2006 pursuant to the terms of a Purchase and Sale Agreement; Elmhurst Square is expected to close in December 2006. The financial statements for the Properties are combined since the Properties have been or will be acquired from the same seller, thus they were under common control and management.

The accompanying combined financial statements have been prepared in accordance with the applicable rules and regulations of the Securities and Exchange Commission for the acquisition of real estate properties. Accordingly, the combined financial statements exclude certain expenses because they may not be comparable to those expected to be incurred in the proposed future operations of the Properties. Items excluded consist of interest expense and depreciation and amortization expense, which are not directly related to future operations.

**2. Use of Estimates**

The preparation of the combined statements of revenues and certain expenses in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the statements of revenues and certain expenses and accompanying notes. Actual results could differ from those estimates.

**3. Revenue Recognition**

The Properties are being leased to tenants under operating leases. Minimum rental income is recognized on a straight-line basis over the terms of the respective leases. The excess of rents recognized over amounts contractually due pursuant to the underlying leases was approximately \$25,000 and \$37,000 for the year ended December 31, 2005 and for the nine months ended September 30, 2006 (unaudited).

**4. Property Operating Expenses**

Property operating expenses for the year ended December 31, 2005 include approximately \$164,000 for utilities, \$80,000 for repairs and maintenance, \$69,000 for security, \$57,000 for snow and trash removal, \$47,000 for parking lot costs, \$38,000 for insurance, \$37,000 for landscaping, \$25,000 for cleaning, \$17,000 for professional fees, \$7,000 for bad debt expense and \$14,000 for other expenses.

Property operating expenses for the nine months ended September 30, 2006 (unaudited) include approximately \$124,000 for utilities, \$36,000 for parking lot costs, \$35,000 for security, \$35,000 for repairs and maintenance, \$25,000 for insurance, \$23,000 for landscaping, \$22,000 for snow and trash removal, \$19,000 for cleaning, \$11,000 for professional fees, \$17,000 for bad debt expense and \$16,000 for other expenses.

**5. Management Fees Related Party**

The Properties were managed by Perrine & Wheeler LLC, a related party, pursuant to management agreements. Management fees of approximately \$93,000 for the year ended December 31, 2005 and \$71,000 for the nine months ended September 30, 2006 (unaudited) were incurred. The management agreements provided for a monthly management fee of 3% of cash receipts and an asset management fee of 2% of cash receipts, as defined.

**6. Significant Tenants**

Significant tenants include Safeway and Food Lion, which constituted approximately 18% and 13%, respectively, of base rents for the year ended December 31, 2005, and 17% and 12%, respectively, of base rents for the nine months ended September 30, 2006 (unaudited).

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**Elmhurst Square Associates I LLC, Elmhurst Square Associates II LLC and Long Reach Plaza Associates LLC**

**Notes to Combined Statements of Revenues and Certain Expenses**

**For the year ended December 31, 2005**

**For the nine months ended September 30, 2006 (unaudited)**

**(Continued)**

**7. Future Minimum Lease Payments**

Future minimum lease payments to be received under non-cancelable operating leases for the years ending December 31 are as follows:

|            |              |
|------------|--------------|
| 2006       | \$ 1,486,000 |
| 2007       | 1,482,000    |
| 2008       | 1,212,000    |
| 2009       | 1,041,000    |
| 2010       | 840,000      |
| Thereafter | 3,431,000    |
|            | <hr/>        |
| Total      | \$ 9,492,000 |
|            | <hr/>        |

The lease agreements generally contain provisions for reimbursement of real estate taxes and operating expenses, on a pro rata basis, as well as for fixed increases in rent.

**8. Interim Unaudited Financial Information**

The combined statement of revenues and certain expenses for the nine months ended September 30, 2006 is unaudited; however, in the opinion of management, all adjustments (consisting solely of normal recurring adjustments) necessary for a fair presentation of the combined statement of revenues and certain expenses for this interim period have been included. The results of the interim period are not necessarily indicative of the results to be obtained for a full fiscal year.

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**Cedar Shopping Centers, Inc.****Pro Forma Condensed Consolidated Balance Sheet****As of September 30, 2006****(Unaudited)**

The following unaudited pro forma condensed consolidated balance sheet is presented as if Cedar Shopping Centers, Inc. (the Company) had acquired (1) Elmhurst Square Associates I LLC, Elmhurst Square Associates II LLC (Elmhurst Square) and Long Reach Plaza Associates LLC, (Long Reach Village) (collectively Acquired Properties), and (2) the other properties it purchased subsequent to September 30, 2006 and through November 30, 2006, as if all of these transactions were completed as of September 30, 2006. This financial statement should be read in conjunction with the unaudited pro forma condensed consolidated statements of income, and the Company's historical financial statements and notes thereto as filed on Form 10-K for the year ended December 31, 2005 and on Form 10-Q for the nine months ended September 30, 2006. The pro forma condensed consolidated balance sheet is unaudited and is not necessarily indicative of what the actual financial position would have been had the Company acquired (1) Elmhurst Square Associates I LLC, Elmhurst Square Associates II LLC and Long Reach Plaza Associates LLC, and (2) the other properties it purchased subsequent to September 30, 2006 and through November 30, 2006, nor does it purport to represent the future consolidated financial position of the Company.

**As of September 30, 2006**

|  | <b>Cedar<br/>Shopping<br/>Centers, Inc.<br/>Historical (a)</b> | <b>Completed<br/>transactions<br/>(b) (d)</b> | <b>Elmhurst<br/>Square<br/>(c)(d)</b> | <b>Pro forma</b>       |
|--|--|---|---------------------------------------|------------------------|
| <b>Assets</b>                              |  |   |                                       |                        |
| Real estate                                |  |   |                                       |                        |
| Land                                       | \$230,777,000  | \$ 2,640,000                                  | \$1,400,000                           | \$234,817,000          |
| Buildings and improvements                 | 960,963,000  | 10,560,000                                    | 5,600,000                             | 977,123,000            |
|  | 1,191,740,000  | 13,200,000                                    | 7,000,000                             | 1,211,940,000          |
| Less accumulated depreciation              | (56,394,000 )  |   |                                       | (56,394,000 )          |
| Real estate, net                           | 1,135,346,000  | 13,200,000                                    | 7,000,000                             | 1,155,546,000          |
| Cash and cash equivalents                  | 15,918,000   |   |                                       | 15,918,000             |
| Cash at joint ventures and restricted cash | 11,290,000   |   |                                       | 11,290,000             |
| Rents and other receivables, net           | 12,433,000   |   |                                       | 12,433,000             |
| Other assets                               | 9,430,000  |   | (150,000 )                            | 9,280,000              |
| Deferred charges, net                      | 21,347,000   |   |                                       | 21,347,000             |
| <b>Total assets</b>                        | <b>\$1,205,764,000</b>   | <b>\$ 13,200,000</b>                          | <b>\$6,850,000</b>                    | <b>\$1,225,814,000</b> |
| <b>Liabilities and shareholders equity</b> |  |   |                                       |                        |
| Mortgage loans payable                     | \$441,538,000  | \$  | \$4,260,000                           | \$445,798,000          |

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|  |                 |               |             |                 |
|--|-----------------|---------------|-------------|-----------------|
| Secured revolving credit facility                                  | 215,130,000     | 13,200,000    | 2,590,000   | 230,920,000     |
| Accounts payable, accrued expenses, and other                      | 16,055,000      |               |             | 16,055,000      |
| Unamortized intangible lease liabilities                           | 50,742,000      |               |             | 50,742,000      |
|  | <hr/>           | <hr/>         | <hr/>       | <hr/>           |
| <b>Total liabilities</b>   | 723,465,000     | 13,200,000    | 6,850,000   | 743,515,000     |
|  | <hr/>           | <hr/>         | <hr/>       | <hr/>           |
| Minority interests in consolidated joint ventures                  | 9,143,000       |               |             | 9,143,000       |
| Limited partners interest in consolidated<br>Operating Partnership | 23,658,000      |               |             | 23,658,000      |
| Shareholders equity  | 449,498,000     |               |             | 449,498,000     |
|  | <hr/>           | <hr/>         | <hr/>       | <hr/>           |
| <b>Total liabilities and shareholders equity</b>                   | \$1,205,764,000 | \$ 13,200,000 | \$6,850,000 | \$1,225,814,000 |
|  | <hr/>           | <hr/>         | <hr/>       | <hr/>           |

See accompanying notes to pro forma condensed consolidated financial statements.

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**Cedar Shopping Centers, Inc.****Pro Forma Condensed Consolidated Statements of Income****For the year ended December 31, 2005****For the nine months ended September 30, 2006****(Unaudited)**

The following unaudited pro forma condensed consolidated statements of income are presented as if the Company (1) had acquired Elmhurst Square Associates I LLC, Elmhurst Square Associates II LLC and Long Reach Plaza Associates LLC, and (2) had acquired or sold the other properties it purchased or disposed of throughout 2005 and through November 30, 2006, as if all these transactions were completed as of January 1, 2005. These financial statements should be read in conjunction with the accompanying unaudited pro forma condensed consolidated balance sheet, and the Company's historical financial statements and notes thereto as filed on Form 10-K for the year ended December 31, 2005 and on Form 10-Q for the nine months ended September 30, 2006. The pro forma condensed consolidated statements of income are unaudited and are not necessarily indicative of what the actual results of operations would have been had the Company (1) acquired Elmhurst Square Associates I LLC, Elmhurst Square Associates II LLC and Long Reach Plaza Associates LLC, and (2) acquired or sold the other properties it purchased or disposed of throughout 2005 and through November 30, 2006, nor does it purport to represent the consolidated results of operations of the Company for future periods.

**For the year ended December 31, 2005**

|  | <b>Cedar Shopping Centers, Inc. Historical (a)</b> | <b>Completed transactions (b) (d)</b> | <b>Acquired Properties</b> |                                  | <b>Pro forma</b>   |
|--|--|---------------------------------------|----------------------------|----------------------------------|--------------------|
|  |  |                                       | <b>Historical (c)</b>      | <b>Pro forma adjustments (d)</b> |                    |
| Revenues                                     | \$ 78,941,000                                      | \$ 42,116,000                         | \$ 1,883,000               | \$ 25,000                        | (e) \$ 122,965,000 |
| Expenses:                                    |  |                                       |                            |                                  |                    |
| Operating, maintenance and management        | 14,298,000   | 8,479,000                             | 648,000                    |                                  | 23,425,000         |
| Real estate and other property-related taxes | 7,965,000  | 4,703,000                             | 133,000                    |                                  | 12,801,000         |
| General and administrative                   | 5,132,000  |                                       |                            |                                  | 5,132,000          |
| Depreciation and amortization                | 20,606,000   | 8,248,000                             |                            | 316,000                          | (g) 29,170,000     |
| Total expenses                               | 48,001,000   | 21,430,000                            | 781,000                    | 316,000                          | 70,528,000         |
| Operating income                             | 30,940,000   | 20,686,000                            | 1,102,000                  | (291,000)                        | 52,437,000         |

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|   |                             |                             |                             |                             |                             |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Non-operating income and expenses:                        |                             |                             |                             |                             |                             |
| Interest expense  | (15,178,000 )               | (18,902,000 )               |                             | (835,000 )                  | (f) (34,915,000 )           |
| Amortization of deferred financing costs                  | (1,071,000 )                |                             |                             |                             | (1,071,000 )                |
| Interest income   | 91,000                      | 71,000                      |                             |                             | 162,000                     |
|   | <u>                    </u> | <u>                    </u> | <u>                    </u> | <u>                    </u> | <u>                    </u> |
| Total non-operating income and expenses                   | (16,158,000 )               | (18,831,000 )               |                             | (835,000 )                  | (35,824,000 )               |
| Income before the minority and limited partners interests | 14,782,000                  | 1,855,000                   | 1,102,000                   | (1,126,000 )                | 16,613,000                  |
| Minority interests in consolidated joint ventures         | (1,270,000 )                | 220,000 (i)                 |                             |                             | (1,050,000 )                |
| Limited partners interest in Operating Partnership        | (299,000 )                  | (67,000 )                   |                             | 1,000 (h)                   | (365,000 )                  |
|   | <u>                    </u> | <u>                    </u> | <u>                    </u> | <u>                    </u> | <u>                    </u> |
| Net income  | 13,213,000                  | 2,008,000                   | 1,102,000                   | (1,125,000 )                | 15,198,000                  |
| Preferred distribution requirements                       | (7,186,000 )                | (690,000 )                  |                             |                             | (7,876,000 )                |
|   | <u>                    </u> | <u>                    </u> | <u>                    </u> | <u>                    </u> | <u>                    </u> |
| Net income applicable to common shareholders              | \$ 6,027,000                | \$ 1,318,000                | \$ 1,102,000                | \$ (1,125,000 )             | \$ 7,322,000                |
|   | <u>                    </u> | <u>                    </u> | <u>                    </u> | <u>                    </u> | <u>                    </u> |
| Per common share (basic and diluted)                      | \$ 0.25                     |                             |                             |                             | \$ 0.31                     |
|   | <u>                    </u> |                             |                             |                             | <u>                    </u> |
| Weighted average number of common shares outstanding      | 23,988,000                  |                             |                             |                             | 23,988,000                  |
|   | <u>                    </u> |                             |                             |                             | <u>                    </u> |

See accompanying notes to pro forma condensed consolidated financial statements.

**Cedar Shopping Centers, Inc.****Pro Forma Condensed Consolidated Statements of Income****For the year ended December 31, 2005****For the nine months ended September 30, 2006****(Unaudited)****(Continued)****For the nine months ended September 30, 2006**

|  | <b>Cedar Shopping<br/>Centers, Inc.<br/>Historical (a)</b> | <b>Completed<br/>transactions<br/>(b) (d)</b> | <b>Acquired Properties</b> |  | <b>Pro forma<br/>Pro forma</b> |
|--|--|---|----------------------------|--|--------------------------------|
|  |  |   | <b>Historical<br/>(c)</b>  | <b>Pro forma<br/>adjustments<br/>(d)</b> |                                |
| Revenues   | \$92,229,000   | \$ 7,512,000                                  | \$1,472,000                | \$ 13,000 (e)                            | \$101,226,000                  |
| Expenses:  |  |   |                            |  |                                |
| Operating, maintenance and management                    | 16,760,000   | 1,310,000                                     | 434,000                    |  | 18,504,000                     |
| Real estate and other property-related taxes             | 9,394,000  | 913,000                                       | 103,000                    |  | 10,410,000                     |
| General and administrative                               | 4,220,000  |   |                            |  | 4,220,000                      |
| Depreciation and amortization                            | 25,659,000   | 1,391,000                                     |                            | 237,000 (g)                              | 27,287,000                     |
| Total expenses   | 56,033,000   | 3,614,000                                     | 537,000                    | 237,000                                  | 60,421,000                     |
| Operating income   | 36,196,000   | 3,898,000                                     | 935,000                    | (224,000 )                               | 40,805,000                     |
| Non-operating income and expenses:                       |  |   |                            |  |                                |
| Interest expense   | (23,655,000)   | (4,775,000 )                                  |                            | (696,000 ) (f)                           | (29,126,000 )                  |
| Amortization of deferred financing costs                 | (1,003,000 )   |   |                            |  | (1,003,000 )                   |
| Equity in (loss) of unconsolidated joint venture         | (40,000 )  | 40,000  |                            |  |                                |
| Gain on sale of interest in unconsolidated joint venture | 141,000  | (141,000 )                                    |                            |  |                                |
| Interest income  | 392,000  |   |                            |  | 392,000                        |
| Total non-operating income and expenses                  | (24,165,000)   | (4,876,000 )                                  |                            | (696,000 )                               | (29,737,000 )                  |
| Income before minority and limited partners interests    | 12,031,000   | (978,000 )                                    | 935,000                    | (920,000 )                               | 11,068,000                     |

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|  |              |               |           |               |                |
|--|--------------|---------------|-----------|---------------|----------------|
| Minority interests in consolidated joint ventures            | (943,000 )   | 57,000        | (i)       |               | (886,000 )     |
| Limited partners interest in Operating Partnership           | (262,000 )   | 47,000        |           | (1,000 )      | (h) (216,000 ) |
| Net income   | 10,826,000   | (874,000 )    | 935,000   | (921,000 )    | 9,966,000      |
| Preferred distribution requirements                          | (5,907,000 ) |               |           |               | (5,907,000 )   |
| Net income applicable to common shareholders                 | \$4,919,000  | \$ (874,000 ) | \$935,000 | \$ (921,000 ) | \$4,059,000    |
| Basic per common share                                       | \$0.16       |               |           |               | \$0.13         |
| Diluted per common share                                     | \$0.15       |               |           |               | \$0.13         |
| Basic weighted average number of common shares outstanding   | 31,660,000   |               |           |               | 31,660,000     |
| Diluted weighted average number of common shares outstanding | 31,832,000   |               |           |               | 31,832,000     |

See accompanying notes to pro forma condensed consolidated financial statements.

**Cedar Shopping Centers, Inc.**

**Notes to Pro Forma Condensed Consolidated Financial Statements (Unaudited)**

**Pro Forma Condensed Consolidated Balance Sheet as of September 30, 2006**

- (a) Reflects the Company's historical balance sheet as of September 30, 2006 (unaudited), as previously filed, including the acquisition of the property owned by Long Reach Plaza Associates LLC, which was acquired on September 27, 2006 for aggregate consideration of approximately \$8.8 million, comprised of approximately \$4.9 million of assumed mortgage debt and \$3.9 million funded from the Company's secured revolving credit facility. The purchase price was allocated approximately \$1.76 million to land and \$7.04 million to building.
- (b) Reflects the acquisitions of Gahanna Discount Drug Mart Plaza (October 2006), FirstMerit Bank at Cuyahoga Falls (November 2006) and Oak Ridge Shopping Center (November 2006).
- (c) Reflects the acquisition of the property owned by Elmhurst Square Associates I LLC and Elmhurst Square Associates II LLC (expected to close in December 2006). The aggregate consideration is expected to be approximately \$7.0 million, comprised of approximately \$4.3 million of an assumed mortgage loan payable and \$2.7 million funded from the Company's secured revolving credit facility, including \$150,000 previously paid deposits on the transactions.
- (d) The Company intends to account for the acquisitions in accordance with Statements of Financial Accounting Standards No. 141, "Business Combinations", and No. 142, "Goodwill and Other Intangibles", and is currently in the process of analyzing the fair value of the Acquired Properties' in-place leases. No value has yet been assigned to the leases and, therefore, the purchase price allocations are preliminary and subject to change and no adjustment has been reflected for the amortization of acquired lease intangibles.

**Pro Forma Condensed Consolidated Statement of Income for the year ended December 31, 2005**

- (a) Reflects the Company's historical operations for the year ended December 31, 2005, as previously filed.
  - (b) Reflects the acquisitions of St. James Square (March 2005), Kenley Village (March 2005), the Giltz Portfolio (April-June 2005), the RVG Portfolio (August 2005), Oakland Mills (September 2005), the Gould Portfolio (September 2005), The Point at Carlisle Plaza (September 2005), The Shops at Suffolk Downs (September 2005), Columbia Mall (October 2005), Pennsboro Commons (October 2005), Jordan Lane (November 2005), Fieldstone Marketplace (December 2005), the Silver Portfolio (November 2005), Westlake Discount Drug Mart Plaza (December 2005), Trexler Mall (December 2005), Gabriel Brothers Plaza (December 2005), Palmyra Shopping Center (December 2005), Shore Mall (January 2006), Gold Star Plaza (June 2006), Stonehedge Square (July 2006), Oakhurst Plaza (July 2006), Annie Land Plaza (August 2006), Shaw's Plaza (July 2006), Trexlertown Plaza (July 2006), Hannaford Plaza (September 2006), Gahanna Discount Drug Mart Plaza (October 2006), FirstMerit Bank at Cuyahoga Falls (November 2006) and Oak Ridge Shopping Center (November 2006).
  - (c) Reflects the operations of the Acquired Properties for the year ended December 31, 2005.
-

**Cedar Shopping Centers, Inc.**

**Notes to Pro Forma Condensed Consolidated Financial Statements (Unaudited)**

**Pro Forma Condensed Consolidated Statement of Income for the year ended December 31, 2005 (continued)**

- (d) The Company intends to account for the acquisitions in accordance with Statements of Financial Accounting Standards No. 141, Business Combinations, and No. 142, Goodwill and Other Intangibles, and is currently in the process of analyzing the fair value of the Acquired Properties in-place leases. No value has yet been assigned to the leases and, therefore, the purchase price allocations are preliminary and subject to change and no adjustment has been reflected for the amortization of acquired lease intangibles.
- (e) Reflects increased straight-line rents as if lease start dates were January 1, 2005.
- (f) Reflects interest expense on (1) the \$9.2 million assumed mortgage loans payable (which consists of the \$4.9 million assumed related to Long Reach Village and \$4.3 million related to Elmhurst Square), and (2) \$6.6 million of increased borrowings under the Company's secured revolving credit facility (which consists of \$3.9 million related to Long Reach Village and \$2.7 million related to Elmhurst Square), at weighted average interest rates of 5.56% and 4.91% per annum, respectively.
- (g) Reflects \$316,000 of straight-line real estate depreciation (which consists of depreciation expense related to the \$7.04 million building allocation for Long Reach Village and the \$5.6 million building allocation for Elmhurst Square), based on estimated useful lives of 40 years.
- (h) Reflects a decrease in limited partners' interest as a result of the addition of the Acquired Properties.
- (i) Reflects the sale of the partnership interest in the Red Lion joint venture (May 2006) and the acquisition of the remaining 50% interest in the LA Fitness facility (May 2006), as previously filed as applicable.

**Pro Forma Condensed Consolidated Statement of Income for the nine months ended September 30, 2006**

- (a) Reflects the Company's historical operations for the nine months ended September 30, 2006 (unaudited), as previously filed.
  - (b) Reflects the acquisitions of Shore Mall (January 2006), Gold Star Plaza (June 2006), Stonehedge Square (July 2006), Oakhurst Plaza (July 2006), Annie Land Plaza (August 2006), Shaw's Plaza (July 2006), Trexlertown Plaza (July 2006), Hannaford Plaza (September 2006), Gahanna Discount Drug Mart Plaza (October 2006), FirstMerit Bank at Cuyahoga Falls (November 2006) and Oak Ridge Shopping Center (November 2006).
  - (c) Reflects the operations of the Acquired Properties for the nine months ended September 30, 2006.
  - (d) The Company intends to account for the acquisitions in accordance with Statements of Financial Accounting Standards No. 141, Business Combinations, and No. 142, Goodwill and Other Intangibles, and is currently in the process of analyzing the fair value of the Acquired Properties in-place leases. No value has yet been assigned to the leases and, therefore, the purchase price allocations are preliminary and subject to change and no adjustment has been reflected for the amortization of acquired lease intangibles.
  - (e) Reflects increased straight-line rents as if the lease start dates were January 1, 2005.
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**Cedar Shopping Centers, Inc.**

**Notes to Pro Forma Condensed Consolidated Financial Statements (Unaudited)**

**Pro Forma Condensed Consolidated Statement of Income for the nine months ended September 30, 2006  
(continued)**

- (f) Reflects interest expense on (1) the \$9.2 million assumed mortgage loans payable (which consists of the \$4.9 million assumed related to Long Reach Village and the \$4.3 million assumed related to Elmhurst Square), and (2) \$6.6 million of increased borrowings under the Company's secured revolving credit facility (which consists of \$3.9 million related to Long Reach Village and \$2.7 million related to Elmhurst Square), at a weighted average interest rates of 5.56% and 6.31% per annum, respectively.
  - (g) Reflects \$237,000 of straight-line real estate depreciation (which consists of depreciation expense related to the \$7.04 million building allocation for Long Reach Village and the \$5.6 million building allocation for Elmhurst Square), based on estimated useful lives of 40 years.
  - (h) Reflects an increase in limited partners' interest as a result of the addition of the Acquired Properties.
  - (i) Reflects the sale of the partnership interest in the Red Lion joint venture (May 2006) and the acquisition of the remaining 50% interest in the LA Fitness facility (May 2006), as previously filed as applicable.
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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

CEDAR SHOPPING CENTERS, INC.

/s/ THOMAS J. O KEEFFE

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Thomas J. O Keefe  
Chief Financial Officer

Dated: December 11, 2006

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