

CEDAR SHOPPING CENTERS INC

Form 10-Q

August 05, 2009

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2009
OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
COMMISSION FILE NUMBER: 001-31817
CEDAR SHOPPING CENTERS, INC.
(Exact name of registrant as specified in its charter)**

Maryland 42-1241468

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

**44 South Bayles Avenue, Port Washington, New York 11050-3765
(Address of principal executive offices) (Zip Code)
(516) 767-6492**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: At July 31, 2009, there were 45,064,243 shares of Common Stock, \$0.06 par value, outstanding.

CEDAR SHOPPING CENTERS, INC.
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Forward-Looking Statements

Certain statements contained in this Form 10-Q constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward-looking statements include, without limitation, statements containing the words anticipates , believes , expects , intends , future , and words of similar import which express the Company's beliefs, expectations or intentions regarding future performance or future events or trends. While forward-looking statements reflect good faith beliefs, expectations or intentions, they are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, which may cause actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements as a result of factors outside of the Company's control. Certain factors that might cause such differences include, but are not limited to, the following: real estate investment considerations, such as the effect of economic and other conditions in general and in the Company's market areas in particular; the financial viability of the Company's tenants (including an inability to pay rent, filing for bankruptcy protection, closing stores and/or vacating the premises); the continuing availability of acquisition, development and redevelopment opportunities, on favorable terms; the availability of equity and debt capital (including the availability of construction financing) in the public and private markets; the availability of suitable joint venture partners and potential purchasers of the Company's properties if offered for sale; changes in interest rates; the fact that returns from acquisition, development and redevelopment activities may not be at expected levels or at expected times; risks inherent in ongoing development and redevelopment projects including, but not limited to, cost overruns resulting from weather delays, changes in the nature and scope of development and redevelopment efforts, changes in governmental regulations relating thereto, and market factors involved in the pricing of material and labor; the need to renew leases or re-let space upon the expiration or termination of current leases and incur applicable required replacement costs; and the financial flexibility to repay or refinance debt obligations when due and to fund tenant improvements and capital expenditures.

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CEDAR SHOPPING CENTERS, INC.
Consolidated Balance Sheets

	June 30, 2009 (unaudited)	December 31, 2008
Assets		
Real estate:		
Land	\$ 394,229,000	\$ 378,704,000
Buildings and improvements	1,500,972,000	1,400,508,000
	1,895,201,000	1,779,212,000
Less accumulated depreciation	(169,837,000)	(146,804,000)
Real estate, net	1,725,364,000	1,632,408,000
Real estate held for sale	3,847,000	4,920,000
Investment in unconsolidated joint venture	5,352,000	4,976,000
Cash and cash equivalents	15,711,000	8,231,000
Restricted cash	15,643,000	14,004,000
Rents and other receivables, net	7,176,000	5,818,000
Straight-line rents receivable	15,456,000	14,297,000
Other assets	5,892,000	9,403,000
Deferred charges, net	33,241,000	33,071,000
Total assets	\$ 1,827,682,000	\$ 1,727,128,000
Liabilities and equity		
Mortgage loans payable	\$ 792,611,000	\$ 708,983,000
Secured revolving credit facilities	320,925,000	304,490,000
Accounts payable and accrued expenses	36,588,000	46,548,000
Unamortized intangible lease liabilities	57,979,000	61,384,000
Total liabilities	1,208,103,000	1,121,405,000
Limited partners' interest in Operating Partnership	14,368,000	14,271,000
Commitments and contingencies		
Equity:		
Cedar Shopping Centers, Inc. shareholders' equity:		
Preferred stock (\$.01 par value, \$25.00 per share liquidation value, 12,500,000 shares authorized, 3,550,000 shares issued and outstanding)	88,750,000	88,750,000
Common stock (\$.06 par value, 150,000,000 shares authorized 45,062,000 and 44,468,000 shares, respectively, issued and outstanding)	2,704,000	2,668,000
Treasury stock (983,000 and 713,000 shares, respectively, at cost)	(9,784,000)	(9,175,000)

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Additional paid-in capital	577,778,000	576,083,000
Cumulative distributions in excess of net income	(128,406,000)	(127,043,000)
Accumulated other comprehensive loss	(3,426,000)	(7,256,000)
Total Cedar Shopping Centers, Inc. shareholders' equity	527,616,000	524,027,000
Noncontrolling interests:		
Minority interests in consolidated joint ventures	68,256,000	58,150,000
Limited partners' interest in Operating Partnership	9,339,000	9,275,000
Total noncontrolling interests	77,595,000	67,425,000
Total equity	605,211,000	591,452,000
Total liabilities and equity	\$ 1,827,682,000	\$ 1,727,128,000

See accompanying notes to consolidated financial statements.

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CEDAR SHOPPING CENTERS, INC.
Consolidated Statements of Income
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Revenues:				
Rents	\$ 36,482,000	\$ 34,593,000	\$ 72,481,000	\$ 68,913,000
Expense recoveries	8,253,000	8,066,000	18,785,000	17,072,000
Other	41,000	175,000	303,000	382,000
Total revenues	44,776,000	42,834,000	91,569,000	86,367,000
Expenses:				
Operating, maintenance and management	7,772,000	7,111,000	17,063,000	15,313,000
Real estate and other property-related taxes	5,419,000	4,737,000	10,767,000	9,405,000
General and administrative	2,853,000	2,323,000	4,292,000	4,514,000
Terminated projects and acquisition transaction costs	2,423,000		3,948,000	
Depreciation and amortization	12,650,000	13,994,000	25,035,000	25,507,000
Total expenses	31,117,000	28,165,000	61,105,000	54,739,000
Operating income	13,659,000	14,669,000	30,464,000	31,628,000
Non-operating income and expense:				
Interest expense, including amortization of deferred financing costs	(12,117,000)	(11,279,000)	(23,709,000)	(22,663,000)
Interest income	4,000	77,000	18,000	235,000
Equity in income of unconsolidated joint venture	283,000	222,000	542,000	372,000
Gain on sale of land parcel	(3,000)		236,000	
Total non-operating income and expense	(11,833,000)	(10,980,000)	(22,913,000)	(22,056,000)
Income before discontinued operations	1,826,000	3,689,000	7,551,000	9,572,000
(Loss) income from discontinued operations	(139,000)	44,000	(85,000)	89,000
Gain on sale of discontinued operations	277,000		277,000	
Total discontinued operations	138,000	44,000	192,000	89,000
Net income	1,964,000	3,733,000	7,743,000	9,661,000

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Less, net (income) loss attributable to noncontrolling interests:				
Minority interests in consolidated joint ventures	(309,000)	(482,000)	45,000	(1,188,000)
Limited partners interest in Operating Partnership	13,000	(56,000)	(167,000)	(199,000)
Total net (income) loss attributable to noncontrolling interests	(296,000)	(538,000)	(122,000)	(1,387,000)
Net income attributable to Cedar Shopping Centers, Inc.	1,668,000	3,195,000	7,621,000	8,274,000
Preferred distribution requirements	(1,984,000)	(1,971,000)	(3,938,000)	(3,938,000)
Net (loss) income attributable to common shareholders	\$ (316,000)	\$ 1,224,000	\$ 3,683,000	\$ 4,336,000
Per common share (basic and diluted) attributable to common shareholders:				
Continuing operations	\$ (0.01)	\$ 0.03	\$ 0.08	\$ 0.10
Discontinued operations	\$ (0.01)	\$ 0.03	\$ 0.08	\$ 0.10
Amounts attributable to Cedar Shopping Centers, Inc. common shareholders, net of limited partners interest:				
Income from continuing operations	\$ (447,000)	\$ 1,182,000	\$ 3,499,000	\$ 4,251,000
Income from discontinued operations	(134,000)	42,000	(81,000)	85,000
Gain on sale of discontinued operations	265,000		265,000	
Net (loss) income	\$ (316,000)	\$ 1,224,000	\$ 3,683,000	\$ 4,336,000
Dividends to common shareholders	\$	\$ 10,003,000	\$ 5,046,000	\$ 20,007,000
Per common share	\$	\$ 0.2250	\$ 0.1125	\$ 0.4500
Weighted average number of common shares outstanding	45,062,000	44,464,000	44,971,000	44,461,000

See accompanying notes to consolidated financial statements.

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CEDAR SHOPPING CENTERS, INC.
Consolidated Statement of Equity
Six months ended June 30, 2009
(unaudited)

Cedar Shopping Centers, Inc. Shareholders									
Preferred stock		Common stock			Treasury stock, at cost	Additional paid-in capital	Cumulative distributions in excess of net income	Accumulated other comprehensive (loss) income	Total
\$25.00 Liquidation Shares	value	Shares	Par value \$0.06						
3,550,000	\$88,750,000	44,468,000	\$2,668,000	\$(9,175,000)	\$576,083,000	\$(127,043,000)	\$(7,256,000)	\$524,020,000	
						7,621,000		7,621,000	
							3,830,000	3,830,000	
								11,451,000	
		594,000	36,000	(609,000)	1,741,000			1,162,000	
						(3,938,000)		(3,938,000)	
						(5,046,000)		(5,046,000)	
					(46,000)			(46,000)	

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), 2009 3,550,000 88,750,000 \$45,062,000 \$2,704,000 \$(9,784,000) \$577,778,000 \$(128,406,000) \$(3,426,000) \$527,61

(continued)

	Noncontrolling Interests			
	Minority interests in consolidated joint ventures	Limited partners interest in Operating Partnership	Total	Total equity
Balance, December 31, 2008	\$58,150,000	\$9,275,000	\$67,425,000	\$591,452,000
Net income	(45,000)	65,000	20,000	7,641,000
Unrealized gain on change in fair value of cash flow hedges		70,000	70,000	3,900,000
Total other comprehensive income	(45,000)	135,000	90,000	11,541,000
Deferred compensation activity, net				1,168,000
Preferred distribution requirements				(3,938,000)
Distributions to common shareholders/ noncontrolling interests	(2,061,000)	(89,000)	(2,150,000)	(7,196,000)
Reallocation adjustment of limited partners interest		18,000	18,000	(28,000)
Contributions, net, from minority interest partners	12,212,000		12,212,000	12,212,000
Balance, June 30, 2009	\$68,256,000	\$9,339,000	\$77,595,000	\$605,211,000

See accompanying notes to consolidated financial statements.

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CEDAR SHOPPING CENTERS, INC.
Consolidated Statements of Cash Flows
(unaudited)

	Six months ended June 30,	
	2009	2008
Cash flow from operating activities:		
Net income	\$ 7,743,000	\$ 9,661,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Non-cash provisions:		
Equity in income of unconsolidated joint venture	(542,000)	(372,000)
Distributions from unconsolidated joint venture	516,000	434,000
Terminated projects and acquisition transaction costs	2,588,000	
Gain on sales of real estate	(513,000)	
Straight-line rents receivable	(1,176,000)	(1,481,000)
Depreciation and amortization	25,051,000	25,536,000
Amortization of intangible lease liabilities	(6,670,000)	(6,904,000)
Amortization/market price adjustments relating to stock-based compensation	346,000	1,341,000
Amortization of deferred financing costs	1,464,000	799,000
Increases/decreases in operating assets and liabilities:		
Rents and other receivables, net	(1,358,000)	720,000
Other	1,509,000	267,000
Accounts payable and accrued expenses	(3,946,000)	(1,142,000)
Net cash provided by operating activities	25,012,000	28,859,000
Cash flow from investing activities:		
Expenditures for real estate and improvements	(63,336,000)	(50,439,000)
Net proceeds on sales of real estate	1,480,000	
Purchase of consolidated joint venture minority interests		(17,454,000)
Investment in unconsolidated joint venture	(350,000)	(1,094,000)
Construction escrows and other	(984,000)	(1,299,000)
Net cash (used in) investing activities	(63,190,000)	(70,286,000)
Cash flow from financing activities:		
Net advances from revolving credit facilities	16,435,000	63,950,000
Proceeds from mortgage financings	44,231,000	27,562,000
Mortgage repayments	(13,519,000)	(40,058,000)
Net payments of deferred financing costs	(2,429,000)	(1,888,000)
Noncontrolling interests:		
Contributions from consolidated joint venture minority interests, net	12,212,000	4,269,000
Distributions to consolidated joint venture minority interests	(2,061,000)	(266,000)
Redemption of Operating Partnership Units		(122,000)
Distributions to limited partners	(227,000)	(913,000)
Preferred stock distributions	(3,938,000)	(3,938,000)

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Distributions to common shareholders	(5,046,000)	(20,007,000)
Net cash provided by financing activities	45,658,000	28,589,000
Net increase (decrease) in cash and cash equivalents	7,480,000	(12,838,000)
Cash and cash equivalents at beginning of period	8,231,000	23,289,000
Cash and cash equivalents at end of period	\$ 15,711,000	\$ 10,451,000

See accompanying notes to consolidated financial statements.

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Cedar Shopping Centers, Inc.
Notes to Consolidated Financial Statements
June 30, 2009
(unaudited)

Note 1. Organization and Basis of Preparation

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