

CEDAR SHOPPING CENTERS INC

Form 10-K/A

March 27, 2006

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

FORM 10-K/A

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

For the fiscal year ended December 31, 2005

OR

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

COMMISSION FILE NUMBER: 0-14510

**CEDAR SHOPPING CENTERS,
INC.**

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of incorporation or organization)

42-1241468
(I.R.S. Employer Identification Number)

44 South Bayles Avenue, Port Washington, NY
(Address of principal executive offices)

11050-3765
(Zip Code)

Registrant's telephone number, including area code: (516) 767-6492
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, \$0.06 par value	New York Stock Exchange
8-7/8% Series A Cumulative Redeemable Preferred Stock, \$25.00 Liquidation Value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

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

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form

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10-K or any amendment to this Form 10-K.

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

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

Yes No
Based on the closing sales price on June 30, 2005 of \$14.75 per share, the aggregate market value of the voting stock held by non-affiliates of the registrant was \$319,635,000.

The number of shares outstanding of the registrant's Common Stock \$.06 par value was 29,972,535 on February 28, 2006.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant's definitive proxy statement relating to its 2006 annual meeting of shareholders are incorporated herein by reference.

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CEDAR SHOPPING CENTERS, INC.

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

Part II. Financial Information:

Item 8. Financial Statements and Supplementary Data:

1. The Pro Forma Financial Information (unaudited) appearing in Note 4 Real Estate and Acquisitions of Notes to Consolidated Financial Statements is being revised to amend the text and to correct the amounts shown in the table included therein.

Item 8. Financial Statements and Supplementary Data

<u>Reports of Independent Registered Public Accounting Firm</u>	<u>5-6</u>
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Report of Independent Registered Public Accounting Firm

**The Board of Directors and Shareholders
Cedar Shopping Centers, Inc.**

We have audited the accompanying consolidated balance sheets of Cedar Shopping Centers, Inc. as of December 31, 2005 and 2004, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2005. We have also audited the financial statement schedule listed in the Index at Item 15(a). These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cedar Shopping Centers, Inc. at December 31, 2005 and 2004, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles. Also, in our opinion the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Cedar Shopping Centers, Inc.'s internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 2, 2006 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

New York, New York
March 2, 2006

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders Cedar Shopping Centers, Inc.

We have audited management's assessment, included in the accompanying Item 9A. Controls and Procedures - Management Report on Internal Control Over Financial Reporting, that Cedar Shopping Centers, Inc. maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Cedar Shopping Centers, Inc. maintained effective internal control over financial reporting as of December 31, 2005 is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Cedar Shopping Centers, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the 2005 consolidated financial statements of Cedar Shopping Centers, Inc. and our report dated March 2, 2006 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

New York, New York
March 2, 2006

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CEDAR SHOPPING CENTERS, INC.

Consolidated Balance Sheets

	December 31,	
	2005	2004
Assets		
Real estate:		
Land	\$ 180,951,000	\$ 97,617,000
Buildings and improvements	800,005,000	423,735,000
	980,956,000	521,352,000
Less accumulated depreciation	(34,499,000)	(16,027,000)
Real estate, net	946,457,000	505,325,000
Cash and cash equivalents	8,601,000	8,457,000
Cash at joint ventures and restricted cash	10,415,000	7,105,000
Rents and other receivables, net	9,093,000	4,483,000
Other assets	4,051,000	2,379,000
Deferred charges, net	17,639,000	9,411,000
Total assets	\$ 996,256,000	\$ 537,160,000
Liabilities and shareholders' equity		
Mortgage loans payable	\$ 380,311,000	\$ 180,430,000
Secured revolving credit facility	147,480,000	68,200,000
Accounts payable, accrued expenses, and other	16,462,000	9,012,000
Unamortized intangible lease liabilities	27,943,000	25,227,000
Total liabilities	572,196,000	282,869,000
Minority interests	12,339,000	11,995,000
Limited partners' interest in Operating Partnership	20,586,000	6,542,000
Shareholders' equity:		
Preferred stock (\$.01 par value, \$25.00 per share liquidation value, 5,000,000 shares authorized, 3,550,000 and 2,350,000 shares, respectively, issued and outstanding)	88,750,000	58,750,000
Common stock (\$.06 par value, 50,000,000 shares authorized, 29,618,000 and 19,351,000 shares, respectively, issued and outstanding)	1,777,000	1,161,000
Treasury stock (443,000 and 339,000 shares, respectively, at cost)	(5,416,000)	(3,919,000)
Additional paid-in capital	357,000,000	215,271,000
Cumulative distributions in excess of net income	(49,956,000)	(35,139,000)
Accumulated other comprehensive income (loss)	138,000	(165,000)
Unamortized deferred compensation plans	(1,158,000)	(205,000)
Total shareholders' equity	391,135,000	235,754,000

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Total liabilities and shareholders' equity	<u>\$ 996,256,000</u>	<u>\$ 537,160,000</u>
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See accompanying notes to consolidated financial statements.

[Back to Contents](#)**CEDAR SHOPPING CENTERS, INC.****Consolidated Statements of Operations**

	Years ended December 31,		
	2005	2004	2003
Revenues:			
Rents	\$ 62,748,000	\$ 40,110,000	\$ 20,943,000
Expense recoveries	15,764,000	10,565,000	5,509,000
Other	429,000	403,000	215,000
Total revenues	78,941,000	51,078,000	26,667,000
Expenses:			
Operating, maintenance and management	14,298,000	10,751,000	7,190,000
Real estate and other property-related taxes	7,965,000	4,872,000	2,861,000
General and administrative	5,132,000	3,575,000	3,161,000
Depreciation and amortization	20,606,000	11,376,000	4,139,000
Total expenses	48,001,000	30,574,000	17,351,000
Operating income	30,940,000	20,504,000	9,316,000
Non-operating income and expense:			
Interest expense	(15,178,000)	(10,239,000)	(9,412,000)
Amortization of deferred financing costs	(1,071,000)	(1,025,000)	(1,057,000)
Interest income	91,000	66,000	12,000
Costs incurred in acquiring external advisor and related transactions			(20,788,000)
Total non-operating income and expense	(16,158,000)	(11,198,000)	(31,245,000)
Income (loss) before minority and limited partners' interests	14,782,000	9,306,000	(21,929,000)
Minority interests	(1,270,000)	(1,229,000)	(983,000)
Limited partners' interest in Operating Partnership	(299,000)	(157,000)	1,815,000
Net income (loss)	13,213,000	7,920,000	(21,097,000)
Preferred distribution requirements	(7,186,000)	(2,218,000)	(254,000)
Net income (loss) applicable to common shareholders	\$ 6,027,000	\$ 5,702,000	\$ (21,351,000)
Per common share (basic and diluted)	\$ 0.25	\$ 0.34	\$ (7.09)
Dividends to common shareholders	\$ 20,844,000	\$ 13,750,000	\$
Per common share	\$ 0.90	\$ 0.835	\$
Weighted average number of common shares outstanding	23,988,000	16,681,000	3,010,000

See accompanying notes to consolidated financial statements.

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CEDAR SHOPPING CENTERS, INC.

Consolidated Statement of Shareholders' Equity
Years ended December 31, 2005, 2004 and 2003

	Preferred stock		Common stock			Accumulated			Total	
	Shares	\$25.00	Shares	\$0.06 Par value	Treasury stock, at cost	Additional paid-in capital	Cumulative distributions in excess of net income	other comprehensive income (loss)		Unamortized deferred compensation plans
		Liquidation value								
Balance, December 31, 2002		\$	232,000	\$ 14,000	\$	\$ 9,036,000	\$ (5,740,000)	\$ (65,000)	\$	\$ 3,245,000
Net loss							(21,097,000)			(21,097,000)
Unrealized gain on change in fair value of cash flow hedges								112,000		112,000
Issuance of warrants						70,000				70,000
Issuances of common stock for services			6,000			95,000				95,000
Conversion of OP Units to common stock			46,000	3,000		500,000				503,000
Conversion of common stock to OP Units			(46,000)	(3,000)		(500,000)				(503,000)
Net proceeds from common stock offering			15,525,000	931,000		161,982,000				162,913,000
Redemption of limited partner's interest in excess of basis						(2,110,000)		(432,000)		(2,542,000)
Issuance of common stock in connection with acquiring external advisor			693,000	42,000		7,931,000				7,973,000
Contribution from Company's chairman relating to employee payroll taxes						633,000				633,000
Preferred distribution requirements							(254,000)			(254,000)

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Deferred
compensation
program
funded by
treasury stock

(3,669,000) 3,669,000

Balance,
December 31,
2003

16,456,000 987,000 (3,669,000) 181,306,000 (27,091,000) (385,000) 151,148,000

Net income

7,920,000 7,920,000

Unrealized
gain on
change in fair
value of cash
flow hedges

220,000 220,000

Deferred
compensation
plans, net

20,000 1,000 (250,000) 499,000 (205,000) 45,000

Net proceeds
from preferred
stock offering

2,350,000 58,750,000 (2,027,000) 56,723,000

Net proceeds
from common
stock offering

2,875,000 173,000 38,003,000 38,176,000

Preferred
distribution
requirements

(2,218,000) (2,218,000)

Dividends to
common
shareholders
(29.7% return
of capital)

(13,750,000) (13,750,000)

Reallocation
adjustment of
limited
partners
interest

(2,510,000) (2,510,000)

Balance,
December 31,
2004

2,350,000 58,750,000 19,351,000 1,161,000 (3,919,000) 215,271,000 (35,139,000) (165,000) (205,000) 235,754,000

Net income

&nbs