

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 SEPTEMBER 30, 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

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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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 November 4, 2005, there were 28,508,935 shares of Common Stock, \$0.06 par value, outstanding.

CEDAR SHOPPING CENTERS, INC.

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Forward-Looking Statements

Statements made or incorporated by reference in this Form 10-Q include certain “forward-looking statements”. 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 belief, expectations or intentions regarding future performance or future events or trends. While forward-looking statements reflect good faith beliefs, 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 a difference 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; the continuing availability of shopping center acquisitions, and development and redevelopment opportunities, on favorable terms; the availability of equity and debt capital in the public and private markets; changes in interest rates; the fact that returns from development, redevelopment and acquisition activities may not be at expected levels; the Company’s potential inability to realize the level of proceeds from property sales as initially expected; inherent risks 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, and market factors involved in the pricing of material and labor; the need to renew leases or re-let space upon the expiration of current leases; and the financial flexibility to refinance debt obligations when due.

CEDAR SHOPPING CENTERS, INC.
Consolidated Balance Sheets

	September 30, 2005 (unaudited)	December 31, 2004
Assets		
Real estate:		
Land	\$ 146,248,000	\$ 97,617,000
Buildings and improvements	657,544,000	423,735,000
	803,792,000	521,352,000
Less accumulated depreciation	(28,275,000)	(16,027,000)
Real estate, net	775,517,000	505,325,000
Cash and cash equivalents	10,690,000	8,457,000
Cash at joint ventures and restricted cash	6,364,000	7,105,000
Rents and other receivables, net	7,984,000	4,483,000
Other assets	6,988,000	2,379,000
Deferred charges, net	14,325,000	9,411,000
Total assets	\$ 821,868,000	\$ 537,160,000
Liabilities and shareholders' equity		
Mortgage loans payable	\$ 309,997,000	\$ 180,430,000
Secured revolving credit facility	60,400,000	68,200,000
Accounts payable, accrued expenses, and other	11,762,000	9,012,000
Unamortized intangible lease liabilities	25,576,000	25,227,000
Total liabilities	407,735,000	282,869,000
Minority interests	12,403,000	11,995,000
Limited partners' interest in Operating Partnership	20,488,000	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 issued and outstanding)	88,750,000	58,750,000
Common stock (\$.06 par value, 50,000,000 shares authorized, 28,509,000 and 19,351,000 shares issued and outstanding)	1,711,000	1,161,000
Treasury stock (440,000 and 339,000 shares, at cost)	(5,360,000)	(3,919,000)
Additional paid-in capital	342,320,000	215,271,000
Cumulative distributions in excess of net income	(45,113,000)	(35,139,000)
Accumulated other comprehensive income (loss)	73,000	(165,000)
Unamortized deferred compensation plans	(1,139,000)	(205,000)
Total shareholders' equity	381,242,000	235,754,000
Total liabilities and shareholders' equity	\$ 821,868,000	\$ 537,160,000

See accompanying notes to consolidated financial statements.

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

	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
Revenues:				
Rents	\$ 16,386,000	\$ 10,087,000	\$ 42,920,000	\$ 28,835,000
Expense recoveries	4,011,000	2,253,000	10,902,000	7,188,000
Other	154,000	107,000	298,000	335,000
Total revenues	20,551,000	12,447,000	54,120,000	36,358,000
Expenses:				
Operating, maintenance and management	3,661,000	2,349,000	10,233,000	7,746,000
Real estate and other property-related taxes	1,961,000	1,363,000	5,351,000	3,707,000
General and administrative	1,317,000	706,000	3,483,000	2,333,000
Depreciation and amortization	5,643,000	2,911,000	13,574,000	7,978,000
Total expenses	12,582,000	7,329,000	32,641,000	21,764,000
Operating income	7,969,000	5,118,000	21,479,000	14,594,000
Non-operating income and expense:				
Interest expense	(3,517,000)	(2,462,000)	(9,798,000)	(7,561,000)
Amortization of deferred financing costs	(335,000)	(247,000)	(771,000)	(736,000)
Interest income	19,000	17,000	51,000	48,000
Total non-operating income and expense	(3,833,000)	(2,692,000)	(10,518,000)	(8,249,000)
Income before minority and limited partners' interests	4,136,000	2,426,000	10,961,000	6,345,000
Minority interests	(307,000)	(274,000)	(950,000)	(858,000)
Limited partners' interest in Operating Partnership	(224,000)	(33,000)	(338,000)	(122,000)
Net income	3,605,000	2,119,000	9,673,000	5,365,000
Preferred distribution requirements	(1,969,000)	(911,000)	(5,217,000)	(911,000)
Net income applicable to common shareholders	\$ 1,636,000	\$ 1,208,000	\$ 4,456,000	\$ 4,454,000
Per common share (basic and diluted)	\$ 0.06	\$ 0.07	\$ 0.20	\$ 0.27
Dividends to common shareholders	\$ 5,049,000	\$ 3,703,000	\$ 14,430,000	\$ 10,038,000
Per common share	\$ 0.225	\$ 0.225	\$ 0.675	\$ 0.610
Average number of common shares outstanding	25,390,000	16,456,000	22,305,000	16,456,000

See accompanying notes to consolidated financial statements.

CEDAR SHOPPING CENTERS, INC.
Condolidated Statement of Shareholders' Equity
Nine months ended September 30, 2005
(unaudited)

	Preferred stock		Common stock			Additional paid-in capital	Cumulative distributions in excess of net income	Accumulated other comprehensive income (loss)	Unamortized deferred compensation	Total shareholders' equity
	Shares	\$25.00 Liquidation value	Shares	\$0.06 Par value	Treasury stock, at cost					
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							9,673,000			9,673,000
Unrealized gain on change in fair value of cash flow hedges								238,000		238,000
Deferred compensation activity, net			75,000	5,000	(1,441,000)	2,526,000			(934,000)	156,000
Net proceeds from preferred stock offering	1,200,000	30,000,000				(131,000)				29,869,000
Net proceeds from common stock offering			8,990,000	539,000		122,701,000				123,240,000
Conversion of OP Units into common stock			93,000	6,000		1,239,000				1,245,000
Preferred distribution requirements							(5,217,000)			(5,217,000)
Dividends to common shareholders							(14,430,000)			(14,430,000)
Reallocation adjustment of limited partners' interest						714,000				714,000
Balance, September 30, 2005	3,550,000	\$ 88,750,000	28,509,000	\$ 1,711,000	\$ (5,360,000)	\$ 342,320,000	\$ (45,113,000)	\$ 73,000	\$ (1,139,000)	\$ 381,242,000

See accompanying notes to consolidated financial statements.

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

	Nine months ended September 30,	
	2005	2004
Cash flow from operating activities:		
Net income	\$ 9,673,000	\$ 5,365,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Non-cash provisions:		
Minority interests	147,000	385,000
Limited partners' interest	338,000	122,000
Straight-line rents	(1,669,000)	(905,000)
Depreciation and amortization	13,574,000	7,978,000
Amortization of intangible lease liabilities	(2,918,000)	(1,555,000)
Other	927,000	595,000
Increases/decreases in operating assets and liabilities:		
Joint venture cash	(12,000)	74,000
Rents and other receivables	(1,832,000)	412,000
Other assets	(4,343,000)	(2,109,000)
Accounts payable and accrued expenses	2,698,000	316,000
	16,583,000	10,678,000
Net cash provided by operating activities		
Cash flow from investing activities:		
Expenditures for real estate and improvements	(193,368,000)	(59,272,000)
Other	494,000	(311,000)
	(192,874,000)	(59,583,000)
Net cash (used in) investing activities		
Cash flow from financing activities:		
Line of credit, net	(7,800,000)	11,950,000
Proceeds from public offerings	153,431,000	56,725,000
Proceeds from mortgage financings	62,817,000	723,000
Mortgage repayments	(7,764,000)	(7,097,000)
Contribution from minority interest partner	962,000	—
Distributions to minority interest partners	(701,000)	(619,000)
Distributions to limited partners	(461,000)	(275,000)
Preferred distribution requirements	(5,242,000)	—
Distributions to common shareholders	(14,430,000)	(10,038,000)
Deferred financing costs	(2,288,000)	(1,525,000)
	178,524,000	49,844,000
Net cash provided by financing activities		
Net increase in cash and cash equivalents	2,233,000	939,000
Cash and cash equivalents at beginning of period	8,457,000	6,154,000
	\$ 10,690,000	\$ 7,093,000
Cash and cash equivalents at end of period		
Supplemental disclosure of cash activities:		
Interest paid (including capitalized interest of \$2,449,000 and \$1,029,000)	\$ 11,964,000	\$ 8,536,000
Supplemental disclosure of non-cash investing and financing activities:		
Issuance of OP Units in an acquisition	\$ 16,021,000	\$ —
Purchase accounting allocations	\$ 5,731,000	\$ 5,349,000
Assumption of mortgage loans payable	\$ 69,500,000	\$ 9,993,000

See accompanying notes to consolidated financial statements.

Cedar Shopping Centers, Inc.
Notes to Consolidated Financial Statements
September 30, 2005
(unaudited)

Note 1. Organization

Cedar Shopping Centers, Inc. (the "Company") was organized in 1984 and elected to be taxed as a real estate investment trust ("REIT") in 1986. The Company has focused primarily on the ownership, operation and redevelopment of supermarket-anchored community shopping centers and drug-store anchored convenience centers located in nine states, largely in the northeast and mid-Atlantic regions. At September 30, 2005, the Company owned 72 properties, aggregating approximately 6.9 million sq. ft. of gross leasable area ("GLA").

Cedar Shopping Centers 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, 2005, the Company owned a 94.9% economic interest in, and is the sole general partner of, the Operating Partnership. The carrying amount of the limited partners' interest in the Operating Partnership 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. Such ownership percentage was 5.1% at September 30, 2005. The 1,546,000 Operating Partnership Units ("OP Units") held by limited partners at September 30, 2005 are economically equivalent to shares of the Company's common stock and are convertible into shares of the Company's common stock at the option of the holders on a one-to-one basis.

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

Note 2. Basis of Presentation and Consolidation Policy

The Company's management has prepared the accompanying interim unaudited financial statements pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP") may have been condensed or omitted pursuant to such rules and regulations. The unaudited financial statements as of September 30, 2005 and for the three and nine months ended September 30, 2005 and 2004 include, in the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary to present fairly the financial information set forth therein. The 2004 financial statements have been reclassified to conform to the 2005 presentation. The results of operations for the three and nine months ended September 30, 2005 are not necessarily indicative of the results that may be expected for the year ending December 31, 2005. The financial statements should be read in conjunction with the Company's audited financial statements and the notes thereto included in the Company's Form 10-K for the year ended December 31, 2004.

Cedar Shopping Centers, Inc.
Notes to Consolidated Financial Statements
September 30, 2005
(unaudited)

The consolidated financial statements include the accounts and operations of the Company, the Operating Partnership, its subsidiaries, and joint venture partnerships in which it participates. With respect to its joint ventures, the Company has general partnership interests ranging from 20% to 50% and, since the Company (1) is the sole general partner and exercises substantial operating control over these entities, and (2) has determined, pursuant to The Financial Accounting Standards Board ("FASB") Interpretation No. 46, "Consolidation of Variable Interest Entities", that they are not variable-interest entities, such partnerships are included in the consolidated financial statements.

The accompanying 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.

Note 3. Capital Stock Issuances

In April 2005, the Company sold 1,200,000 shares of its 8-7/8% Series A Cumulative Redeemable Preferred Stock at a price of \$26.00 per share, and realized net proceeds, after underwriting fees and offering costs, of \$30.2 million. The Company also sold in April 2005 2,990,000 shares of its common stock (including 390,000 shares representing the exercise by the underwriters of their over-allotment option) at a price of \$13.80 per share, and realized net proceeds, after underwriting fees and offering costs, of \$40.3 million. Substantially all of the net proceeds from these offerings were used initially to repay amounts outstanding under the Company's secured revolving credit facility.

In August 2005, the Company consummated a public offering of an aggregate of 10,350,000 shares of its common stock (including 1,350,000 shares relating to the exercise of an overallotment option), of which 6,000,000 shares were sold at that time at a price of \$14.60 per share; the net proceeds from this sale, after underwriting fees and offering costs, were \$82.9 million, substantially all of which were used initially to repay amounts outstanding under the Company's secured revolving credit facility. With respect to the 4,350,000 share balance of the offering, the Company entered into a forward sales agreement with the lead underwriter, whereby the Company has the right to deliver the 4,350,000 shares, in whole or in part, at any time, through August 17, 2006. Pursuant to the agreement, upon delivery of the shares, the Company would receive \$13.87 per share, subject to certain interest and dividend adjustments. Instead of delivering all of the shares, the Company has the right, at its option, to settle the balance of the contract either by a cash payment or delivery of shares of its common stock, on a net stock basis. As of September 30, 2005, the settlement price, as adjusted pursuant to the terms of the agreement, was \$13.91 per share (compared to a closing market price of \$14.47 per share). Accordingly, if the contract had been settled as of September 30, 2005, the Company would have been required to either (1) pay approximately \$2.4 million, or (2) deliver approximately 168,000 shares of its common stock.

Cedar Shopping Centers, Inc.
Notes to Consolidated Financial Statements
September 30, 2005
(unaudited)

Note 4. Stock-Based Compensation

The Company's 2004 Stock Incentive Plan provides for the granting of incentive stock options, stock appreciation rights, restricted shares, performance units and performance shares. The maximum number of shares of the Company's common stock that may be issued pursuant to this plan is 850,000, and the maximum number of shares that may be subject to grants to any single participant is 250,000. Commencing in 2004, as part of annual director compensation, the Company's Board of Directors granted \$20,000 of restricted shares annually (increased to \$30,000 annually in 2005) to each of its five independent directors, which shares vest on the third anniversary of the grant date. Additionally in 2004, the Board granted \$50,000 of restricted shares to each of three independent directors as consideration for past services rendered, which shares vest 20% on the first anniversary of the grant date, and 40% each on the second and third anniversaries of the grant date. In September 2005, the Board granted an aggregate of \$915,000 of restricted shares to five executive officers as part of their 2005 annual compensation, which shares vest on the third anniversary of the grant date. Shares issued pursuant to these grants are transferred to a Rabbi Trust for the benefit of the Directors, have been classified as treasury stock and unamortized deferred compensation in the Company's consolidated balance sheet, and are accounted for pursuant to Emerging Issues Task Force ("EITF") No. 97-14, "Accounting for Deferred Compensation Arrangements Where Amounts Earned Are Held in a Rabbi Trust and Invested". Amortization of amounts deferred is being charged to operations over the vesting periods. Shares held by the Rabbi Trust are included in outstanding shares for earnings per share ("EPS") computations.

In connection with the Red Lion acquisition, the Operating Partnership issued warrants to purchase approximately 83,000 OP Units to a minority interests partner in the property. Such warrants have an exercise price of \$13.50 per unit, subject to anti-dilution adjustments, are fully vested, and expire in 2012.

During 2001, pursuant to the 1998 Stock Option Plan (the "Option Plan"), the Company granted to directors options to purchase an aggregate of approximately 17,000 shares of common stock at \$10.50 per share, the market value of the Company's common stock on the date of the grant. The options are fully exercisable and expire in 2011. In connection with the adoption of the 2004 Stock Incentive Plan, the Company agreed that it would not issue any more options under the Option Plan.

Note 5. Earnings Per Share

In accordance with FASB's Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share", basic EPS is computed by dividing net income applicable to common shareholders by the average number of common shares outstanding for the period. Fully diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock (including the August 2005 forward sales agreement) were exercised or converted into common stock. For the three and nine months ended September 30, 2005 and 2004, fully diluted EPS was not different than basic EPS.

Cedar Shopping Centers, Inc.
Notes to Consolidated Financial Statements
September 30, 2005
(unaudited)

Note 6. Cash in Joint Ventures and Restricted Cash

Joint venture partnership agreements require, among other things, that the Company maintain separate cash accounts for the operation of the joint ventures, and that distributions to the general and limited (joint venture) partners be strictly controlled. Cash at joint ventures amounted to \$1,205,000 and \$1,193,000 at September 30, 2005 and December 31, 2004, respectively.

The terms of several of the Company's mortgage loans payable require it to deposit certain replacement and other reserves with its lenders. This restricted cash is generally available for property-level requirements for which the reserves were established. This cash is not, however, available to fund other property-level or Company-level obligations. Restricted cash amounted to \$5,159,000 and \$5,912,000 at September 30, 2005 and December 31, 2004, respectively.

Note 7. Income Taxes

The Company has elected since 1986 to be taxed as a REIT under the Internal Revenue Code of 1986, as amended. As a REIT, the Company will generally not be subject to federal income taxation on its taxable income that is distributed to its shareholders. To maintain its status as a REIT, the Company must satisfy certain tests, including a requirement that at least 90% of its taxable income be distributed to its shareholders.

Note 8. Acquisition Activity

On March 2, 2005, the Company acquired the Kenley Village and St. James Square shopping centers, both located in Hagerstown, Maryland. These community shopping centers contain approximately 52,000 and 40,000 sq. ft. of GLA, respectively, and both are anchored by Food Lion supermarkets. Kenley Village was built in 1988 and St. James Square was built in 2000. The combined purchase price for both properties, including closing costs, was approximately \$8.3 million.

During the second quarter of 2005, the Company acquired 25 primarily drug store-anchored convenience centers, having a total of approximately 715,000 sq. ft. of GLA, located in Ohio, Pennsylvania, New York and Connecticut for an aggregate consideration, including closing costs, of approximately \$89.6 million. The acquisition was financed by (1) approximately \$37.5 million of new 10-year first mortgage financings at a weighted average fixed interest rate of approximately 5.2%, (2) the assumption of approximately \$11.0 million of existing financing at a weighted average fixed interest rate of 7.4%, (3) approximately \$16.0 million in newly-issued OP Units, and (4) approximately \$25.1 million funded from the Company's secured revolving credit facility.

Cedar Shopping Centers, Inc.
Notes to Consolidated Financial Statements
September 30, 2005
(unaudited)

On August 12, 2005, the Company acquired eight shopping center properties having a total of approximately 578,000 sq. ft. of GLA (the "RVG Properties"). Six of the properties are located in Virginia (with approximately 458,000 sq. ft. of GLA) and two are located in Pennsylvania (with approximately 120,000 sq. ft. of GLA). The combined purchase price for the properties was approximately \$95.2 million, including closing costs, which the Company financed by (1) assuming approximately \$58.5 million of existing first mortgage loans bearing interest at an average rate of 6.0% per annum and maturing principally in 2013 and 2014, and (2) funding approximately \$36.7 million from its secured revolving credit facility.

On August 17, 2005, the Company acquired the Oakland Mills Shopping Center, located in Columbia, Maryland. The property is a community shopping center and contains approximately 58,000 sq. ft. of GLA. The purchase price for the property was approximately \$8.0 million, including closing costs, and was funded from the Company's secured revolving credit facility.

On September 21, 2005, the Company acquired three redevelopment properties, containing approximately 297,000 sq. ft. of GLA, from a portfolio of four properties located in Pennsylvania and Michigan. The combined purchase price for the three properties was approximately \$15.4 million, including closing costs, which the Company funded from its secured revolving credit facility. The purchase of the fourth property in the portfolio, containing approximately 133,000 sq. ft. of GLA, is expected to be concluded during the next several months. The purchase price for this property is expected to be approximately \$8.6 million, excluding closing costs, which the Company expects to finance by (1) assuming a first mortgage loan of approximately \$4.8 million, and (2) funding the \$3.8 million balance from its secured revolving credit facility.

On September 22, 2005, the Company acquired The Point at Carlisle Plaza, located in Carlisle, Pennsylvania. The property is a community shopping center and contains approximately 183,000 sq. ft. of GLA. The purchase price for the property was approximately \$11.2 million, including closing costs, and was funded from the Company's secured revolving credit facility.

On September 30, 2005, the Company acquired The Shops at Suffolk Downs, located in Revere, Massachusetts. The property is a newly-developed shopping center which, upon completing construction, will have approximately 123,000 sq. ft. of GLA. The purchase price for the property was approximately \$19.0 million, including closing costs, and was funded from the Company's secured revolving credit facility.

Cedar Shopping Centers, Inc.
Notes to Consolidated Financial Statements
September 30, 2005
(unaudited)

The following table summarizes, on an unaudited pro forma basis, the combined results of operations of the Company for the three and nine months ended September 30, 2005 and 2004, respectively, as if (1) the transactions described above, and (2) all 2004 property acquisitions, were completed as of January 1, 2004. This unaudited pro forma information does not purport to represent what the actual results of operations of the Company would have been had all these transactions occurred as of January 1, 2004, nor does it purport to predict the results of operations of future periods.

	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
Revenues	\$ 22,764,000	\$ 20,340,000	\$ 66,578,000	\$ 60,036,000
Net income applicable to common shareholders	\$ 1,489,000	\$ 1,445,000	\$ 4,967,000	\$ 5,164,000
Per common share (basic and diluted)	\$ 0.06	\$ 0.09	\$ 0.22	\$ 0.31
Average number of common shares outstanding	25,390,000	16,456,000	22,305,000	16,456,000

On September 8, 2005, the Company's due-diligence period ended with respect to an agreement to acquire the multi-anchored Trexler Mall in Trexlertown, Pennsylvania. The property contains approximately 340,000 sq. ft. of GLA. The contract provides for a purchase price of approximately \$33.8 million, excluding closing costs, which the Company expects to finance by (1) assuming a first mortgage loan of approximately \$23.0 million bearing interest at 5.4% per annum and maturing in 2014, and (2) funding the \$10.8 million balance from its secured revolving credit facility.

Note 9. Secured Revolving Credit Facility

The Company has a \$140 million secured revolving credit facility with Bank of America (as agent) and several other banks, pursuant to which the Company has pledged certain of its shopping center properties as collateral for borrowings thereunder. The facility is expandable to \$200 million, subject to certain conditions, and will expire in January 2007, subject to a one-year extension option. Borrowings outstanding under the facility aggregated \$60.4 million at September 30, 2005, and such borrowings bore interest at an average rate of 5.3% per annum. Based on covenants and collateral in place, the Company was permitted to draw up to \$137.8 million, of which \$77.4 million remained available as of that date. The Company plans to add additional properties, when available, to the collateral pool with the intent of making the full facility available. Borrowings under the facility presently incur interest at a rate of LIBOR plus 150 basis points ("bps"), subject to increases to a maximum of 205 bps depending upon the Company's leverage ratio, as defined. The facility also requires an unused portion fee of 15 or 20 bps, depending on the level of outstanding borrowings.

Cedar Shopping Centers, Inc.
Notes to Consolidated Financial Statements
September 30, 2005
(unaudited)

The credit facility is used to fund acquisitions, development/redevelopment activities, capital expenditures, mortgage repayments, dividend distributions, working capital and other general corporate purposes. The facility is subject to customary financial covenants, including limits on leverage and distributions (limited to 95% of funds from operations, as defined), and other financial statement ratios.

Note 10. Intangible Lease Assets/Liabilities

SFAS No. 141, "Business Combinations", and SFAS No. 142, "Goodwill and Other Intangibles", require that management allocate the fair value of real estate acquired to land, building and building improvements. In addition, the fair value of in-place leases, consisting primarily of below-market rents, is allocated to intangible lease liabilities.

The fair value of the tangible assets of an acquired property is determined by valuing the property as if it were vacant, and the "as-if-vacant" value is then allocated to land, building and building improvements based on management's determination of the relative fair values of such assets. Management determines the as-if-vacant value of a property using methods similar to those used by independent appraisers. Factors considered by management in performing these analyses include an estimate of carrying costs during the expected lease-up periods considering current market conditions and costs to execute similar leases. In estimating carrying costs, management includes real estate taxes, insurance and other operating expenses, and estimates of lost rental revenue during the expected lease-up periods based on its evaluation of current market demand. Management also estimates costs to execute similar leases, including leasing commissions, tenant improvements, legal and other related costs.

The value of in-place leases is measured by the excess of (1) the purchase price paid for a property after adjusting existing in-place leases to market rental rates, over (2) the estimated fair value of the property as if vacant. Above-market and below-market in-place lease values are recorded based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between the contractual amounts to be received and management's estimate of market lease rates, measured over the non-cancelable terms. This aggregate value is allocated among above-market and below-market leases, tenant relationships, and other intangibles based on management's evaluation of the specific characteristics of each lease.

The value of other intangibles is amortized to expense, and the above-market and below-market lease values are amortized to rental income over the remaining non-cancelable terms of the respective leases. If a lease were to be terminated prior to its stated expiration, all unamortized amounts relating to that lease would be immediately recognized in operations.

Cedar Shopping Centers, Inc.
Notes to Consolidated Financial Statements
September 30, 2005
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With respect to the Company's 2005 acquisitions concluded during the six months ended June 30, 2005, the fair value of in-place leases and other intangibles has been allocated, on a preliminary basis, to the applicable intangible asset and liability accounts. With respect to acquisitions concluded during the three months ended September 30, 2005, no values have yet been assigned to in-place leases and, accordingly, the purchase price allocation is preliminary and subject to change. Unamortized intangible lease liabilities of \$25,576,000 and \$25,227,000 at September 30, 2005 and December 31, 2004, respectively, relate primarily to below-market leases.

For the three months ended September 30, 2005 and 2004, respectively, revenues include \$1,074,000 and \$579,000 relating to the amortization of intangible lease liabilities; correspondingly, depreciation and amortization expense includes \$1,806,000 and \$679,000, respectively, applicable to amounts allocated to intangible lease assets. For the nine months ended September 30, 2005 and 2004, respectively, revenues include \$2,918,000 and \$1,555,000 relating to the amortization of intangible lease liabilities; correspondingly, depreciation and amortization expense includes \$4,004,000 and \$1,727,000, respectively, applicable to amounts allocated to intangible lease assets.

Note 11. Derivative Financial Instruments

During the three months ended September 30, 2005, an unrealized gain resulting from a change in the fair value of derivatives totaled \$162,000; that amount consisted of a \$151,000 gain credited to accumulated other comprehensive income (loss) and an \$11,000 gain credited to limited partners' interest. During the three months ended September 30, 2004, the Company recognized a net unrealized loss of \$600,000 relating to the change in fair value of its derivative financial instruments. Of that amount, a \$355,000 loss was recorded in accumulated other comprehensive income (loss), a \$9,000 loss was charged to limited partners' interest, and a \$236,000 charge for the ineffective portion thereof was reflected in earnings (included in amortization expense).

During the nine months ended September 30, 2005, an unrealized gain resulting from a change in the fair value of derivatives totaled \$245,000; that amount consisted of a \$238,000 gain credited to accumulated other comprehensive income (loss) and a \$7,000 gain credited to limited partners' interest. During the nine months ended September 30, 2004, the Company recognized a net unrealized loss of \$513,000 relating to the change in fair value of its derivative financial instruments; that amount consisted of an \$80,000 gain recorded in accumulated other comprehensive income (loss), a \$3,000 gain credited to limited partners' interest, and a \$596,000 charge for the ineffective portion thereof reflected in earnings (included in amortization expense).

A cash flow hedge position was closed in August 2005 relating to a mortgage that was repaid in full at that time. In connection therewith, a \$79,000 gain was realized, and credited to interest expense.

Cedar Shopping Centers, Inc.
Notes to Consolidated Financial Statements
September 30, 2005
(unaudited)

Note 12. Subsequent Events

On October 7, 2005, the Company acquired the Columbia Mall, located in Bloomsburg, Pennsylvania. The property is a community shopping center and contains approximately 408,000 sq. ft. of GLA. The purchase price for the property was approximately \$14.0 million, excluding closing costs, and was funded from the Company's secured revolving credit facility.

On October 18, 2005, the Company's due-diligence period ended with respect to an agreement to acquire two supermarkets and two ancillary retail strip shopping center properties in suburban Richmond and Fredericksburg, Virginia. The properties contain an aggregate of approximately 131,000 sq. ft. of GLA. The contract provides for a purchase price of approximately \$32.2 million, excluding closing costs, which the Company expects to fund from its secured revolving credit facility.

On October 21, 2005, the Company's due-diligence period ended with respect to an agreement to acquire the Jordan Lane Shopping Center in Whethersfield, Connecticut and Fieldstone Marketplace in New Bedford, Massachusetts. The properties are community shopping centers and contain an aggregate of approximately 376,000 sq. ft. of GLA. The contract provides for a purchase price for the two properties of approximately \$47.3 million in the aggregate, excluding closing costs, which the Company expects to finance by (1) assuming a first mortgage loan on the Fieldstone Marketplace property of approximately \$19.0 million, bearing interest at 6.02% per annum, and maturing in 2014, and (2) funding the \$28.3 million balance from a combination of new first mortgage financing and its secured revolving credit facility.

On October 27, 2005, the Company acquired the Pennsboro Commons Shopping Center, located in Enola, Pennsylvania. The property is a community shopping center and contains approximately 110,000 sq. ft. of GLA. The purchase price for the property was approximately \$17.8 million, excluding closing costs, and was funded from the Company's secured revolving credit facility.

On November 1, 2005, the Company's Board of Directors approved a dividend of \$0.225 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 approved a dividend of \$0.554688 per share with respect to the Company's 8-7/8% Series A Cumulative Redeemable Preferred Stock. The distributions will be paid on November 21, 2005 to shareholders of record on November 11, 2005.

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, self-administered and self-managed real estate company. At September 30, 2005, the Company had a portfolio of 72 properties totaling approximately 6.9 million sq. ft. of GLA, including 66 wholly-owned properties comprising approximately 6.2 million sq. ft. and six properties owned through joint ventures comprising approximately 700,000 sq. ft.. The portfolio, excluding eight development/redevelopment and other non-stabilized properties, was approximately 96% leased as of that date.

The Company, organized as a Maryland corporation, has established an umbrella partnership structure through the contribution of substantially all of its assets to the Operating Partnership. At September 30, 2005, the Company owned 94.9% of the Operating Partnership and is its sole general partner; in addition, the Company conducts substantially all of its business through the Operating Partnership. OP Units held by limited partners are economically equivalent to shares of the Company's common stock and are convertible into shares of the Company's common stock at the option of the holders on a one-to-one basis.

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 community shopping and convenience centers, anchored principally by regional supermarket and drug store chains. The Company believes, because of the need of consumers to purchase food and other staple goods and services generally available at its properties, that the nature of its investments provide for relatively stable revenue flows even during difficult economic times.

The Company continues to seek opportunistic acquisition opportunities of (1) stabilized properties, and (2) properties suited for development and/or redevelopment activities where it can utilize its experience in shopping center renovation, expansion, re-leasing and re-merchandising to achieve long-term cash flow growth and favorable investment returns. The Company generally expects to limit its investment opportunities to markets in which it presently operates, if they are consistent with its focus, can be effectively controlled and managed by it, have the potential for favorable investment returns, and could be expected to contribute to increased shareholder value.

Summary of Critical Accounting Policies

The preparation of the consolidated financial statements in conformity with GAAP requires the Company to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On an ongoing basis, management evaluates its estimates, including those related to revenue recognition and the allowance for doubtful accounts receivable, real estate investments and purchase price allocations related thereto, asset impairment, and derivatives used to hedge interest-rate risks. These accounting policies are further described in the notes to the consolidated financial statements. Management's estimates are based on information that is currently available and on various other assumptions management believes to be reasonable under the circumstances. Actual results could differ from those estimates and those estimates could be different under varying assumptions or conditions.

The Company has identified the following critical accounting policies, the application of which requires significant judgments and estimates:

Revenue Recognition

Rental income with scheduled rent increases is recognized using the straight-line method over the respective terms of the leases. The aggregate excess of rental revenue recognized on a straight-line basis over base rents under applicable lease provisions is included in rents and other receivables on the consolidated balance sheet. Leases generally contain provisions under which the tenants reimburse the Company for a portion of property operating expenses and real estate taxes incurred. In addition, certain operating leases contain contingent rent provisions under which tenants are required to pay a percentage of their sales in excess of a specified amount as additional rent. The Company defers recognition of contingent rental income until those specified targets are met.

The Company must make estimates as to the collectibility of its accounts receivable related to base rent, straight-line rent, expense reimbursements and other revenues. Management analyzes accounts receivable and historical bad debts, tenant creditworthiness, current economic trends, and changes in tenants' payment patterns when evaluating the adequacy of the allowance for doubtful accounts receivable. These estimates have a direct impact on net income, because a higher bad debt allowance would result in lower net income.

Real Estate Investments

Real estate investments are carried at cost less accumulated depreciation. The provision for depreciation is calculated using the straight-line method based on the estimated useful lives of the assets. Expenditures for maintenance, repairs and betterments that do not materially prolong the normal useful life of an asset are charged to operations as incurred. Expenditures for betterments that substantially extend the useful lives of the properties are capitalized.

The Company is required to make subjective estimates as to the useful lives of its properties for purposes of determining the amount of depreciation to reflect on an annual basis. These assessments have a direct impact on net income. A shorter estimate of the useful life of an investment would have the effect of increasing depreciation expense and lowering net income, whereas a longer estimate of the useful life of the investment would have the effect of reducing depreciation expense and increasing net income.

The Company applies Statement of Accounting Standards (“SFAS”) No. 141, “Business Combinations”, and SFAS No. 142, “Goodwill and Other Intangibles”, in valuing real estate acquisitions. In connection therewith, the fair value of real estate acquired is allocated to land, building and building improvements. The fair value of in-place leases, consisting primarily of below-market rents is allocated to intangible lease liabilities.

The fair value of the tangible assets of an acquired property is determined by valuing the property as if it were vacant, and the “as-if-vacant” value is then allocated to land, building and building improvements based on management’s determination of the relative fair values of such assets. Management determines the as-if-vacant value of a property using methods similar to those used by independent appraisers. Factors considered by management in performing these analyses include an estimate of carrying costs during the expected lease-up periods considering current market conditions and costs to execute similar leases. In estimating carrying costs, management includes real estate taxes, insurance and other operating expenses, and estimates of lost rental revenue during the expected lease-up periods based on its evaluation of current market demand. Management also estimates costs to execute similar leases, including leasing commissions, tenant improvements, legal and other related costs.

The value of in-place leases is measured by the excess of (1) the purchase price paid for a property after adjusting existing in-place leases to market rental rates, over (2) the estimated fair value of the property as if vacant. Above-market and below-market in-place lease values are recorded based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between the contractual amounts to be received and management’s estimate of market lease rates, measured over the non-cancelable terms. This aggregate value is allocated among above-market and below-market leases, tenant relationships, and other intangibles based on management’s evaluation of the specific characteristics of each lease.

The value of other intangibles is amortized to expense, and the above-market and below-market lease values are amortized to rental income over the remaining non-cancelable terms of the respective leases. If a lease were to be terminated prior to its stated expiration, all unamortized amounts relating to that lease would be immediately recognized in operations.

The Company applies SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets”, to recognize and measure impairment of long-lived assets. Management reviews each real estate investment for impairment whenever events or circumstances indicate that the carrying value of a real estate investment may not be recoverable. The review of recoverability is based on an estimate of the future cash flows that are expected to result from the real estate investment's use and eventual disposition. These cash flows consider factors such as expected future operating income, trends and prospects, as well as the effects of leasing demand, competition and other factors. If an impairment event exists due to the inability to recover the carrying value of a real estate investment, an impairment loss is recorded to the extent that the carrying value exceeds estimated fair market value. Real estate investments held for sale are carried at the lower of carrying amount or estimated fair value, less cost to sell. Depreciation and amortization are suspended during the period held for sale. Management is required to make subjective assessments as to whether there are impairments in the value of its real estate properties. These assessments have a direct impact on net income, because an impairment loss is recognized in the period that the assessment is made.

Results of Operations

Acquisitions. Differences in results of operations between the three months and nine months ended September 30, 2005 and 2004, respectively, were driven largely by acquisition activity. During the period January 1, 2004 through September 30, 2005, the Company acquired 50 shopping and convenience centers aggregating approximately 3.5 million sq. ft. of GLA for a total cost of approximately \$408 million. Income before minority interests, limited partners' interest and preferred distribution requirements increased from \$2.4 million in the third quarter of 2004 to \$4.1 million in the third quarter of 2005. Income before minority interests, limited partners' interest and preferred distribution requirements increased from \$6.3 million in the first nine months of 2004 to \$11.0 million in the first nine months of 2005.

Comparison of the quarter ended September 30, 2005 to the quarter ended September 30, 2004

	Three months ended September 30,		Increase	Percentage change	Acquisitions	Properties held in both years
	2005	2004				
Rents and expense recoveries	\$ 20,397,000	\$ 12,340,000	\$ 8,057,000	65%	\$ 7,025,000	\$ 1,032,000
Property expenses	5,622,000	3,712,000	1,910,000	51%	1,544,000	366,000
Depreciation and amortization	5,643,000	2,911,000	2,732,000	94%	2,475,000	257,000
General and administrative	1,317,000	706,000	611,000	87%	n/a	n/a
Non-operating income and expense (1)	3,833,000	2,692,000	1,141,000	42%	n/a	n/a

(1) Non-operating income and expense consists principally of interest expense and amortization of deferred financing costs.

Properties held in both years. The Company held 28 properties throughout the third quarters of both 2005 and 2004. Overall rents and expense recoveries increased primarily as a result of lease commencements at the development properties and increased tenant reimbursements resulting from increased operating expenses during the quarter.

Depreciation and amortization expense. Depreciation and amortization expense increased primarily as a result of development properties being placed in service.

General and administrative expenses. General and administrative expenses increased primarily as a result of the Company's growth throughout 2004 and continuing into 2005.

Non-operating income and expense. Interest expense increased as a result of a higher level of borrowing generally used to finance acquisition properties, and higher short-term interest rates.

Comparison of the nine months ended September 30, 2005 to the nine months ended September 30, 2004

	Nine months ended September 30,		Increase	Percentage change	Acquisitions	Properties held in both years
	2005	2004				
Rents and expense recoveries	\$ 53,822,000	\$ 36,023,000	\$ 17,799,000	49%	\$ 16,965,000	\$ 834,000
Property expenses	15,584,000	11,453,000	4,131,000	36%	4,615,000	(484,000)
Depreciation and amortization	13,574,000	7,978,000	5,596,000	70%	5,037,000	559,000
General and administrative	3,483,000	2,333,000	1,150,000	49%	n/a	n/a
Non-operating income and expense (1)	10,518,000	8,249,000	2,269,000	28%	n/a	n/a

(1) Non-operating income and expense consists principally of interest expense and amortization of deferred financing costs.

Properties held in both years. The Company held 22 properties throughout the first nine months of both 2005 and 2004. Overall rents and expense recoveries increased primarily as a result of lease commencements at the development properties. Property expenses decreased primarily as a result of decreases in professional and other fees and a reduction of certain maintenance expenses.

Depreciation and amortization expense. Depreciation and amortization expense increased primarily as a result of development properties being placed in service.

General and administrative expenses. General and administrative expenses increased primarily as a result of the Company's growth throughout 2004 and continuing into 2005.

Non-operating income and expense. Interest expense increased as a result of a higher level of borrowing generally used to finance acquisition properties, and higher short-term interest rates.

Liquidity and Capital Resources

The Company funds operating expenses and other short-term liquidity requirements, including debt service, tenant improvements, leasing commissions, and preferred and common dividend distributions, primarily from operating cash flows; if needed, the Company may also use its secured revolving credit facility for these purposes. The Company expects to fund long-term liquidity requirements for property acquisitions, development and/or redevelopment costs, capital improvements, and maturing debt initially with the secured revolving credit facility and property-specific construction financing, and ultimately through a combination of issuing and/or assuming additional mortgage debt, the sale of equity securities (including the delivery of up to 4.35 million shares of common stock pursuant to the forward sales agreement), and the issuance of additional OP Units.

The Company has a \$140 million secured revolving credit facility with Bank of America (as agent) and several other banks, pursuant to which the Company has pledged certain of its shopping center properties as collateral for borrowings thereunder; the facility is expandable to \$200 million, subject to certain conditions, and will expire in January 2007, subject to a one-year extension option. As of September 30, 2005, based on covenants and collateral in place, the Company was permitted to draw up to \$137.8 million, of which approximately \$77.4 million remained available as of that date. The Company plans to add additional properties, when available, to the collateral pool with the intent of making the full facility available. The credit facility is used to fund acquisitions, development and redevelopment activities, capital expenditures, mortgage repayments, dividend distributions, working capital and other general corporate purposes. The facility is subject to customary financial covenants, including limits on leverage and other financial statement ratios.

At September 30, 2005, the Company's financial liquidity was provided by (1) \$10.7 million in cash and cash equivalents, (2) the \$77.4 million availability under the secured revolving credit facility, (3) the \$16.4 million availability under the Camp Hill construction financing agreement, and (4) the availability pursuant to the common stock forward sales agreement. Debt includes mortgage loans payable at September 30, 2005 consisting of fixed-rate notes totaling \$272.0 million and variable-rate notes totaling \$38.0 million, with a combined weighted average interest rate of 5.9%, and maturing at various dates through 2021. In April 2005, the Company concluded the sales of 1,200,000 shares of its 8-7/8% Series A Cumulative Redeemable Preferred Stock at a price of \$26.00 per share and 2,990,000 shares of its common stock (including 390,000 shares representing the exercise by the underwriters of their over-allotment option) at a price of \$13.80 per share. In August 2005, the Company concluded the sale of 6,000,000 shares of its common at a price of \$14.60 per share. The net proceeds of all the offerings, after underwriting fees and offering costs, amounted to approximately \$153.4 million, substantially all of which were used initially to repay amounts outstanding under the Company's secured revolving credit facility. In connection with the August 2005 offering, the Company entered into a forward sales agreement with the principal underwriter covering 4,350,000 shares of common stock (including 1,350,000 shares relating to the exercise of an over-allotment option), pursuant to which the Company may deliver such shares in whole or in part, at any time, through August 2006 and receive aggregate net proceeds of up to approximately \$60 million.

Portions of the Company's assets are owned through joint venture partnership arrangements which require, among other things, that the Company maintain separate cash accounts for the operations of the respective properties. In addition, the terms of certain of the Company's mortgage agreements require it to deposit replacement and other reserves with its lenders. These joint venture and reserve accounts are separately classified on the Company's balance sheet as restricted cash, and are available for the specific purpose for which they were established; they are not available to fund other Company obligations.

Contractual obligations and commercial commitments

The following table sets forth the Company's significant debt repayment and operating lease obligations at September 30, 2005 (in thousands):

	Maturity Date							Total
	2005	2006	2007	2008	2009	Thereafter		
Mortgage loans payable	\$ 1,108	\$ 5,028	\$ 15,080	\$ 67,963	\$ 4,085	\$ 216,733	\$ 309,997	
Secured revolving credit facility	—	—	60,400	—	—	—	60,400	
Operating lease obligations	86	349	354	360	366	7,959	9,474	
Total	\$ 1,194	\$ 5,377	\$ 75,834	\$ 68,323	\$ 4,451	\$ 224,692	\$ 379,871	

In addition, as of September 30, 2005, the Company planned to spend approximately \$65 million, principally by December 2007, in connection with development/redevelopment activities at properties owned at that date.

Net Cash Flows

Operating Activities

Net cash flows provided by operating activities amounted to \$16.6 million during the first nine months of 2005 compared to \$10.7 million during the first nine months of 2004. Such increase in operating cash flows is primarily due to acquisitions of properties.

Investing Activities

Net cash flows used in investing activities increased to \$192.9 million during the first nine months of 2005 from \$59.6 million during the first nine months of 2004. Cash flows used in investing activities are the result of a number of acquisitions during both periods. The Company acquired 41 shopping and convenience centers during the first nine months of 2005 and acquired six shopping centers during the first nine months of 2004.

Financing Activities

Net cash flows provided by financing activities increased to \$178.5 million during the first nine months of 2005 compared to \$49.8 million during the first nine months of 2004. During the first nine months of 2005, the net amount included \$153.4 million in net proceeds from public offerings and \$62.8 million in proceeds from mortgage financings, offset by \$20.1 million in distributions to common and preferred shareholders and OP Unit holders, net repayments of \$7.8 million under the Company's secured revolving credit facility, \$7.8 million in mortgage repayments, and \$2.0 million in other net sources and uses. During the first nine months of 2004, the net amount included \$56.7 million in net proceeds from public offerings and \$11.9 million in net borrowings under the Company's secured revolving credit facility, offset by \$10.3 million in distributions to common shareholders and OP Unit holders, \$7.1 million in mortgage repayments, and \$1.4 million in other net sources and uses.

Funds From Operations

Funds From Operations (“FFO”) is a widely-recognized measure of REIT performance. The Company computes FFO in accordance with the “White Paper” on FFO 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 gains or losses from debt restructurings and sales of properties, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures are computed to reflect FFO on the same basis. In computing FFO, the Company does not add back to net income applicable to common shareholders the amortization of costs incurred in connection with its financing or hedging activities, or depreciation of non-real estate assets, but does add back to net income applicable to common shareholders those items that are defined as “extraordinary” under GAAP. FFO does not represent cash generated from operating activities in accordance with GAAP and should not be considered as an alternative to net income applicable to common shareholders (determined in accordance with GAAP) as an indication of the Company’s financial performance or to cash flow from operating activities (determined in accordance with GAAP) as a measure of liquidity. Since the NAREIT White Paper only provides guidelines for computing FFO, the computation of FFO may vary from one company to another. FFO is not necessarily indicative of cash available to fund ongoing cash needs. The following table sets forth the Company’s calculations of FFO for the three and nine months ended September 30, 2005 and 2004:

	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
Net income applicable to common shareholders	\$ 1,636,000	\$ 1,208,000	\$ 4,456,000	\$ 4,454,000
Add (deduct):				
Depreciation and amortization	5,624,000	2,671,000	13,525,000	7,369,000
Limited partners' interest	224,000	33,000	338,000	122,000
Minority interests	307,000	274,000	950,000	858,000
Minority interests' share of FFO	(554,000)	(495,000)	(1,678,000)	(1,490,000)
Funds from operations	\$ 7,237,000	\$ 3,691,000	\$ 17,591,000	\$ 11,313,000
FFO per common share (assuming conversion of OP Units)	\$ 0.27	\$ 0.22	\$ 0.75	\$ 0.67
Average number of common shares:				
Shares used in determination of earnings per share	25,390,000	16,456,000	22,305,000	16,456,000
Additional shares assuming conversion of OP Units	1,578,000	454,000	1,088,000	449,000
Shares used in determination of FFO per share	26,968,000	16,910,000	23,393,000	16,905,000

Inflation

Low to moderate levels of inflation during the past several years have favorably impacted the Company’s operations by stabilizing operating expenses. At the same time, low inflation has had the indirect effect of reducing the Company’s ability to increase tenant rents. However, the Company’s properties have tenants whose leases include expense reimbursements and other provisions to minimize the effect of inflation.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The primary market risk facing the Company is interest rate risk on its mortgage loans payable and secured revolving credit facility. The Company will, when advantageous, hedge its interest rate risk using derivative financial instruments. The Company is not subject to foreign currency risk. The Company's interest rate risk management objectives 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 and/or treasury locks in order to mitigate its interest rate risk on a related variable-rate financial instrument. At September 30, 2005, the Company had swap agreements in place applicable to approximately \$9.1 million of variable-rate mortgage loans. The Company does not enter into derivative or interest rate transactions for speculative purposes.

The Company is exposed to interest rate changes primarily through (1) its variable-rate secured revolving credit facility used to maintain liquidity, fund capital expenditures and expand its real estate investment portfolio, and (2) variable rate acquisition and construction financing. At September 30, 2005, long-term debt consisted of fixed- and variable-rate mortgage loans payable, and the variable-rate secured revolving credit facility. The average interest rate on the outstanding \$272.0 million of fixed rate indebtedness was 5.9%, with maturities at various dates through 2021. The average interest rate on the Company's \$98.4 million of variable-rate debt was 5.5%, with maturities at various dates through 2008. At September 30, 2005, the Company's pro rata share of variable-rate debt amounted to \$96.0 million. Based upon this amount, if interest rates either increase or decrease by 1%, the Company's net income would decrease or increase respectively by approximately \$960,000 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 SEC's rules and forms. 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, 2005, and have determined that such disclosure controls and procedures are effective.

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During the three months ended September 30, 2005, 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, the internal controls over financial reporting.

Part II **Other Information**

Item 6. **Exhibits**

Exhibit 10.1 Confirmation of Forward Stock Sale Transaction, dated August 11, 2005, by and between Cedar Shopping Centers, Inc., Cedar Shopping Centers Partnership, L.P., Merrill Lynch International and Merrill Lynch Pierce Fenner & Smith Incorporated

Exhibit 31 Section 302 Certifications

Exhibit 32 Section 906 Certifications

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 SHOPPING CENTERS, INC.

/s/ LEO S. ULLMAN

Leo S. Ullman
Chairman of the Board, Chief
Executive Officer and President
(Principal executive officer)

/s/ THOMAS J. O'KEEFFE

Thomas J. O'Keefe
Chief Financial Officer
(Principal financial officer)

November 4, 2005



Confirmation of Forward Stock Sale Transaction

August 11, 2005

ML Ref:

To: **Cedar Shopping Centers Inc.**
Cedar Shopping Centers Partnership, L.P.
44 South Bayles Avenue
Port Washington, NY 11050

From: **Merrill Lynch International**
Merrill Lynch Financial Centre
2 King Edward Street
London EC1A 1HQ

From: **Merrill Lynch Pierce Fenner & Smith Incorporated ("MLPF&S"),
Solely as Agent**
tel: (212) 449-3149
fax: (212) 449-2697

Dear Sirs,

The purpose of this letter agreement (this "Confirmation") is to confirm the terms and conditions of the transaction entered into between us on the Trade Date specified below (the "Transaction"). This Confirmation constitutes a "Confirmation" as referred to in the ISDA Master Agreement specified below.

1. The definitions and provisions contained in the 2000 ISDA Definitions (the "2000 Definitions") and the 2002 ISDA Equity Derivatives Definitions (the "2002 Definitions" and, together with the 2000 Definitions, the "Definitions"), each as published by the International Swaps and Derivatives Association, Inc., are incorporated into this Confirmation. In the event of any inconsistency between the 2002 Definitions and the 2000 Definitions, the 2002 Definitions will govern. In the event of any inconsistency between the Definitions and this Confirmation, this Confirmation will govern.

This Confirmation evidences a complete and binding agreement between Party A and Party B as to the terms of the Transaction to which this Confirmation relates. This Confirmation shall supplement, form a part of, and be subject to an agreement in the form of the 2002 ISDA Master Agreement (the "Agreement") as if Party A and Party B had executed an agreement in such form with a Schedule thereto having the elections and variables set forth in Part 5 of this Confirmation. In the event of any inconsistency between provisions of the Agreement and this Confirmation, this Confirmation will prevail for the purpose of the Transaction to which this Confirmation relates. The parties hereby agree that no Transaction other than the Transaction to which this Confirmation relates shall be governed by the Agreement.

Party A and Party B each represents to the other that it has entered into this Transaction in reliance upon such tax, accounting, regulatory, legal, and financial advice as it deems necessary and not upon any view expressed by the other.

2. The terms of the particular Transaction to which this Confirmation relates are as follows:

General Terms:

Party A: Merrill Lynch International.

Party B: Cedar Shopping Centers Inc.

Trade Date: August 11, 2005

Effective Date: August 17, 2005

Base Amount: 3,000,000 Shares. At the election of Party A, such Base Amount shall be increased by up to 1,350,000 Shares upon delivery of written notice by Party A to Party B on or prior to 30 calendar days following the Trade Date. For the avoidance of doubt, all of the terms applicable herein to the original Base Amount shall be applicable to the additional Base Amount, including without limitation, the Initial Forward Price and the calculation of the Forward Price as of any day and all references to Base Amount shall be inclusive of the original Base Amount and the additional Base Amount. On each Settlement Date, the Base Amount shall be reduced by the number of Settlement Shares for such Settlement Date.

Maturity Date: August 17, 2006 (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day); subject to extension if a Settlement Date on such date is deferred as provided below in clauses (ii) or (iii) of the proviso to the definition of Settlement Date; *provided* that if the Maturity Date is a Disrupted Day, then the Maturity Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day. For the avoidance of doubt, if on the Maturity Date the Base Amount is zero, then such date will not constitute a Settlement Date and neither party will have a payment or delivery obligation resulting from the occurrence of the Maturity Date.

Forward Price: The Forward Price will be, on the Effective Date, the Initial Forward Price, and on any other day, will be the Forward Price as of the immediately preceding calendar day (a) multiplied by the sum of (i) 1 *plus* (ii) the Daily Rate for such day and (b) reduced by \$0.225 on each of the following dates (each such date, a "Forward Price Reduction Date"): November 7, 2005, February 6, 2006, May 8, 2006 and August 7, 2006.

Initial Forward Price: \$13.87

Daily Rate: For any day, (i)(A) USD-Federal Funds Rate for such day *minus* (B) the Spread *divided* by (ii) 360.

USD-Federal Funds Rate: For any day, the rate set forth for such day opposite the caption "Federal funds", as such rate is displayed on the page "FedsOpen <Index><GO>" on the BLOOMBERG Professional Service, or any successor page; *provided* that if no rate appears on such day on such page, the rate for the immediately preceding day on which a rate appears shall be used for such day.

Spread: 1.00%

Shares: Common Stock, \$0.06 par value per share, of Cedar Shopping Centers Inc. (the "Issuer") (Exchange identifier: "CDR").

Exchange: NYSE

Related Exchange(s): All Exchanges.

Clearance System: DTC.

Calculation Agent: Merrill Lynch International.

Determining Party: Merrill Lynch International.

Settlement Terms:

Settlement Date: Any Scheduled Trading Day following the Effective Date and up to and including the Maturity Date, as designated by Party B in a written notice (a "Settlement Notice") which satisfies the Settlement Notice Requirements and which (a) if related to any Cash Settlement or Net Stock Settlement, is delivered to Party A at least 5 Scheduled Trading Days prior to such Settlement Date (the period from the giving of any such notice to the Settlement Date being the "Cash/Net Stock Notice Period") and (b) if related to Physical Settlement, may be delivered at any time and settlement will be completed as promptly as practicable thereafter; *provided* that (i) subject to clauses (ii) and (iii) below, the Maturity Date shall be a Settlement Date if on such date the Base Amount is greater than zero; (ii) if Cash Settlement or Net Stock Settlement applies, any Settlement Date, including a Settlement Date on the Maturity Date, shall be deferred until the date on which Party A is able to completely purchase the Hedge Unwind Shares if Party A is unable to completely purchase the Hedge Unwind Shares during the Unwind Period due to (A) the restrictions of Rule 10b-18 under the Exchange Act, (B) the existence of any Suspension Day or Disrupted Day, or (C) if Party A is otherwise unable to completely purchase the Hedge Unwind Shares during the Unwind Period, (iii) if the conditions requiring

designation of an Additional Settlement Date have been satisfied as set forth in “Limit on Beneficial Ownership” in Section 4 of this Confirmation, settlement will take place on the Partial Settlement Date and the related Additional Settlement Date and (iv) no more than three Settlement Dates other than the Maturity Date and the Additional Settlement Dates may be designated by Party B; *provided further* that if Party A shall completely purchase the Hedge Unwind Shares during an Unwind Period by a date that is more than three Scheduled Trading Days prior to a Settlement Date, Party A may, by written notice to Party B, specify any Scheduled Trading Day prior to such Settlement Date as the Settlement Date; *provided further* that if any Settlement Date is not a Scheduled Trading Day, the Settlement Date shall instead be the next Scheduled Trading Day.

Settlement Shares:

With respect to any Settlement Date, a number of Shares, not to exceed the Base Amount, designated as such by Party B in the related Settlement Notice; *provided* that, on the Maturity Date the number of Settlement Shares shall be equal to the Base Amount on such date; *provided further* that if a Settlement Date has been specified for a number of Shares equal to the Base Amount on or prior to the Maturity Date and such Settlement Date has been deferred as described above until a date later than the Maturity Date, the number of Settlement Shares on the Maturity Date shall be zero.

Hedge Unwind Shares:

With respect to any Settlement Date, the number of Shares required to be purchased by Party A in order to completely unwind its hedge with respect to the Settlement Shares, taking into account Shares anticipated to be delivered or received (as the case may be) if Net Stock Settlement applies. Such Hedge Unwind Shares shall also take into account the number of Shares that would be owed to Party A by Party B if Party B elects to pay any Net Stock Settlement Fee with Shares.

Settlement: Physical, Cash, or Net Stock, at the election of Party B as set forth in a Settlement Notice that satisfies the Settlement Notice Requirements; *provided* that Physical Settlement shall apply (i) if no Settlement method is selected, (ii) if a Suspension Day exists during the Cash/Net Stock Notice Period, but only to the extent that Party A has been unable as a result thereof to completely purchase the Hedge Unwind Shares prior to the Settlement Date and has provided notice to such effect to Party B or (iii) if an Acceleration Event set forth in paragraphs (a) through (c) of the definition thereof has occurred (except to the extent Net Stock Settlement applies as set forth in “Termination Settlement” in Section 3 of this Confirmation). Notwithstanding the foregoing, if an Acceleration Event set forth in paragraphs (d) through (f) of the definition thereof has occurred, Cash Settlement shall not apply.

Settlement Notice
Requirements:

Notwithstanding any other provisions hereof, a Settlement Notice delivered by Party B will not be effective to establish a Settlement Date unless Party B represents in such Settlement Notice that it has complied with the agreement set forth in clause (c) under “Additional Representations, Warranties and Agreements of Party B” in Section 3 of this Confirmation.

Notwithstanding any other provisions hereof, a Settlement Notice delivered by Party B that specifies Cash Settlement or Net Stock Settlement will not be effective to establish a Settlement Date or require Cash Settlement or Net Stock Settlement (as applicable) unless Party B delivers to Party A with such Settlement Notice a representation signed by Party B substantially in the following form: “as of the date of this Settlement Notice, neither Cedar Shopping Centers Inc. nor Cedar Shopping Centers Partnership, L.P. is aware of any material nonpublic information concerning itself or the Shares, and each is designating the date contained herein as a Settlement Date in good faith and not as part of a plan or scheme to evade compliance with the federal securities laws.”

Unwind Period: The period from and including the first Scheduled Trading Day following the date Party B elects Cash Settlement or Net Stock Settlement in respect of a designated Settlement Date to and including the third Scheduled Trading Day preceding such Settlement Date (as such date may be changed by Party A as described in the second proviso to the definition of Settlement Date above); *provided* that if an Acceleration Event occurs during an Unwind Period, the Acceleration Event provisions shall apply with respect to the relevant number of affected Settlement Shares and such affected number of Shares shall be subject to Termination Settlement (as defined below)

Unwind Daily Share Amount: On each Scheduled Trading Day during the Unwind Period, other than a Suspension Day or a Disrupted Day, Party A will, in accordance with the principles of best execution, purchase a number of Shares equal to the lesser of (i) 100% of the applicable volume limitation of Rule 10b-18 for the Shares on such Scheduled Trading Day, without reference to any block purchases, (ii) 25% of the average daily trading volume for the Shares on the Exchange on such Scheduled Trading Day, or (iii) the number of Shares necessary to complete the purchase of the Hedge Unwind Shares and calculate the Cash Settlement Amount or the Net Stock Settlement Shares, as the case may be.

Exchange Act: The Securities Exchange Act of 1934, as amended from time to time.

Securities Act: The Securities Act of 1933, as amended from time to time.

Physical Settlement: On any Settlement Date in respect of which Physical Settlement applies, Party B shall deliver to Party A a number of Shares equal to the Settlement Shares for such Settlement Date, and Party A shall deliver to Party B, by wire transfer of immediately available funds to an account designated by Party B, an amount in cash equal to the Physical Settlement Amount for such Settlement Date, on a delivery versus payment basis.

Physical Settlement Amount: For any Settlement Date in respect of which Physical Settlement applies, an amount in cash equal to the product of the Forward Price on such Settlement Date and the number of Settlement Shares for such Settlement Date.

Cash Settlement: On any Settlement Date in respect of which Cash Settlement applies, if the Cash Settlement Amount is a positive number, Party A will pay the Cash Settlement Amount to Party B. If the Cash Settlement Amount is a negative number, Party B will pay the absolute value of the Cash Settlement Amount to Party A. Such amounts shall be paid on the Settlement Date.

Cash Settlement Amount: An amount determined by the Calculation Agent equal to: (i)(A) the Forward Price as of the first day of the applicable Unwind Period *minus* (B) the weighted average price at which Party A is able to purchase the relevant number of Hedge Unwind Shares in compliance with the Unwind Daily Share Amount provisions herein and the timing and volume restrictions of Rule 10b-18 under the Exchange Act as if it applied to Party A during the Unwind Period, plus \$0.02, *multiplied by* (ii) the Settlement Shares.

Net Stock Settlement: On any Settlement Date in respect of which Net Stock Settlement applies, if the number of Net Stock Settlement Shares is a (i) positive number, Party A shall deliver a number of Shares to Party B equal to the Net Stock Settlement Shares, and (ii) negative number, Party B shall deliver a number of Shares to Party A equal to the absolute value of the Net Stock Settlement Shares; *provided* that if Party A determines in its good faith judgment that it would be required to deliver Net Stock Settlement Shares to Party B, Party A may elect to deliver a portion of such Net Stock Settlement Shares on one or more dates prior to the applicable Settlement Date.

Net Stock Settlement
Shares:

For any Settlement Date in respect of which Net Stock Settlement applies, a number of Shares equal to the quotient of (a)(i) the Cash Settlement Amount for such Settlement Date, *minus* (ii) if Party B elects to pay the Net Stock Settlement Fee in Shares, the Net Stock Settlement Fee for such Settlement Date; *divided by* (b) the weighted average price at which Party A is able to purchase relevant number of the Hedge Unwind Shares in compliance with the Unwind Daily Share Amount provisions herein and with Rule 10b-18 under the Exchange Act as if it applied to Party A during the Unwind Period.

Net Stock Settlement Fee:

For any Settlement Date in respect of which Party B has elected Net Stock Settlement, Party B shall pay to Party A on such Settlement Date a fee of \$0.02 multiplied by the number of Settlement Shares, payable in cash or Shares at the option of Party B.

Settlement Currency:

USD.

Failure to Deliver:

Applicable.

Suspension of Cash or Net
Stock Settlement:

Suspension Day:

Any day on which Party A determines based on the advice of counsel that Cash or Net Stock Settlement may violate applicable securities laws. Party A shall notify Party B if it receives such advice from its counsel. Notwithstanding any provision in the Agreement to the contrary, Physical Settlement shall apply if a Suspension Day exists during the Cash/Net Stock Notice Period, but only to the extent that Party A has been unable as a result thereof to completely purchase the Hedge Unwind Shares prior to the Settlement Date and has provided notice to such effect to Party B.

Adjustments:

Method of Adjustment: Calculation Agent Adjustment. For the avoidance of doubt, Regular Quarterly Dividend (as defined below) shall not constitute a Potential Adjustment Event.

Extraordinary Events:

Consequences of Merger Events:

Share-for-Share: Cancellation and Payment.

Share-for-Other: Cancellation and Payment.

Share-for-Combined: Cancellation and Payment.

Determination of the Settlement method following an occurrence of a Merger Event is subject to "Share Settlement upon Certain Events" in Section 4 of this Confirmation. The parties hereto acknowledge that it would be commercially reasonable for Merrill Lynch International, as Determining Party, to take into account the considerations set forth in Section 12.8(e) in the 2002 Definitions.

Settlement Following other Extraordinary Events:

As provided hereinafter under "Termination Settlement", for purposes of the Extraordinary Events constituting Acceleration Events set forth in paragraph (f) of the definition thereof, Party B shall elect whether payment of the Settlement Amount is to be effected by Physical Settlement or Net Stock Settlement within one Scheduled Trading Day of the designation of the related Settlement Date; *provided*, that if Party B fails to do so, Physical Settlement shall apply.

Account Details:

Payments to Party A: To be advised under separate cover or telephone confirmed prior to each Settlement Date.

Payments to Party B: To be advised under separate cover or telephone confirmed prior to each Settlement Date.

Delivery of Shares to Party A: To be advised.

Delivery of Shares to Party B: To be advised.

3. Other Provisions:

Conditions to Effectiveness:

The effectiveness of this Confirmation on the Effective Date shall be subject to (i) the condition that the representations and warranties of Party B contained in the Purchase Agreement dated the date hereof among Party A, Party B, and the underwriters named therein (the "Purchase Agreement") and any certificate delivered pursuant thereto by Party B be true and correct on the Effective Date as if made as of the Effective Date, (ii) the condition that Party B have performed all of the obligations required to be performed by it under the Purchase Agreement on or prior to the Effective Date, (iii) the satisfaction of all of the conditions set forth in Section 5 of the Purchase Agreement, and (iv) the condition that none of the following has occurred: (A) Party A is unable to borrow and deliver for sale a number of Shares equal to the Base Amount or (B) Party A would incur a stock loan cost of more than 50 basis points per annum to do so (in which event this Confirmation shall be effective but the Base Amount for this Transaction shall be the number of Shares, if any, Party A is required to deliver in accordance with Section 2(a)(ii) of the Purchase Agreement); provided that if the circumstances set forth in clause (B) above occur, Party B may, within three Scheduled Trading Days, refer Party A to a lending party reasonably acceptable to Party A that will lend Party A Shares at a stock loan cost of no more than 50 basis points per annum (a "Referral Lending Party") in order to satisfy the conditions to effectiveness.

Additional Representations, Warranties and Agreements of Party B: Party B hereby represents and warrants to, and agrees with, Party A as of the date hereof that:

- (a) Any Shares, when issued and delivered in accordance with the terms of the Transaction, will be duly authorized and validly issued, fully paid and nonassessable, and the issuance thereof will not be subject to any preemptive or similar rights.
- (b) Party B has reserved and will keep available, free from preemptive or similar rights, out of its authorized but unissued Shares, solely for the purpose of issuance upon settlement of the Transaction as herein provided, the full number of Shares as shall then be issuable upon settlement of the Transaction. All Shares so issuable shall, upon such issuance, be accepted for listing or quotation on the Exchange.
- (c) Prior to any Settlement Date, the Settlement Shares with respect to that Settlement Date shall have been approved for listing or quotation on the Exchange, subject to official notice of issuance, and such Settlement Shares shall have been registered under the Securities Act.

- (d) The execution, delivery and performance by Party B of this Confirmation (including, without limitation, the issuance and delivery of Shares on any Settlement Date), and compliance by Party B with its obligations hereunder have been duly authorized by all necessary action and do not and will not result in any violation of the provisions of the charter or by-laws (or other constituent documents) of Party B or any subsidiary or any applicable law, statute, rule, regulation, judgment, order, writ or decree of any government instrumentality or court, domestic or foreign, having jurisdiction over Party B or any subsidiary or any of their assets, properties or operations.
- (e) No filing with, or authorization, approval, consent, license, order registration, qualification or decree of, any court or governmental authority or agency is necessary or required for the execution, delivery and performance by Party B of this Confirmation and the consummation of the Transaction (including, without limitation, the issuance and delivery of Shares on any Settlement Date) except (i) such as have been obtained under the Securities Act and (ii) as may be required to be obtained under state securities laws.
- (f) Party B agrees not to repurchase any Shares if, immediately following such repurchase, the Base Amount would be equal to or greater than either 9.0% of the number of then-outstanding Shares or Shares in excess of the REIT Limit (as hereinafter defined).
- (g) Party B agrees not to declare any distribution, issue or dividend consisting of cash to existing holders of the Shares with a record date on or prior to the final Settlement Date under this Confirmation except for Regular Quarterly Dividends.
- (h) Party B is not insolvent, nor will Party B be rendered insolvent as a result of this Transaction.
- (i) Neither Party B nor any of its officers or directors shall take, and Party B shall not cause any of its affiliates to take, any action that would cause any purchases of Shares by Party A in connection with any Cash Settlement or Net Stock Settlement of this Transaction not to comply with Rule 10b-18 under the Exchange Act.
- (j) Party B will not engage in any “distribution” (as defined in Regulation M under the Exchange Act) during any Unwind Period.

- (k) Party B is an “eligible contract participant” (as such term is defined in Section 1(a)(12) of the Commodity Exchange Act, as amended).
- (l) In addition to any other requirements set forth herein, Party B agrees not to elect Cash Settlement or Net Stock Settlement if such settlement would result in a violation of either a) the U.S. federal securities laws, or b) any other federal or state law or regulation applicable to Party B.

Covenant of Party B:

The parties acknowledge and agree that any Shares delivered by Party B to Party A on any Settlement Date will be newly issued Shares and when delivered by Party A (or an affiliate of Party A) to securities lenders from whom Party A (or an affiliate of Party A) borrowed Shares in connection with hedging its exposure to the Transaction will be freely saleable without further registration or other restrictions under the Securities Act in the hands of those securities lenders, irrespective of whether such stock loan used to hedge Party A’s exposure is effected by Party A or an affiliate of Party A. Accordingly, Party B agrees that the Settlement Shares that it delivers to Party A on each Settlement Date will not bear a restrictive legend and that such Settlement Shares will be deposited in, and the delivery thereof shall be effected through the facilities of, the Clearance System.

Covenants of Party A:

- (a) Party A shall use any Settlement Shares delivered by Party B to Party A to return to securities lenders to close out borrowings created by Party A or an affiliate of Party A in connection with its hedging activities related to exposure under this Transaction.
- (b) In connection with bids and purchases of Shares in connection with any Cash Settlement or Net Stock Settlement of this Transaction, Party A shall use its best efforts to comply, or cause compliance, with the provisions of Rule 10b-18 under the Exchange Act, as if such provisions were applicable to such purchases.
- (c) Party A shall use its reasonable efforts to maintain its hedge of its exposure to the Transaction by borrowing sufficient Shares from lenders at a stock loan cost not to exceed 50 basis points per annum.

Acceleration Events: An Acceleration Event shall occur if:

- (a) Stock Borrow Events. Notwithstanding any other provision hereof, if in its judgment Party A is unable to hedge Party A’s exposure to the Transaction (a “Stock Borrow Event”) because (i) of the lack of sufficient Shares being made available for borrowing by lenders, or (ii) it would incur a stock loan cost of more than 50 basis points per annum, then Party A shall have the right to designate any Scheduled Trading Day to be a Settlement Date for which Physical Settlement shall apply on at least two Scheduled Trading Days’ notice, and to select the number of Settlement Shares for such Settlement Date; *provided that* (x) prior to the designation of a Stock Borrow Event under this paragraph (a), Party B may, within two Scheduled Trading Days, refer Party A to a Referral Lending Party and (y) the number of Settlement Shares for any Settlement Date so designated by Party A shall not exceed the number of Shares as to which such inability to borrow exists; or

- (b) Share Price Reduction. Notwithstanding any other provision hereof, if the average of the closing bid and offer prices or, if available, the closing sale price per Share on the Exchange for the regular trading session on any Scheduled Trading Day occurring after the Trade Date is less than or equal to \$7.00, Party A shall have the right to designate any Scheduled Trading Day to be a Settlement Date for which Physical Settlement shall apply on at least ten Scheduled Trading Days' notice, and to select the number of Settlement Shares for such Settlement Date; or
- (c) Dividends and Other Distributions. Notwithstanding any other provision hereof, if on any day occurring after the Trade Date Party B declares a distribution, issue or dividend to existing holders of the Shares of (i) an extraordinary cash dividend, (ii) a regular quarterly dividend either (A) in an amount greater than \$0.225 per Share per quarter or (B) on a date earlier than the quarterly Forward Price Reduction Date ("Regular Quarterly Dividend"), or (iii) securities or share capital of another entity acquired or owned (directly or indirectly) by Party B as a result of a spin-off or other similar transaction or (iv) any other type of securities (other than Shares, which may constitute a Potential Adjustment Event), rights or warrants or other assets, in any case for payment (cash or other consideration) at less than the prevailing market price as determined by Party A, then Party A shall have the right to designate any Scheduled Trading Day to be a Settlement Date for the entire Transaction on at least three Scheduled Trading Days' notice. Upon the designation of such Settlement Date, Party B shall notify Party A within one Scheduled Trading Day whether Physical Settlement or Net Stock Settlement applies; provided that if Party B fails to do so, Physical Settlement shall apply; and provided further, that if Party B elects Net Stock Settlement and Party A determines in its reasonable judgment that the record date for any such distribution, issue or dividend may occur during the Unwind Period, then Party A may require Physical Settlement for the remaining portion of the Settlement Shares prior to such record date; or

- (d) ISDA Early Termination Date. Notwithstanding anything to the contrary herein, in the Agreement or in the Definitions, if either Party A or Party B has the right to designate an Early Termination Date pursuant to Section 6 of the Agreement, such party shall have the right to designate any Scheduled Trading Day to be a Settlement Date for the entire Transaction on at least three Scheduled Trading Days' notice. Upon the designation of such Settlement Date, Party B shall notify Party A within one Scheduled Trading Day whether Physical Settlement or Net Stock Settlement applies; *provided*, that if Party B fails to do so, Physical Settlement shall apply; or
- (e) Board Approval of Merger. Notwithstanding any other provision hereof, if on any day occurring after the Trade Date the board of directors of Party B votes to approve any action that, if consummated, would constitute a Merger Event (as defined in the 2002 Definitions), Party B shall notify Party A of any such vote within one Scheduled Trading Day. Party A shall have the right to designate any Scheduled Trading Day to be a Settlement Date for the entire Transaction on at least three Scheduled Trading Days' notice. Upon the designation of such Settlement Date, Party B shall notify Party A within one Scheduled Trading Day whether Physical Settlement or Net Stock Settlement applies; *provided*, that if Party B fails to do so, Physical Settlement shall apply; or
- (f) Other ISDA Events. Notwithstanding anything to the contrary herein, in the Agreement or in the Definitions, if a Nationalization, Insolvency, Insolvency Filing, Delisting or Change in Law occurs, Party A shall have the right to designate any Scheduled Trading Day to be a Settlement Date for the entire Transaction on at least three Scheduled Trading Days' notice and Party A shall be the Determining Party. Upon the designation of such Settlement Date, Party B shall notify Party A of the settlement method within one Scheduled Trading Day whether Physical Settlement or Net Stock Settlement applies; *provided*, that if Party B fails to do so, Physical Settlement shall apply.

Termination Settlement:

If a Settlement Date is specified following an Acceleration Event (a "Termination Settlement Date"), Physical Settlement or Net Stock Settlement shall apply with respect to such Termination Settlement Date as set forth above; *provided*, that if, Physical Settlement with respect to any Termination Settlement Date would result in Merrill Lynch & Co., Inc. ("ML & Co."), directly or indirectly beneficially owning (as such term is delivered for purposes of Section 13(d) of the Exchange Act) at any time in excess of the lesser of: a) 9.0% of the outstanding Shares or Shares, or b) the ownership limit specified in the charter (or other constituent document) of Cedar Shopping Centers Inc. (the "REIT Limit"), then, in either of such events (collectively, the "Share Limit") at the option of Party B, either (i) Net Stock Settlement shall apply with respect to such Termination Settlement Date to the extent (but only to the extent) necessary to maintain ownership of Shares by ML & Co. below the Share Limit (in conjunction with the application of Physical Settlement to the Settlement Shares that are not so settled by Net Stock Settlement with respect to such Termination Settlement Date), or (ii) Physical Settlement shall apply, subject to the provisions of "Limit on Beneficial Ownership" below.

Maximum Share Delivery:

Notwithstanding any other provision of this Confirmation, in no event will Party B be required to deliver on any Settlement Date, whether pursuant to Physical Settlement or Net Stock Settlement, Shares in excess of the Base Amount to Party A.

Assignment:

Party A may assign or transfer any of its rights or delegate any of its duties hereunder to any affiliate of Party A or any entity organized or sponsored by Party A without the prior written consent of Party B; *provided, however*, that such assignee's obligations shall be guaranteed by ML & Co. Notwithstanding any other provision of this Confirmation to the contrary requiring or allowing Party A to purchase or receive any Shares from Party B, Party A may designate any of the aforementioned affiliates or entities to purchase or receive such Shares or otherwise to perform Party A's obligations in respect of this Transaction if such obligations are guaranteed by ML & Co. and any such designee may assume such obligations, and Party A shall be discharged of its obligations to Party B in respect of such obligations.

Guarantee of Party A:

ML & Co. shall guarantee all obligations of Party A under this Confirmation and shall execute a Guarantee in favor of Party B substantially in the form of Annex A hereto.

Matters Relating to Agent:

- (a) As a broker-dealer registered with the U.S. Securities and Exchange Commission, MLPF&S, in its capacity as Agent, will be responsible for (i) effecting the Transaction, (ii) issuing all required confirmations and statements to Party A and Party B and (iii) maintaining books and records relating to the Transaction.

- (b) MLPF&S shall act as “agent” for Party A and Party B within the meaning of Rule 15a-6 under the Exchange Act in connection with the Transaction.
- (c) The Agent, in its capacity as such, shall have no responsibility or liability (including, without limitation, by way of guarantee, endorsement or otherwise) to Party A or Party B or otherwise in respect of the Transaction, including, without limitation, in respect of the failure of Party A or Party B to pay or perform under this Confirmation, except for its gross negligence or willful misconduct in performing its duties as Agent hereunder.
- (d) Each of Party A and Party B agree to proceed solely against the other to collect or recover any securities or monies owing to Party A or Party B, as the case may be, in connection with or as a result of the Transaction.
- (e) The Agent will be Party A’s agent for service of process for the purpose of Section 13(c) of the Agreement.

Indemnity

Party B agrees to indemnify Party A and its affiliates and their respective directors, officers, agents and controlling parties (Party A and each such affiliate or person being an “Indemnified Party”) from and against any and all losses, claims, damages and liabilities, joint and several, to which such Indemnified Party may become subject under, in connection with, relating to, or arising out of, the Agreement or Transaction with respect to any applicable securities laws, Maryland corporate law or Delaware limited partnership law and will reimburse any Indemnified Party for all reasonable expenses (including reasonable legal fees and reasonable expenses) as they are incurred in connection with the investigation of, preparation for, or defense of any pending or threatened claim or any action or proceeding arising therefrom, whether or not such Indemnified Party is a party thereto. Party B will not be liable under this Indemnity paragraph to the extent that any loss, claim, damage, liability or expense is found in a final nonappealable judgment by a court of competent jurisdiction to have resulted from Party A’s gross negligence, fraud, bad faith and/or willful misconduct.

Miscellaneous

Non-Reliance:	Applicable
Additional Acknowledgements:	Applicable
Agreements and Acknowledgments Regarding Hedging Activities:	Applicable

4. The Agreement is further supplemented by the following provisions:

Share Settlement upon Certain Events:

Notwithstanding anything to the contrary herein, in the Agreement or in the Definitions, if at any time (i) an Early Termination Date occurs and Party B would be required to make a payment pursuant to Sections 6(d) and 6(e) of the Agreement, or (ii) a Merger Event occurs and Party B would be required to make a payment pursuant to Sections 12.2 and 12.7 of the 2002 Definitions, then in lieu of any such payment, Party B, at its election, may deliver to Party A, at the time such payment would have been due and in the manner provided under “Physical Settlement” in the 2002 Definitions, a number of Shares (or, in the case of a Merger Event, common equity securities of the surviving entity) equal to the quotient obtained by dividing (A) the amount that would have been so payable by (B) the fair market value per Share (or per unit of such common equity security) of the Shares (or units) at the time of such delivery, as determined by the Calculation Agent (which fair market value shall take into account whether the Shares so delivered are freely tradable). Upon Party B’s election to deliver Shares, the Transaction will not be considered for purposes of determining an Early Termination Amount under Section 6(e) of the Agreement.

Agreement Regarding Set-off:

The last sentence of the first paragraph of Section 6(e) of the Agreement shall not apply with respect to the Transaction to the extent that any of the events described in Section 5(a)(vii) of the Agreement occurs with respect to Party B.

Bankruptcy Rights:

In the event of Party B’s bankruptcy, Party A acknowledges and agrees that this Confirmation is not intended to convey to it rights with respect to this Transaction that are senior to the claims of common stockholders. For the avoidance of doubt, the parties acknowledge and agree that Party A’s rights with respect to any other claim arising from this Transaction prior to Party B’s bankruptcy shall remain in full force and effect and shall not be otherwise abridged or modified in connection herewith.

Limit on Beneficial Ownership:

Notwithstanding any other provisions hereof, Party A shall not, and shall not be entitled to, receive Shares hereunder (whether in connection with the purchase of Shares on any Settlement Date or otherwise) to the extent (but only to the extent) that such receipt would result in ML & Co. directly or indirectly beneficially owning (as such term is defined for purposes of Section 13(d) of the Exchange Act) at any time in excess of the Share Limit. Any purported delivery of Shares hereunder shall be void and have no effect to the extent (but only to the extent) that such delivery would result in ML & Co. directly or indirectly so beneficially owning in excess of the Share Limit. If use of Physical Settlement on any Settlement Date (other than a Termination Settlement Date) would result in Party A receiving more than the Share Limit, then (1) the Physical Settlement on such Settlement Date (the “Partial Settlement Date”) shall be limited to that number of Shares which would result in Party A receiving the no more than the Share Limit, and (2) the Settlement Date for the remaining Shares (the “Additional Settlement Date”) shall be the next Scheduled Trading Day on which the conditions specified above shall be satisfied. An Additional Settlement Date may be later than the Maturity Date.

Miscellaneous:

- (a) Addresses for Notices. For the purpose of Section 12(a) of the Agreement:

Address for notices or communications to Party A:

Address:	c/o Merrill Lynch, Pierce, Fenner & Smith Incorporated Four World Financial Center North Tower, 5 th Floor New York, NY 10080
Attention:	Equity-Linked Capital Markets Group
Telephone No.:	(212) 449-6763
Facsimile No.:	(212) 738-1069

Address for notices or communications to Party B:

Address:	Cedar Shopping Centers Inc. 44 South Bayles Avenue Port Washington, NY 11050
Attention:	Chairman and Chief Executive Officer

- (b) **Waiver of Right to Trial by Jury.** Each party waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in respect of any suit, action or proceeding relating to this Confirmation or any Credit Support Documentation. Each party (i) certifies that no representative, agent or attorney of the other party has represented, expressly or otherwise, that such other party would not, in the event of such a suit action or proceeding, seek to enforce the foregoing waiver and (ii) acknowledges that it and the other party have been induced to enter into this Confirmation by, among other things, the mutual waivers and certifications in this Section.

With respect to the Agreement, Party A and Party B each agree as follows:

Specified Entities:

(i) in relation to Party A, for the purposes of:

<u>Section 5(a)(v):</u>	not applicable
<u>Section 5(a)(vi):</u>	not applicable
<u>Section 5(a)(vii):</u>	not applicable
<u>Section 5(b):</u>	not applicable

and (ii) in relation to Party B, for purposes of:

<u>Section 5(a)(v):</u>	not applicable
<u>Section 5(a)(vi):</u>	not applicable
<u>Section 5(a)(vii):</u>	not applicable
<u>Section 5(b)(iv):</u>	not applicable

“**Specified Transaction**” will have the meaning specified in Section 14 of the Agreement.

The “**Cross Default**” provisions of Section 5(a)(vi) of the Agreement will apply to Party A and will apply to Party B.

The “**Credit Event Upon Merger**” provisions of Section 5(b)(v) of the Agreement will apply to Party A and will apply to Party B.

The “**Automatic Early Termination**” provision of Section 6(a) of the Agreement will not apply to Party A and will not apply to Party B.

“**Termination Currency**” means USD.

Additional Termination Event will not apply.

Tax Representations:

- (I) For the purpose of Section 3(e) of the Agreement, each party represents to the other party that it is not required by any applicable law, as modified by the practice of any Relevant Authority, to make any deduction or withholding for or on account of any Tax from any payment (other than interest under Section 9(h) of the Agreement) to be made by it to the other party under the Agreement. In making this representation, each party may rely on (i) the accuracy of any representations made by the other party pursuant to Section 3(f) of the Agreement, (ii) the satisfaction of the agreement contained in Section 4(a)(i) or 4(a)(iii) of the Agreement, and (iii) the satisfaction of the agreement of the other party contained in Section 4(d) of the Agreement except that it will not be a breach of this representation where reliance is placed on clause (ii) above and the other party does not deliver a form or document under Section 4(a)(iii) of the Agreement by reason of material prejudice to its legal or commercial position.

(II) Each party makes the following representations to the other party:

- (i) Party A represents that it is a corporation organized under the laws of England and Wales.
- (ii) Cedar Shopping Centers Inc. represents that it is a corporation incorporated under the laws of the State of Maryland; and Cedar Shopping Centers Partnership, L.P. represents that it is a limited partnership formed under the laws of Delaware.

Agreement to Deliver Documents: For the purpose of Section 4(a)(i) and 4(a)(ii) of the Agreement, each party agrees to deliver the following document, as applicable:

(I) Tax forms, documents or certificates to be delivered are:

Each party agrees to complete (accurately and in a manner reasonably satisfactory to the other party), execute, and deliver to the other party, United States Internal Revenue Service Form W-9 or W-8 BEN, or any successor of such form(s); (i) before the first payment date under this Confirmation; (ii) promptly upon reasonable demand by the other party; and (iii) promptly upon learning that any such form(s) previously provided by the other party has become obsolete or incorrect.

(II) Other Documents to be delivered:

Party Required to Deliver Document	Document Required to be Delivered	When Required	Covered by Section 3(d) Representation
Party A and Party B	Evidence of the authority and true signatures of each official or representative signing this Confirmation	Upon or before execution and delivery of this Confirmation	Yes
Party B	Certified copy of the resolution of the Board of Directors or equivalent document authorizing the execution and delivery of this Confirmation	Upon or before execution and delivery of this Confirmation	Yes
Party A	Guarantee of its Credit Support Provider, substantially in the form of Exhibit A attached hereto	Upon or before execution and delivery of this Confirmation	Yes

(I)

Miscellaneous Addresses for Notices: For the purpose of Section 12(a) of the Agreement:

Address for notices or communications to Party A:

Address:	Merrill Lynch International c/o Merrill Lynch, Pierce, Fenner & Smith Incorporated Four World Financial Center North Tower, 5 th Floor New York, NY 10080
Attention:	Equity-Linked Capital Markets Group
Telephone No.:	(212) 449-6763
Facsimile No.:	(212) 738-1069

(For all purposes)

Additionally, a copy of all notices pursuant to Sections 5, 6, and 7 of the Agreement as well as any changes to Party B's address, telephone number or facsimile number should be sent to:

GMI Counsel
Merrill Lynch World Headquarters
4 World Financial Center
New York, New York 10080
Attention: Global Equity Derivatives
Facsimile No.: 212 449-6576 Telephone No.: 212 449-6309

Address for notices or communications to Party B for all purposes: PLEASE ADVISE

Cedar Shopping Centers Inc.
44 South Bayles Avenue
Port Washington, NY 11050
Attention: Chairman and Chief Executive Officer

Process Agent: For the purpose of Section 13(c) of the Agreement, Party A appoints as its process agent:

Merrill Lynch, Pierce, Fenner & Smith Incorporated
222 Broadway, 16th Floor
New York, NY 10038
Attention: Litigation Department

Party B does not appoint a Process Agent.

- (II) **Calculation Agent.** The Calculation Agent is Party A, unless otherwise specified in a Confirmation in relation to the relevant Transaction, provided, however that if an Event of Default has occurred and is continuing with respect to Party A, Party B shall be the Calculation Agent.
- (III) **Credit Support Document:**

Party A: Guarantee of ML & Co. in the form attached hereto as Exhibit A.

Party B: **None**
- (IV) **Credit Support Provider:**

With respect to Party A: ML & Co. and with respect to Party B, Not Applicable.
- (V) **Governing Law.** This Confirmation will be governed by, and construed in accordance with, the laws of the State of New York.
- (VI) **Netting of Payments.** “Multiple Transaction Payment Netting” will not apply for the purpose of Section 2(c) of the Agreement; provided, however, that with respect to the Agreement or any other ISDA Master Agreement between the parties, any Share delivery obligations on any day of Party B, on the one hand, and Party A, on the other hand, shall be netted. The resulting Share delivery obligation of a party upon such netting shall be rounded down to the nearest number of whole Shares, such that neither party shall be required to deliver any fractional Shares.
- (VII) **Accuracy of Specified Information.** Section 3(d) of the Agreement is hereby amended by adding in the third line thereof after the word “respect” and before the period the words “or, in the case of audited or unaudited financial statements or balance sheets, a fair presentation of the financial condition of the relevant person.”

(VIII) **Amendment of Section 3(a)(iii).** Section 3(a)(iii) of the Agreement is modified to read as follows:

No Violation or Conflict. Such execution, delivery and performance do not materially violate or conflict with any law known by it to be applicable to it, any provision of its constitutional documents, any order or judgment of any court or agency of government applicable to it or any of its assets or any material contractual restriction relating to Specified Indebtedness binding on or affecting it or any of its assets.

(IX) **Amendment of Section 3(a)(iv).** Section 3(a)(iv) of the Agreement is modified by inserting the following at the beginning thereof:

“To such party’s best knowledge,”

(X) **Additional Representations will apply for the purpose of Section 3 of the Agreement.** The following will constitute Additional Representations:

Party A and Party B Representations.

Relationship between the Parties. The Agreement is hereby amended by the addition of the following proviso:

Relationship between the Parties.

Each party will be deemed to represent to the other party on the date on which it enters into a Transaction (absent a written agreement between the parties that expressly imposes affirmative obligations to the contrary for that Transaction):

(a) ***Non Reliance.*** It is acting for its own account, and it has made its own independent decisions to enter into that Transaction and as to whether that Transaction is appropriate or proper for it based upon its own judgment and upon advice from such advisors as it has deemed necessary. It is not relying on any communication (written or oral) of the other party as investment advice or as a recommendation to enter into that Transaction; it being understood that information and explanations related to the terms and conditions of a Transaction shall not be considered investment advice or a recommendation to enter into that Transaction. No communication (written or oral) received from the other party shall be deemed to be an assurance or guarantee as to the expected results of that Transaction.

(b) ***Assessment and Understanding.*** It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks of that Transaction.

(c) *Status of Parties*. The other party is not acting as a fiduciary for or an advisor to it in respect of that Transaction.

Party A Representations.

FDICIA Representation. Party A represents that it is a “financial institution” for purposes of Section 402 of the Federal Deposit Insurance Corporation Improvement Act of 1991, as amended (the “Statute”), and the regulations promulgated pursuant thereto because either (A) it is a broker or dealer, a depository institution or a futures commission merchant (as such terms are defined in the Statute) or (B) it will engage in financial contracts (as so defined) as a counterparty on both sides of one or more financial markets (as so defined) and either (I) had one or more financial contracts of a total gross dollar value of at least \$1 billion in notional principal amount outstanding on any day during the previous 15-month period with counterparties that are not its affiliates or (II) had total gross mark-to-market positions of at least \$100,000,000 (aggregated across counterparties) in one or more financial contracts on any day during the previous 15-month period with counterparties that are not its affiliates.

Acknowledgements:

- (1) The parties acknowledge and agree that there are no other representations, agreements or other undertakings of the parties in relation to this Transaction, except as set forth in this Confirmation.
- (2) The parties hereto intend for:
 - (a) this Transaction to be a “securities contract” as defined in Section 741(7) of Title 11 of the United States Code (the “**Bankruptcy Code**”), qualifying for the protections under Section 555 of the Bankruptcy Code;
 - (b) a party’s right to liquidate this Transaction and to exercise any other remedies upon the occurrence of any Event of Default under the Agreement with respect to the other party to constitute a “contractual right” as defined in the Bankruptcy Code; and
 - (c) all payments for, under or in connection with this Transaction, all payments for the Shares and the transfer of such Shares to constitute “settlement payments” as defined in the Bankruptcy Code.

Amendment of Section 6(d)(ii). Section 6(d)(ii) of the Agreement is modified by deleting the words “on the day” in the second line thereof and substituting therefor “on the day that is three Local Business Days after the day”. Section 6(d)(ii) is further modified by deleting the words “two Local Business Days” in the fourth line thereof and substituting therefor “three Local Business Days.”

Recording of Conversations. Each party consents to the recording of telephone conversations of trading, marketing and other relevant personnel of the parties in connection with the Agreement.

Severability. If any term, provision, covenant or condition of this Confirmation, or the application thereof to any party or circumstance, shall be held to be invalid or unenforceable in whole or in part for any reason, the remaining terms, provisions, covenants, and conditions hereof shall continue in full force and effect as if this Confirmation had been executed with the invalid or unenforceable provision eliminated, so long as this Confirmation as so modified continues to express, without material change, the original intentions of the parties as to the subject matter of this Confirmation and the deletion of such portion of this Confirmation will not substantially impair the respective benefits or expectations of parties to the Agreement; *provided, however*, that this severability provision shall not be applicable if any provision of Section 2, 5, 6 or 13 of the Agreement (or any definition or provision in Section 14 to the extent that it relates to, or is used in or in connection with any such Section) shall be so held to be invalid or unenforceable.

Affected Parties. For purposes of Section 6(e) of the Agreement, each party shall be deemed to be an Affected Party in connection with Illegality and any Tax Event.

Tax Event. Section 5(b)(ii) is amended by deleting the words “, or there is a substantial likelihood that it will,” from line four thereof.

Interpretation. In the event of any inconsistency between the provisions of this Schedule and the Definitions, this Schedule will prevail. In the event of any inconsistency between the provisions of this Schedule and the printed Agreement of which it forms a part, this Schedule will prevail. In the event of any inconsistency between the provisions of any Confirmation and this Schedule, such Confirmation will prevail for the purpose of the relevant Transaction.

[Remainder of page intentionally left blank]

Please confirm that the foregoing correctly sets forth the terms of our agreement by signing and returning this Confirmation.

Yours faithfully,

MERRILL LYNCH INTERNATIONAL

By: /s/ RHONDA LUCARELLI
Name: Rhonda Lucarelli
Title: Authorized Signatory

Confirmed as of the date first written above:

CEDAR SHOPPING CENTERS INC.

By: /s/ LEO S. ULLMAN
Name: Leo S. Ullman
Title: President

CEDAR SHOPPING CENTERS PARTNERSHIP, L.P.
By: CEDAR SHOPPING CENTERS INC.

By: /s/ LEO S. ULLMAN
Name: Leo S. Ullman
Title: President

MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED

By: /s/ ANGELINA LOPES
Name: Angelina Lopes
Title: Vice President

GUARANTEE OF MERRILL LYNCH & CO., INC.

FOR VALUE RECEIVED, receipt of which is hereby acknowledged, MERRILL LYNCH & CO., INC., a corporation duly organized and existing under the laws of the State of Delaware ("ML & Co."), hereby unconditionally guarantees to Cedar Shopping Centers Inc.(the "Company"), the due and punctual payment of any and all amounts payable by Merrill Lynch International, a company organized under the laws of England and Wales ("ML"), under the terms of the Confirmation, dated August 11, 2005, between the Company and ML (the "Agreement"), including, in case of default, interest on any amount due, when and as the same shall become due and payable, whether on the scheduled payment dates, at maturity, upon declaration of termination or otherwise, according to the terms thereof. In case of the failure of ML punctually to make any such payment, ML & Co. hereby agrees to make such payment, or cause such payment to be made, promptly upon demand made by the Company to ML & Co.; provided, however that delay by the Company in giving such demand shall in no event affect ML & Co.'s obligations under this Guarantee. This Guarantee shall remain in full force and effect or shall be reinstated (as the case may be) if at any time any payment guaranteed hereunder, in whole or in part, is rescinded or must otherwise be returned by the Company upon the insolvency, bankruptcy or reorganization of ML or otherwise, all as though such payment had not been made.

ML & Co. hereby agrees that its obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of the Agreement; the absence of any action to enforce the same; any waiver or consent by the Company concerning any provisions thereof; the rendering of any judgment against ML or any action to enforce the same; or any other circumstances that might otherwise constitute a legal or equitable discharge of a guarantor or a defense of a guarantor. ML & Co. covenants that this guarantee will not be discharged except by complete payment of the amounts payable under the Agreement. This Guarantee shall continue to be effective if ML merges or consolidates with or into another entity, loses its separate legal identity or ceases to exist.

ML & Co. hereby waives diligence; presentment; protest; notice of protest, acceleration, and dishonor; filing of claims with a court in the event of insolvency or bankruptcy of ML; all demands whatsoever, except as noted in the first paragraph hereof; and any right to require a proceeding first against ML.

ML & Co. hereby certifies and warrants that this Guarantee constitutes the valid obligation of ML & Co. and complies with all applicable laws.

This Guarantee shall be governed by, and construed in accordance with, the laws of the State of New York.

This Guarantee may be terminated at any time by notice by ML & Co. to the Company given in accordance with the notice provisions of the Agreement, effective upon receipt of such notice by the Company or such later date as may be specified in such notice; provided, however, that this Guarantee shall continue in full force and effect with respect to any obligation of ML under the Agreement entered into prior to the effectiveness of such notice of termination.

This Guarantee becomes effective concurrent with the effectiveness of the Agreement, according to its terms.

IN WITNESS WHEREOF, ML & Co. has caused this Guarantee to be executed in its corporate name by its duly authorized representative.

MERRILL LYNCH & CO. INC.

By: /s/ PATRICIA KROPIEWNICKI

Name: Patricia Kropiewnicki

Title: Designated Signatory

Dated: August 11, 2005

CERTIFICATION

I, Leo S. Ullman, Chief Executive Officer of Cedar Shopping Centers, Inc. (the "Company"), certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of the Company;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
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5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2005

/s/ LEO S. ULLMAN

Leo S. Ullman, Chief Executive Officer

CERTIFICATION

I, Thomas J. O’Keeffe, Chief Financial Officer of Cedar Shopping Centers, Inc. (the "Company"), certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of the Company;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
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5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2005

/s/ THOMAS J. O'KEEFE

Thomas J. O'Keefe, Chief Financial Officer

CERTIFICATION

I, Leo S. Ullman, Chief Executive Officer of Cedar Shopping Centers, Inc. (the "Company"), pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, do hereby certify as follows:

1. The Quarterly Report on Form 10-Q of the Company for the period ended September 30, 2005 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in such Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, I have executed this Certification this 4th day of November, 2005.

/s/ LEO S. ULLMAN

Leo S. Ullman, Chief Executive Officer

CERTIFICATION

I, Thomas J. O'Keeffe, Chief Financial Officer of Cedar Shopping Centers, Inc. (the "Company"), pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, do hereby certify as follows:

1. The Quarterly Report on Form 10-Q of the Company for the period ended September 30, 2005 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in such Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, I have executed this Certification this 4th day of November, 2005.

/s/ THOMAS J. O'KEEFFE

Thomas J. O'Keeffe, Chief Financial Officer
