SCHLUMBERGER LTD /NV/
Form PRE 14A
February 06, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. __)

Filed by the Registrant x   Filed by a Party other than the Registrant ¨

Check the appropriate box:

x Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

¨ Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

Schlumberger N.V. (Schlumberger Limited)

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

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

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

(2) Aggregate number of securities to which the transaction applies:

(3) Per unit price or other underlying value of the transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of the transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Schlumberger Limited

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The Netherlands

NOTICE OF ANNUAL GENERAL MEETING OF STOCKHOLDERS

To Be Held April 8, 2009

February , 2009

The Annual General Meeting of Stockholders of Schlumberger Limited (Schlumberger N.V.) will be held at the Avila Beach Hotel, Penstraat 130, Willemstad, Curaçao, Netherlands Antilles, on Wednesday, April 8, 2009 at 10:30 in the morning (Curaçao time), for the following purposes:

1. To elect 11 directors.

2. To report on the course of business during the year ended December 31, 2008, to approve the Company s Consolidated Balance Sheet as at December 31, 2008, its Consolidated Statement of Income for the year ended December 31, 2008, and the declaration of dividends by the Board of Directors as reflected in the Company s 2008 Annual Report to Stockholders.

3. To act on a stockholder proposal regarding a stockholder advisory vote on compensation of the Company s named executive officers.

4. To approve the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm to audit the accounts of the Company for 2009.

Action will also be taken upon such other matters as may come properly before the meeting.

The close of business on February 18, 2009 has been fixed as the record date for the meeting. All holders of common stock of record at the close of business on that date are entitled to vote at the meeting.

By order of the Board of Directors,

ELLEN SUMMER
Secretary

Please sign, date and promptly return the enclosed proxy card in the enclosed envelope, or grant a proxy and give voting instructions by telephone or internet, so that you may be represented at the meeting. Instructions are on your proxy card or on the voting instruction card included by your broker. Brokers cannot vote for Item 3 without your instructions.

Important Notice Regarding the Availability of Proxy Materials for the Annual General Meeting of Stockholders to Be Held on April 8, 2009:

This proxy statement, along with the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and the 2008 Annual Report to Stockholders, are available free of charge on the Company s website at http://investorcenter.slb.com.

PROXY STATEMENT

February , 2009

General

This proxy statement is furnished in connection with the solicitation by the Board of Directors of Schlumberger Limited (Schlumberger N.V.) (Schlumberger or the Company) of proxies to be voted at the 2009 Annual General Meeting of Stockholders. The approximate mailing date of this proxy statement is February , 2009. Business at the meeting is conducted in accordance with the procedures determined by the Chairman of the meeting and is generally limited to matters properly brought before the meeting by or at the direction of the Board of Directors or by a stockholder in accordance with specified requirements requiring advance notice and disclosure of relevant information.

The Schlumberger 2008 Annual Report to Stockholders is included in this package as a separate document. The Company s Consolidated Balance Sheet as at December 31, 2008, its Consolidated Statement of Income for the year ended December 31, 2008 and the supplemental financial information with respect to dividends included in the Annual Report are incorporated by reference as part of this proxy soliciting material.

The Company will pay the cost of furnishing proxy material to all stockholders and of soliciting proxies by mail and telephone. D. F. King & Co., Inc. has been retained by the Company to assist in the solicitation of proxies for a fee estimated at $12,750 plus reasonable expenses. Directors, officers and employees of the Company may also solicit proxies for no additional compensation. The Company will reimburse brokerage firms, fiduciaries and custodians for their reasonable expenses in forwarding the solicitation material to beneficial owners.

Proxies

Each stockholder of record at the close of business on February 18, 2009 is entitled to one vote for each share registered in the stockholder s name. A stockholder of record is a person or entity who held shares on that date *registered* in its name on the records of Computershare Trust Company, N.A. (Computershare), Schlumberger s stock transfer agent. Persons who held shares on the record date through a broker, bank or other nominee are considered *beneficial* owners. On February 18, 2009, there were outstanding shares of common stock of Schlumberger, excluding shares held in treasury.

Shares cannot be voted at the meeting unless the owner of record is present in person or is represented by proxy. Schlumberger is incorporated in the Netherlands Antilles and, as provided by Netherlands Antilles law, meetings of stockholders are held in the Netherlands Antilles. Because many stockholders cannot personally attend the meeting, it is necessary that a large number be represented by proxy.

Fifty percent of the outstanding shares, exclusive of shares held in treasury, must be present in person or by proxy to constitute a quorum for the taking of any action at the meeting. Abstentions and broker non-votes (described below) are counted for determining the presence of a quorum. If a quorum is not present at the meeting, the Board may call a second General Meeting at which the quorum requirement will not apply.

Brokers holding shares must vote according to specific instructions they receive from the beneficial owners of those shares. If specific instructions are not received, brokers may generally vote the shares in their discretion. However, the New York Stock Exchange (the NYSE) precludes brokers from exercising voting discretion on certain proposals without specific instructions from the beneficial owner. Under NYSE rules, brokers will have discretion to vote on the election of directors and Items 2 and 4. Brokers cannot vote on Item 3 without instructions from the *beneficial* owners.

Voting Procedures

Stockholders with shares *registered* in their names with Computershare and participants who hold shares in the Schlumberger Discounted Stock Purchase Plan may authorize a proxy by:

The internet at the following internet address: http://www.proxyvote.com;

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Telephonically by calling 1-800-690-6903; or

Completing and mailing the proxy card.

The internet and telephone voting facilities for stockholders of record will close at 11:59 p.m. Eastern time on April 7, 2009. The internet and telephone voting procedures have been designed to authenticate stockholders and to allow you to vote your shares and to confirm that your instructions have been properly recorded.

A number of banks and brokerage firms participate in a program that also permits beneficial stockholders to direct their vote by the internet or telephone. If shares are held in an account at a bank or brokerage firm that participates in such a program, beneficial stockholders may direct the vote of these shares by the internet or telephone by following the instructions on the voting form.

You can revoke your proxy at any time before it is exercised by timely delivery of a properly executed, later-dated proxy (including an internet or telephone vote) or by voting by ballot at the meeting. By providing your voting instructions promptly, you may save the Company the expense of a second mailing.

All shares entitled to vote and represented by properly executed proxies received prior to the meeting and not revoked will be voted at the meeting in accordance with your instructions.

1. Election of Directors

It is intended that the number of directors be fixed at 11 and that the stockholders elect a Board of Directors of 11 members, each to hold office until the next Annual General Meeting of Stockholders and until a director s successor is elected and qualified or until a director s death, resignation or removal. Each of the nominees, other than Henri Seydoux, is now a director and was previously elected by the stockholders. Unless instructed otherwise, the proxies will be voted for the election of the 11 nominees named below. If any nominee is unable or unwilling to serve, proxies may be voted for another person designated by the Board of Directors. The Board knows of no reason why any nominee will be unable or unwilling to serve if elected. Mr. Nicolas Seydoux is not standing for re-election.

A majority of the votes cast is required to elect each nominee for director.

The Board of Directors Recommends a Vote FOR All Nominees.

The Board of Directors nominees for election to the Board, together with information furnished by them with respect to their business experience, and other information regarding them, are set forth below:

Nominee, Age and Five-Year Business Experience	Director Since
PHILIPPE CAMUS, 60; Co-Managing Partner, Société Lagardère, a French media and technology company, since March 1998, and Senior Managing Director, Evercore Partners Inc., an advisory and investment firm, since January 2006; co-Chief Executive Officer of the European Aeronautic Defence & Space Company, an aerospace and defense contractor, from July 2000 to July 2005, New York, New York (1)	2007
JAMIE S. GORELICK, 58; Partner, Wilmer Cutler Pickering Hale and Dorr LLP, an international law firm, since July 2003 (2)	2002
ANDREW GOULD, 62; Chairman and Chief Executive Officer since February 2003 (3)	2002
TONY ISAAC, 67; Retired; Former Chief Executive of The BOC Group plc, an international group with three business segments consisting of Gases and Related Products, Vacuum Technology and Supply Chain Solutions, from September 1999 to October 2006, Surrey, U.K. (4)	2003

NIKOLAY KUDRYAVTSEV, 58; Rector, Moscow Institute of Physics and Technology, since June 1997, Moscow, Russia (5)	2007
ADRIAN LAJOUS, 65; Senior Energy Advisor, McKinsey & Company, Houston, Texas, and President of Petrométrica, an energy consulting company, since January 2001, Mexico City (6)	2002

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Nominee, Age and Five-Year Business Experience	Director Since
MICHAEL E. MARKS, 58; Managing Partner, Riverwood Capital, LLC (formerly Bigwood Capital, LLC), a private equity firm, since March 2007, Palo Alto, California; Senior Advisor of Kohlberg Kravis Roberts & Co., a private equity firm, from January 2007 to January 2008 and Member from January 2006 to January 2007, Menlo Park, California; Chief Executive Officer of Flextronics, an electronics manufacturing services company, from January 1994 to January 2006 and Chairman of the Board from January 2006 to January 2008, Singapore (7)	2005
LEO RAFAEL REIF, 58; Provost, Chief Academic Officer and Chief Budget Officer, Massachusetts Institute of Technology, since August 2005, Head of Electrical Engineering and Computer Science Department, from September 2004 to July 2005, and Associate Department Head for Electrical Engineering, Department of Electrical Engineering and Computer Science from January 1999 to August 2004, Cambridge, Massachusetts	2007
TORE I. SANDVOLD, 61; Chairman, Sandvold Energy AS, an advisory company in the energy business, since September 2002 (8)	2004
HENRI SEYDOUX, 48; Chairman and Chief Executive Officer, Parrot S.A., a global provider of wireless mobile telephone accessories, since June 2003, Paris (9)	N/A
LINDA GILLESPIE STUNTZ, 54; Partner, Stuntz, Davis & Staffier P.C., a law firm, Washington, D.C. (10)	1993

(1) Mr. Camus is Chairman of the Board of Lucent Alcatel, a global communications solutions provider, and a director of Credit Agricole, a banking company, where he is a member of the Audit Committee and Chairman of the Compensation Committee.

(2) Ms. Gorelick is a director of United Technologies Corporation, a provider of high technology products and services, where she serves on its Finance, Compensation and Public Issues Review Committees, and serves on the boards of the John D. and Catherine T. MacArthur Foundation and the Carnegie Endowment for International Peace. She is a member of the Council on Foreign Relations.

(3) Mr. Gould is a director of Rio Tinto plc and Rio Tinto Limited, a mineral resources group, and is Chairman of its Remuneration Committee and a member of its Nominations Committee.

(4) Mr. Isaac is senior independent director of International Power plc, an independent power producer, and serves on its Audit, Remuneration and Appointments Committees; and senior independent director of the Hogg Robinson Group, a corporate travel services company, where he serves on its Remuneration Committee and is Chairman of its Audit Committee.

(5) Mr. Kudryavtsev is a member of the Russian Academy of Sciences and a member of the Council of the Ministry of Education and Science of Russia for Scientific Programs.

(6) Mr. Lajous is a director of Ternium, S.A., a flat and long steel producer headquartered in Luxembourg, and a member of its Audit Committee; a director of Trinity Industries, Inc., a volume producer of freight and tank railcars in the United States and Mexico and serves on its Audit and Finance Committees; a director of Grupo Petroquimico Beta, S.A., a chemicals company in Mexico; and Chairman of Oxford Institute for Energy Studies, Oxford, U.K.

(7) Mr. Marks is a director at SanDisk, a memory products company headquartered in California, and a member of its Compensation and Nominating and Governance Committees; and a director of Sun Microsystems, Inc., a network computing infrastructure product and service company, and a member of its Audit Committee. Mr. Marks also serves on several private company boards.

(8) Mr. Sandvold is a director of Teekay Corporation, a leading provider of international crude oil and petroleum product transportation services, where he is a member of its Nominating and Governance Committee, and also serves on the boards of Lambert Energy Advisory Ltd., E.on Rührgas Norge AS, Energy Policy Foundation of Norway, Stavanger University, NorWind AS and OceanWind.

(9) Mr. Seydoux is a director of Christian Louboutin, Strapmedia, Mobinear and Maison Darre, all private companies located in Paris.

(10)

Mrs. Stuntz is a director of Raytheon Company, a defense technology company, where she serves on its Audit, Nominating and Governance Committees and is Chair of its Public Affairs Committee.

Security Ownership of Certain Beneficial Owners and Management

There are no persons known by the Company to be the beneficial owners of 5% or more of the Company s common stock.

The following lists the shares of Schlumberger common stock beneficially owned as of January 31, 2009 by all directors and nominees, by each of the named executive officers, and by the directors, director nominees and executive officers as a group. Except as footnoted, each individual has sole voting and investment power over the shares listed by that individual s name. As of January 31, 2009, no nominee for director owned more than 1% of the outstanding shares of the Company s common stock. All directors, director nominees and executive officers as a group owned 0.6% of the outstanding shares of the common stock of the Company at January 31, 2009.

Name	Shares
Simon Ayat	378,087(1)
Dalton Boutte	668,553(2)
Philippe Camus	7,000
Jamie S. Gorelick	19,200(3)
Andrew Gould	3,563,158(4)
Tony Isaac	12,000(5)
Nikolay Kudryavtsev	4,000
Adrian Lajous	14,232(6)
Michael E. Marks	22,000(7)
Satish Pai	409,821(8)
Leo Rafael Reif	4,000
Tore I. Sandvold	16,000
Chakib Sbiti	890,568(9)
Henri Seydoux	
Nicolas Seydoux	491,320(10)
Linda Gillespie Stuntz	26,200(11)
All directors, director nominees and executive officers as a group (25 persons)	7,449,984(12)

(1) Includes 282,000 shares which may be acquired by Mr. Ayat within 60 days through the exercise of stock options.

(2) Includes 572,968 shares which may be acquired by Mr. Boutte within 60 days through the exercise of stock options.

(3) Excludes 13,000 shares the receipt of which Ms. Gorelick has deferred under the Stock and Deferral Plan for Non-Employee Directors.

(4) Includes 2,256,430 shares which may be acquired by Mr. Gould within 60 days through the exercise of stock options and 328,908 pledged shares.

(5) Excludes 5,000 shares the receipt of which Mr. Issac has deferred under the Stock and Deferral Plan for Non-Employee Directors.

(6) Held through a limited liability company in which Mr. Lajous has an indirect interest, and excludes 8,000 shares the receipt of which he has deferred under the Stock and Deferral Plan for Non-Employee Directors.

(7) Excludes 2,000 shares the receipt of which Mr. Marks has deferred under the Stock and Deferral Plan for Non-Employee Directors.

(8) Includes 358,619 shares which may be acquired by Mr. Pai within 60 days through the exercise of stock options.

(9) Includes 855,000 shares which may be acquired by Mr. Sbiti within 60 days through the exercise of stock options.

(10) Excludes 30,728 shares owned by Mr. Seydoux s wife, as to which he has no voting and investment power, and includes 200,000 pledged shares.

(11) Includes 6,000 shares as to which Mrs. Stuntz shares voting power and 600 shares owned by a minor child in a trust for which Mrs. Stuntz serves as trustee and excludes 3,400 shares which she deferred under the Stock and Deferral Plan for Non-Employee Directors.

(12) Includes 5,055,667 shares which may be acquired by executive officers as a group within 60 days through the exercise of stock options and excludes 31,490 shares the receipt of which directors have deferred under the Stock and Deferral Plan for Non-Employee Directors.

Section 16(a) Beneficial Ownership Reporting Compliance

The Company believes, based upon a review of the forms filed by its officers and directors, that during 2008 all of its officers and directors filed on a timely basis the reports required to be filed under Section 16(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act), except for a late Form 4 filing by Rodney Nelson reporting shares acquired through a stock option exercise.

Director Stock Ownership Guidelines

The Board believes that ownership of Schlumberger stock by Board members aligns their interests with the interests of the Company s stockholders. Accordingly, the Board has established a guideline that each Board member must, within five years after April 22, 2004 or after joining the Board (whichever is later), own at least 10,000 shares or restricted stock units.

Corporate Governance

Schlumberger is committed to adhering to sound principles of corporate governance and has adopted corporate governance principles that the Board believes promote the effective functioning of the Board, its committees and the Company.

Majority Voting for Directors

Schlumberger s Articles of Incorporation provide that director nominees must be elected at a general meeting of stockholders by a majority of votes cast.

Director Independence

The Board of Directors has determined that each director is independent under the NYSE s listing standards, other than Mr. Gould, who is Chairman and Chief Executive Officer of Schlumberger. In making this determination, the Board affirmatively determined that each independent director has no material relationship with Schlumberger or management, and that none of the express disqualifications contained in the NYSE rules applied to any of them. As contemplated by NYSE rules, the Company has categorical standards to assist the Board in making independence determinations, under which relationships that fall within the categorical standards are not required to be disclosed in the proxy statement and their impact on independence need not be separately discussed. The Board, however, considers all material relationships with each director in making its independence determinations. A relationship falls within the current categorical standards if it:

- Is a type of relationship addressed in Section 303A.02(b) of the NYSE Listed Company Manual, but under those rules does not preclude a determination of independence; or
- Is a type of relationship addressed in Item 404 of Regulation S-K of the Securities and Exchange Commission (the SEC), but under that item does not require disclosure; or
- Consists of charitable contributions by the Company to an organization where a director is an executive officer and does not exceed the greater of $1 million or 2% of the organization s gross revenue in any of the last 3 years.

None of the independent directors has ongoing relationships relevant to an independence determination that were outside the scope of the Board s categorical standards.

Director Nominations

The Nominating and Governance Committee recommends to the Board the number and names of persons to be proposed by the Board for election as directors at the annual general meeting of stockholders. In obtaining the names of possible nominees, the Nominating and Governance Committee makes its own inquiries and will receive suggestions from other directors, management, stockholders and other sources, and its process for evaluating nominees identified in unsolicited recommendations from security holders is the same as its process for unsolicited recommendations from other sources. All potential director nominees must be considered by the Nominating and Governance Committee before being contacted by other Company directors or officers as possible nominees and before having their names formally considered by the full Board. The Nominating and Governance Committee will consider nominees recommended by security holders who meet the eligibility requirements for submitting stockholder proposals for inclusion in the next proxy statement and submit their recommendations in writing to Chair, Nominating and Governance Committee, in care of the Secretary, Schlumberger Limited, 5599 San Felipe, 17th Floor, Houston, Texas 77056 by the deadline for such stockholder proposals referred to at the end of this proxy statement. Unsolicited recommendations must contain all of the information that would be required in a proxy statement soliciting proxies for the election of the candidate as a director, a description of all direct or indirect arrangements or understandings between the recommending security holder and the candidate, all other companies to which the candidate is being recommended as a nominee for director, and a signed consent of the candidate to cooperate with reasonable background checks and personal interviews, and to serve as a director of the Company, if elected.

The Nominating and Governance Committee believes that nominees should, in the judgment of the Board, be persons of integrity and honesty, be able to exercise sound, mature and independent business judgment in the best interests of the stockholders as a whole, be recognized leaders in business or professional activity, have background and experience that will complement those of other board members, be able to actively participate in Board and Committee meetings and related activities, be able to work professionally and effectively with other Board members and Schlumberger management, be available to remain on the Board long enough to make an effective contribution, and have no material relationship with competitors, customers, or other third parties that could present realistic possibilities of conflict of interest or legal issues. The Nominating and Governance Committee also believes that the Board should include appropriate expertise and reflect gender, cultural and geographical diversity.

Meetings of the Board of Directors and its Committees

During 2008, the Board of Directors held six meetings. Schlumberger has an Audit, a Compensation, a Nominating and Governance, a Finance, and a Technology Committee. During 2008, the Audit Committee met five times; the Compensation Committee met five times; the Finance Committee met four times; the Nominating and Governance Committee met four times; and the Technology Committee met twice. All incumbent director nominees attended at least 83% of the aggregate of the meetings of the Board and of the committees of the Board on which such directors served. From time to time between meetings, board and committee members may confer with each other and with management and independent consultants regarding relevant issues, and representatives of management may meet with the independent consultants on behalf of the relevant committee.

Board meetings have historically been held on the third or fourth Thursday of January, April, July and October, and committee meetings have been held on the day before each Board meeting. In 2006, the Board also began meeting on the first Thursday of June without any associated committee meetings to discuss topics of significance, such as business strategy, and to visit company facilities. Additional meetings of the Board are held from time to time as required.

Board Committees

Members of the Committees of the Board of Directors

	Audit Committee	Compensation Committee	Nominating and Governance Committee	Finance Committee	Technology Committee
Philippe Camus	X			X	
Jamie S. Gorelick		X		X*	
Andrew Gould					
Tony Isaac	X*		X	X	
Nikolay Kudryavtsev	X				X
Adrian Lajous	X	X	X		
Michael Marks		X	X		
Didier Primat (1)				X	
Leo Rafael Reif				X	X
Tore I. Sandvold			X		X
Nicolas Seydoux (2)		X	X*		
Linda Gillespie Stuntz		X*	X		

* Chair
(1) Deceased July 2008.
(2) Mr. Seydoux is not standing for re-election.

Audit Committee

The Audit Committee consists of four independent directors who meet the independence and other requirements of the NYSE s listing standards. The Audit Committee assists the Board in its oversight of the integrity of the Company s financial statements, legal and regulatory compliance, the independent registered public accounting firm s qualifications, independence, performance and related matters, and the performance of Schlumberger s internal audit function. The authority and responsibilities of the Audit Committee include the following:

- recommend for stockholder approval the independent registered public accounting firm to audit the accounts of the Company for the year;
- evaluate the independence and qualification of the independent registered public accounting firm;
- review with the independent registered public accounting firm the scope and results of its audit, and any audit problems or difficulties and management s response;
- discuss the Schlumberger annual audited financial statements and quarterly financial statements with management and the independent registered public accounting firm;
- review with management, the internal audit department and the independent registered public accounting firm the adequacy and effectiveness of the Company s disclosure and internal control procedures, including any material changes or deficiencies in such controls;
- discuss with management Schlumberger s risk assessment and risk management policies;
- discuss with management and the independent registered public accounting firm Schlumberger s earnings press releases, as well as the type of financial information and earnings guidance, if any, provided to analysts and rating agencies;
- review Schlumberger s financial reporting and accounting standards and principles, significant changes in such standards or principles or in their application and the key accounting decisions affecting the Company s financial statements;
- set policies for the hiring of employees or former employees of the Company s independent registered public accounting firm;

- review with the internal audit department the status and results of the annual internal audit plan, assessments of the adequacy and effectiveness of internal controls, and the sufficiency of the department s resources;
- establish procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls, or auditing matters, as well as for confidential, anonymous submission by employees, and others, if requested, of concerns regarding questionable accounting or auditing matters; and
- prepare an annual audit committee report for the Schlumberger annual proxy statement.

The independent registered public accounting firm is accountable to the Audit Committee. The Audit Committee pre-approves all engagements, fees and terms for audit and other services provided by the Company s independent registered public accounting firm.

The Board of Directors has determined that Messrs. Camus, Isaac and Lajous, who are independent under applicable NYSE listing standards, are audit committee financial experts as defined by applicable SEC rules. The Audit Committee operates pursuant to a written charter, which is available on the Company s website at www.slb.com/content/about/audit_committee.asp?. Stockholders may also obtain a copy of the charter without charge by writing to the Secretary of the Company at 5599 San Felipe, 17th Floor, Houston, Texas 77056.

Compensation Committee

The Compensation Committee consists of five independent directors who meet the independence requirements of the NYSE s listing standards. The purpose of the Compensation Committee is to assist Schlumberger s Board of Directors in discharging its responsibilities with regard to executive compensation, periodically review non-executive directors compensation, oversee Schlumberger s general compensation philosophy, serve as the administrative committee under Schlumberger s stock plans and prepare the annual Compensation Committee Report required by the rules of the SEC. The authority and responsibilities of the Compensation Committee include the following:

- review and approve the objectives, evaluate the performance, and review and recommend the compensation of the Company s Chief Executive Officer to the full Board meeting in an executive session of independent directors. The Compensation Committee bases its recommendations regarding CEO compensation on:
  - CEO performance in light of those objectives;
  - the Company s financial and business performance, and relative stockholder returns;
  - the CEO s compensation in prior years; and
  - the Company s objective to be competitive with comparable peer group companies;
- review and approve the evaluation process and compensation structure for the Company s executive officers and approve their annual compensation, including salary, annual cash incentive and long-term incentives (sometimes referred to as LTIs);
- select appropriate peer groups against which the Company s executive compensation is compared;
- review incentive compensation and equity based plans, and advise management and the Board of Directors on the design and structure of the Company s compensation and benefits programs and policies and recommend changes to the Board;
- administer and make awards under the Company s stock option plans and review and approve annual stock allocation under those plans;
- monitor trends and best practices in director compensation and stock ownership guidelines and recommend changes to the Board as it deems appropriate in accordance with the Corporate Governance Guidelines;
- monitor and review the Company s overall compensation and benefits program design to ensure continued competitiveness and consistency with established Company compensation philosophy, corporate strategy and objectives and alignment with stockholder interests;
- review and make recommendations to the Board regarding people-related strategies and initiatives, such as recruitment, retention and diversity management;
- establish stock ownership guidelines for executive officers and other key position holders;
- review and discuss with the Company s management the Compensation Discussion and Analysis (CD&A) to be included in the Company s annual proxy statement to stockholders; and
- submit a Compensation Committee Report recommending to the Board that the CD&A be included in the proxy.

The Compensation Committee may delegate specific responsibilities to one or more individual committee members to the extent permitted by law, NYSE listing standards and Schlumberger s governing documents.

The Compensation Committee has retained Towers Perrin as an independent consultant with respect to executive compensation matters. The consultant reports to and acts solely at the direction of the Compensation Committee. Schlumberger management does not direct or oversee the activities of Towers Perrin with respect to the Company s executive compensation program and has not engaged Towers Perrin for any other matter. Towers Perrin prepares compensation surveys for review by the Compensation Committee each October, in advance of the annual executive officer compensation review each January. Towers Perrin works with the Company s human resources function to compare compensation paid to the Company s executive officers with compensation paid for comparable positions at companies included in the surveys. Towers Perrin and the Company s human resources function also compile annual compensation data for each executive officer. The Compensation Committee has also instructed Towers Perrin to prepare an analysis of each named executive officer s compensation. The design and day-to-day administration of all compensation and benefits plans and related policies, as applicable to executive officers and salaried employees, are handled by teams of the Company s human resources, finance and legal department employees.

The Compensation Committee evaluates all elements of executive officer compensation each January, after a review of financial and personal objectives with respect to the prior year s results. The purpose is to determine if any changes in the officer s compensation are appropriate. The CEO does not participate in the Compensation Committee s deliberations with regard to his own compensation. At the Compensation Committee s request, the CEO reviews with the Committee the performance of the other executive officers, but no other executive officer has any input in executive compensation decisions. The Compensation Committee gives substantial weight to the CEO s evaluations and recommendations because he is particularly able to assess the other executive officers performance and contributions to the Company. The Compensation Committee independently determines each executive officer s mix of total direct compensation based on the factors described in Compensation Discussion and Analysis Elements of Compensation Relative Size of Direct Compensation Elements. Early in the calendar year, financial and personal objectives for each executive officer are determined for the current year. The Compensation Committee may, however, review and adjust salaries or grant stock options at other times as the result of new appointments or promotions during the year.

The following table summarizes the approximate timing of significant compensation events:

Event	**Timing**
Establish executive officer financial objective(s)	January of each fiscal year for current year
Establish executive officer personal objectives	Early in the first quarter of the fiscal year for current year
External consultants provide analysis for compensation committee to evaluate executive compensation	October of each year for compensation in the following fiscal year
Evaluate executive performance (achievement of objectives established in previous fiscal year) and recommend compensation based on those results	Results approved in January of each fiscal year for annual cash incentive with respect to prior year. Earned incentive paid in February.
Review and recommend base salary and determine stock option grants	January of each fiscal year for base salary for that year and for stock options to be granted in that year

The Compensation Committee has also retained Towers Perrin as an independent consulting firm with respect to director compensation matters. The consultant reports to and acts at the direction of the Compensation Committee. The consultant prepares an analysis of competitive non-employee director compensation levels and market trends using the same peer groups as those used in the executive compensation review.

The Compensation Committee operates pursuant to a written charter, which is available on the Company s website at www.slb.com/content/about/compensation_committee.asp?. Stockholders may also obtain a copy of the Compensation Committee s charter, without charge, by writing to the Secretary of the Company at 5599 San Felipe, 17th Floor, Houston, Texas, 77056.

Nominating and Governance Committee

The Nominating and Governance Committee is comprised of six independent directors who meet the independence requirements of the NYSE s listing standards. The authority and responsibilities of the Nominating and Governance Committee include the following:

- lead the search for individuals qualified to become members of the Board;
- evaluate the suitability of potential nominees for membership on the Board;
- periodically review the qualifications and criteria taken into consideration in the evaluation of potential nominees for membership on the Board;
- recommend to the Board the number and names of proposed nominees for election as director at the annual meeting of stockholders and, in the case of a vacancy on the Board, the name of an individual to fill the vacancy;
- consider the resignation of a director who has changed his or her principal occupation and inform the Board as to whether or not the Nominating and Governance Committee recommends that the Board accept the resignation;
- review the direct and indirect relationships of members of the Board with the Company or its management and assist the Board with its determination of the independence of its members;
- monitor trends and best practices in corporate governance, periodically review the corporate governance guidelines and recommend changes as it deems appropriate in those guidelines, in the corporate governance provisions of the Company s By-Laws, and in the policies and practices of the Board;
- perform the functions of the Committee under the Company s Policy with respect to Related Person Transactions;
- quarterly review the Company s Ethics and Compliance Program;
- annually review and make recommendations to the Board regarding its process for evaluating the effectiveness of the Board and its committees;
- oversee the annual assessment of Board effectiveness and report to the Board;
- periodically review and make recommendations to the Board regarding new Director orientation and Director continuing education;
- annually recommend to the Board committee membership and chairs, and review periodically with the Board committee rotation practices;
- approve the membership of any executive officer on another listed company s board, and receive timely information from non-employee directors of any new listed company board to which they have been nominated for election as director and of any change in their existing status as director on any other listed company board; and
- advise the Board on succession planning.

The Nominating and Governance Committee operates pursuant to a written charter, which is available on the Company s website at www.slb.com/content/about/nomgov_committee.asp?. Stockholders may also obtain a copy of the charter without charge by writing to the Secretary of the Company at 5599 San Felipe, 17th Floor, Houston, Texas 77056.

Finance Committee

The Finance Committee advises the Board and management on various matters, including dividends, financial policies and the investment and reinvestment of funds. The authority and responsibilities of the Finance Committee include the following:

- recommend investment and derivative guidelines for the cash and currency exposures of the Company and its subsidiaries;

- review the actual and projected financial situation and capital needs of the Company as needed, regarding:
  - the capital structure of the Company, including the respective level of debt and equity, the sources of financing and equity, and the Company s financial ratios and credit rating policy;
  - the Company s dividend policy; and
  - the issuance and repurchase of Company stock;
- review the insurance principles and coverage of the Company and its subsidiaries, as well as financing risks, including those associated with currency and interest rates;
- review the investor relations and stockholder services of the Company;
- review the financial aspects of any acquisitions submitted to the Board and, as delegated to the Finance Committee by the Board, to review and approve any acquisitions covered by such delegation;
- review the administration of the employee benefit plans of the Company and the performance of fiduciary responsibilities of the administrators of the plans; and
- function as the Finance Committee for pension and profit-sharing trusts as required by U.S. law.

The Finance Committee operates pursuant to a written charter, which is available on the Company s website at www.slb.com/content/about/finance_committee.asp?. Stockholders may also obtain a copy of the charter without charge by writing to the Secretary of the Company at 5599 San Felipe, 17th Floor, Houston, Texas 77056.

Technology Committee

The Technology Committee advises the Board and management on various matters, including the following:

- research and development: strategies and priorities; and
- the quality and relevance of programs dealing with scientific research, development, information and manufacturing technology, systems integration and university relationships.

The Technology Committee operates pursuant to a written charter, which is available on the Company s website at www.slb.com/content/about/tech_committee.asp?. Stockholders may also obtain a copy of the charter without charge by writing to the Secretary of the Company at 5599 San Felipe, 17th Floor, Houston, Texas 77056.

Director Presiding at Executive Sessions

The Board of Directors schedules executive sessions without any management members present in conjunction with each regularly scheduled Board meeting, and at the request of a director. Mr. Nicolas Seydoux, Chair of the Nominating and Governance Committee, has presided at these executive sessions of non-management directors.

Stockholder Communication with Board Members

The Board has established a process for interested parties to send communications, other than sales-related communications, to one or more of its members. Any such communication should be sent by letter addressed to any member or members of the Board to whom the communication is directed, in care of the Secretary, Schlumberger Limited, 5599 San Felipe, 17th Floor, Houston, Texas 77056. All such communications will be forwarded to the Board member or members specified.

Director Attendance at Annual General Meeting

The Board s policy regarding director attendance at the Annual General Meeting of Stockholders is that directors are welcome to attend, and that the Company will make all appropriate arrangements for directors that choose to attend. In 2008, no directors attended the Annual General Meeting.

Policies and Procedures for Approval of Related Person Transactions

In January 2007, the Board formally adopted a policy with respect to Related Person Transactions to document procedures pursuant to which such transactions are reviewed, approved or ratified. The policy applies to any transaction in which:

- the Company is a participant;
- any related person has a direct or indirect material interest; and
- the amount involved exceeds $120,000, but excludes any transaction that does not require disclosure under Item 404(a) of Regulation S-K.

The Nominating and Governance Committee, with assistance from the Company s General Counsel, is responsible for reviewing, approving and ratifying any related party transaction. The Nominating and Governance Committee intends to approve only those related person transactions that are in, or are not inconsistent with, the best interests of the Company and its stockholders.

Corporate Governance Guidelines and Code of Ethics

Copies of Schlumberger s Corporate Governance Guidelines and Schlumberger s Code of Ethics are available at the Company s corporate governance website located at www.slb.com/content/about/corpgovernance.asp?. Stockholders may also obtain copies of Schlumberger s Corporate Governance Guidelines and Schlumberger s Code of Ethics without charge by writing to the Secretary of the Company at 5599 San Felipe, 17th Floor, Houston, Texas 77056.

AUDIT COMMITTEE REPORT

During 2008, the Audit Committee periodically reviewed and discussed the Company s financial statements with Company management and the independent registered public accounting firm, PricewaterhouseCoopers LLP, including matters raised by the independent registered public accounting firm pursuant to Statement on Auditing Standards No. 61 (Communication with Audit Committees) and the requirements of the Public Company Accounting Oversight Board. However, as of the filing of this preliminary proxy statement, neither the audit of the financial statements nor the financial reporting are complete and further communication will occur. The Audit Committee will discuss with the Company s management and independent registered public accounting firm the review of the Company s reporting and internal controls undertaken in connection with certifications by the Company s Chief Executive Officer and Chief Financial Officer pursuant to the Sarbanes-Oxley Act of 2002 in certain of the Company s filings with the SEC. The Audit Committee will review and discuss such other matters as it deems appropriate, including the Company s compliance with Section 404 of the Sarbanes-Oxley Act of 2002 and the other provisions of the Sarbanes-Oxley Act of 2002 and rules adopted or proposed to be adopted by the SEC and the NYSE.

The Company s independent registered public accounting firm will provide the Audit Committee with written disclosures required by the Public Company Oversight Board Rule 3526 (Communication with Audit Committees Concerning Independence), and the Committee will discuss PricewaterhouseCoopers LLP s independence with them.

Based on the foregoing review and discussion, and relying on the expected representation of Company management and the expected independent registered public accounting firm s report to the Audit Committee, the Audit Committee is expected to recommend that the Board include the financial statements in the Company s Annual Report on Form 10-K for the year ended December 31, 2008 filed with the SEC when the audits by PricewaterhouseCoopers LLP are complete.

SUBMITTED BY THE AUDIT COMMITTEE OF THE SCHLUMBERGER

BOARD OF DIRECTORS

Philippe Camus	Nikolay Kudryavtsev
Tony Isaac, Chair	Adrian Lajous

COMPENSATION DISCUSSION AND ANALYSIS

The following Compensation Discussion and Analysis (CD&A) describes Schlumberger s compensation policies and practices as they relate to the executive officers identified in the Summary Compensation Table below (the named executive officers) and the other executive officers. The purpose of the CD&A is to explain what the elements of compensation are; why the Compensation Committee selects these elements; and how the Compensation Committee determines the relative size of each element of compensation.

Executive Compensation Philosophy

Schlumberger s longstanding compensation philosophy is to compensate senior executives and professional-level employees for demonstrable performance against goals that have been objectively set and measured. It is driven by the need to recruit, develop, motivate and retain top talent both in the short-term and long-term and to support the Company s values in the areas of people, technology and profitability. Promotion from within is a key principle at Schlumberger, and all executive officers, including the named executive officers, have reached their current positions through career development in the Company. Diversity is a very important part of Schlumberger s cultural philosophy, and Schlumberger believes its use of similar compensation packages at all levels is a strong factor in Schlumberger s success with diversity.

In general, the same compensation philosophy is applied to all levels of exempt employees (usually employees in professional-level jobs), including the named executive officers. While the amounts of compensation may be different, each of the components of an exempt employee s compensation package is the same and is applied using broadly the same methodology, which is described below. Exceptions to this principle are generally due to local (i.e., country-specific) requirements. Schlumberger compensation programs have been designed to ensure that the higher an executive s position in the Company, the larger the proportion of compensation at risk and subject to performance criteria aligned with creating return for stockholders. Named executive officers receive a greater percentage of their compensation through at-risk pay tied to Company performance than other executives.

Employees globally (including named executive officers) are included in an annual objectives-setting process and review, and their performance against these objectives determines the compensation they receive. Other factors affecting compensation include:

- annual Company performance;
- the job s impact on Company results;
- the Company s objective to be competitive with selected companies in the oil services, exploration and production, refining and pipeline industries and with other selected companies of comparable size and scope, known as the comparator or peer groups; and
- leadership, management and technical expertise, performance history, complexity of the position and responsibilities, growth potential, reporting structure and internal pay equity.

Named executive officers receive the same benefits as other employees. As is the case with compensation, any differences are generally due to local requirements. In line with this philosophy, named executive officers receive minimal perquisites and have no employment agreements, golden parachutes or change in control agreements. In the event of a change in control, the only compensation and benefits changes for all employees are full vesting in any unexercised stock options and restricted stock units and full vesting in any account balance under the supplemental retirement savings plan. Change in control with regard to stock options is described more fully under the section Change in Control in the narrative following the Nonqualified Deferred Compensation table. Although Schlumberger s stock plans provide that any restricted stock or restricted stock units (RSUs) granted to executive officers must be performance-based, it has not been Schlumberger s practice to award RSUs to executive officers.

Goals of Executive Compensation

In establishing executive compensation, Schlumberger believes that:

- compensation and benefits should be competitive with peer companies that compete with the Company for business opportunities and/or executive talent;

- annual cash incentive and stock option awards should reflect progress toward Company-wide financial and personal objectives and should balance rewards for short-term and long-term performance;
- the Company s policies should encourage appropriate executive stock ownership through stock option awards and stock ownership guidelines in order to align the interests of its executive officers with those of its other stockholders; and
- the overall executive compensation package should enable Schlumberger to attract, motivate and retain talented executive officers.

In years of average Company performance the Compensation Committee generally deems it appropriate to position the compensation of executive officer jobs at or around the median of the market for a comparable position. This means that the package remains competitive enough to attract and retain top talent but does not over-reward average performance. Compensation is set between the 50th and 75th percentiles or higher for exceptional business performance, for key skills in critical demand, and for positions that are of high internal value. In exceptional circumstances, the Company pays above the 75th percentile for performance that significantly exceeds the Company s and the individual s goals for purposes of motivation, reward and retention.

2008 Summary

As a result of a decrease in profitability in the fourth quarter of 2008 due to the global financial crisis, reduced exploration & production budgets and lower spending by customers, as well as the more difficult business outlook for 2009, base salaries for the named executive officers were frozen for 2009, pay-out for the financial part of their 2008 annual cash incentive was zero, and the value of the 2009 stock option grants awarded to them was reduced by approximately 20% in comparison with their 2008 grants.

Management of Executive Compensation

The Schlumberger executive compensation program is managed by the Compensation Committee. The specific duties and responsibilities of the Compensation Committee are described in this proxy statement under Corporate Governance Board Committees Compensation Committee above.

Role of Compensation Consultant

The Compensation Committee has engaged the independent consulting firm of Towers Perrin with respect to executive compensation matters. Towers Perrin does no other work for Schlumberger. For more information on this engagement, see Corporate Governance Board Committees Compensation Committee above.

Elements of Compensation

General

Schlumberger s executive compensation program consists of three primary elements:

- base salary;
- performance-based annual cash incentive; and

long-term equity incentives (only stock option awards for executive officers).

These elements allow the Company to remain competitive in attracting and retaining executive talent, and to motivate executives with current and potential future financial rewards. At the same time, this relatively simple compensation plan can be applied and communicated to exempt employees of over 140 nationalities working in approximately 80 countries globally. Schlumberger sees diversity of its work force as a business imperative enabling the Company to provide services to clients anywhere in the world.

Relative Size of Direct Compensation Elements

In setting executive compensation, the Compensation Committee considers the total compensation that it wishes to pay to an executive officer based on the factors described in this CD&A, as well as the form of the compensation as discussed below. The Committee aims to achieve the appropriate balance between immediate cash rewards and long-term financial incentives for the achievement of both annual and long-term financial and non-financial objectives.

The pie charts below show the average percentage of 2008 base salary, cash incentive and long-term equity incentive (LTI) award for the named executive officer positions in comparison with the two external peer groups described below, and indicate that Schlumberger s current pay mix is very close to that of both peer groups. This table is based on compensation data as it appears in the consultant s September 2008 report.

The Committee relies on its own judgment in making compensation decisions for the named executive officers after reviewing the size and mix of the compensation elements for executive officers against those of companies in the comparator groups. The size and mix of each element in total direct compensation is based on:

- job impact on the Company;
- overall Company and individual performance;
- external market practice; and
- the recommendations of the CEO (except for his own compensation).

The level of incentive compensation typically increases in relation to an executive officer s increased responsibilities. This is because the more senior the job, the more the executive officer can affect Company results either positively or negatively, with a corresponding effect on his or her own compensation package. The Compensation Committee believes that making a significant portion of an executive officer s compensation contingent on positive annual results and positive stock price performance, described as at risk compensation, more closely aligns an executive officer s interests with those of the stockholder. If the stockholder gains, the executive officer also gains, and vice-versa.

The Compensation Committee does not aim to achieve a specific target of cash versus equity-based compensation or annual versus long-term incentive compensation. Instead, the Committee relies on the processes described in this CD&A to determine the appropriate levels for each element of compensation.

The Compensation Committee may at its discretion modify the mix of base, annual and long-term incentives or otherwise adjust the total compensation to best fit an executive officer s specific circumstances. For example, the Committee may award more cash and not award a stock option grant to an executive officer approaching retirement. This provides more flexibility to the Committee to reward executive officers appropriately as they near retirement, when they may only be able to partially fulfill the five-year vesting required for stock options. The Committee may also increase the size of stock option grants to an executive officer if the total number of career stock option grants does not adequately reflect the executive s current position with the Company.

Selection of Comparator Companies

The Compensation Committee annually approves the companies used in the executive compensation analysis based on surveys conducted by Towers Perrin. The surveys are based on criteria established and provided by the Committee, which include:

- competition in the oilfield services industry;
- global presence and scope of international operations;
- competition for executive talent;
- leadership position in the oil and gas sector; and
- comparable revenues.

To prepare for the compensation analysis, the Company s human resources function works with the executive compensation consultants to match Company positions and responsibilities against survey positions and responsibilities and to compile the annual compensation data for each executive officer.

While the comparator market data provide guidance in making decisions on executive compensation, the Compensation Committee does not set compensation based on market data alone. The Committee also considers the value of an executive officer s position to the Company and the market demand for those skills.

Two peer groups are used for the compensation analysis. The first peer group currently comprises 30 companies in the oil services, exploration and production, refining and pipeline industries, including 10 direct competitors in the oilfield services industry, all of which are part of Value Line s Oilfield Services Industry Group. Nine international energy and energy-related companies that also meet the established criteria are included in this peer group, reflecting the Company s international operations. Although Schlumberger is an oilfield services company, the Compensation Committee decided that it is important to include oil exploration and production companies in the survey as they compete with Schlumberger for talent. Also, since Schlumberger is significantly larger than many of its direct competitors in the oilfield services industry, the addition of the exploration & production companies provides a more complete comparator group.

Because the revenue of these companies varies significantly, Towers Perrin uses regression analysis to adjust the data and make it possible to include both larger and smaller companies in the peer group. Regression analysis is a statistical tool for examining the relationship between two or more variables, in this case, compensation and company scope as measured by revenue.

OIL INDUSTRY PEER GROUP: Oil services, E&P, refining and pipeline				
Anadarko Petroleum	Baker Hughes	BG Group	BHP Billiton	BJ Services
BP	Cameron International	Canadian Natural Resources	Chevron	CITGO
ConocoPhillips	ENI, SPA	Exxon Mobil	Halliburton	Hess
Marathon Oil	Murphy Oil	Nabors Industries	Noble	Occidental Petroleum
Parker Drilling	Repsol	Royal Dutch Shell	Smith International	Sunoco
Statoil Hydro	Total	Transocean	Valero	Weatherford

Schlumberger uses a second general industry peer group to provide data from similarly-sized companies and supplement the data from the oil group, whose companies are closest to Schlumberger in industry type but have widely varying revenue sizes. Like the first comparator group, this second group also includes non-US companies. The Committee also considers data from the second peer group as it deems necessary or advisable insofar as data from the first peer group may not exist, or may be insufficient, for some executive officer positions. The second group is also particularly relevant for staff positions.

In 2007, the general industry peer group included 50 companies with revenues from $10-$30 billion and a median revenue of $17.7 billion. As Schlumberger s total revenue for 2007 grew to $23.3 billion, the Compensation Committee decided that it was appropriate in 2008 to alter the revenue range to include companies with revenues from $15-$40 billion, of which there were 38. The median revenue of this revised group was $23.3 billion. Prior to the change, Schlumberger s revenue ranked at approximately the 79th percentile of the group, which was considered high in the range. After the change, Schlumberger was placed at approximately the 62nd percentile in terms of revenue, which was considered to be a better position in the range. Excluded from this peer group are companies from industry sectors that do not have a global presence and are least comparable to Schlumberger s areas of focus, such as companies in retail and financial services.

GENERAL INDUSTRY PEER GROUP: $15B to $40B sales with technical and global focus				
3M	Abbot Laboratories	Accenture	Alcatel-Lucent	Alcoa
Apple	BAE Systems	Bayer	Bristol-Myers Squibb	Canon
Cisco Systems	DuPont	EDS	Eli Lilly	Emerson Electric
Freeport-McMoran Copper & Gold	Goodyear Tire & Rubber	Henkel	Honeywell	Intel
International Paper	Kimberly-Clark	Phillips Electronics	Lenovo	Merck
Motorola	NIKE	Novartis	Oracle	Rio Tinto
SCA	Schneider Electric	Tech Data	Unilever	US Steel
Whirlpool	Wyeth	Xerox		

Apart from the change to the general industry revenue range, the Compensation Committee decided to retain the same peer group criteria as in the previous year in order to provide a stable basis for comparison. Even if the peer group criteria do not change, the companies included in these peer groups may vary from year to year depending on companies participation in salary surveys and the quality of available compensation data.

Internal Pay Equity

A review of internal pay equity was carried out and was discussed by the Compensation Committee at its October 2008 meeting. The Committee reviewed the CEO position in relation to the other named executive officers positions and concluded that in view of the breadth and complexity of the position, its impact on Company performance in comparison with the other named executive officer positions, and the extensive experience of the CEO, internal pay differences were equitable.

Pay-for-Performance

In July 2008, the Compensation Committee completed a review of the 2008 compensation elements of executive officers, including the named executive officers, in comparison with both peer groups. In order to specifically focus on pay-for-performance, the Committee reviewed the average percentage of annual incentive paid to Schlumberger s executive officers in 2008 for 2007 performance as a percentage of their target incentive, in comparison with the percentage of Schlumberger s 2007 revenue and net income growth. The Committee then compared Schlumberger s data to similar data for oil industry peer group companies as provided by Towers Perrin. In making this comparison, the Compensation Committee reviewed the position of Schlumberger s CEO against other CEOs in the oil industry peer group. It then separately reviewed all other executive officers including the named executive officers against other executive officers in the oil industry peer group. As a result of this review, the Compensation Committee concluded that Schlumberger s pay practices were aligned with its pay-for-performance philosophy.

Cash Compensation

Base Salary

Base salary is the fixed portion of an executive s annual cash compensation. The fact that base salary is fixed means that the executive officer has some stability of income when the other compensation elements are variable and not guaranteed. On appointment to an executive officer position, the base salary is set at a level competitive with base salaries in the two peer groups and takes into account factors such as the performance, experience and long-term potential of the individual as well as internal pay equity and Company performance. This means typically that base salary is set between the median and the 75th percentile of both peer groups.

Base salaries for each executive officer position are compared annually with similar jobs in both peer groups. A base salary change for an executive officer, except the Chief Executive Officer, is both recommended by the CEO and approved by the Compensation Committee according to:

- market movement of salaries in the peer groups;
- comparison to internal peer positions;
- the Company s performance during the year relative to the previous year and to its market peers; and
- overall performance against objectives.

The base salary of the CEO is reviewed and recommended by the Compensation Committee in executive session for approval by the independent members of the Board of Directors based on the same criteria as above.

A base salary for an executive position is generally fixed for several years, which means that increases are usually more significant when they occur. Less frequent changes of base salary also put more emphasis on the at-risk, or variable, portion of compensation, namely annual cash incentive and stock options. If business or individual performance is below target, the Compensation Committee has the discretion to award no base salary increase as is described further below.

The Compensation Committee may, on occasion, adjust an executive officer s base salary during the year when the executive officer is promoted or if there is a significant change in his or her responsibilities. In this situation, the CEO (in the case of executive officers other than himself) and the Compensation Committee carefully consider new responsibilities, external pay practices, retention considerations and internal pay equity, as well as past performance and experience.

There are occasions when a base salary may be reduced such as when an executive officer moves to a position of lesser responsibility in the organization. Alternatively, the base salary can be frozen for a number of years until it falls in line with comparable positions in the peer groups. This depends on individual situations.

As explained in 2008 Summary above in this CD&A, the Compensation Committee decided in January 2009 that due to the difficult global business and Company specific operating conditions, it was not appropriate to award the named executive officers base salary increases for 2009. Prior to making this decision, the Compensation Committee reviewed, in October 2008, each of the compensation elements of the named executive officers as well as their total direct compensation against the corresponding benchmark positions of the oil industry and the general industry peer groups. The Committee decided that in view of decreased profitability for 2008, the uncertain outlook for 2009 and the fact that the base salaries for all named executive officers were above the 50th percentile of both peer groups, no base salary increases would be awarded to any of the named executive officers for 2009.

Annual Cash Incentive

The Company pays performance-based bonuses to named executive officers to foster a results-driven, pay for performance culture and to align their interests with those of Schlumberger s stockholders. The Compensation Committee selects performance-based measures which it believes will motivate an executive to increase operating results in the short-term as well as to drive profitable long-term Company growth and value for the stockholders.

The annual cash incentive for executive officers ranges from 0% to 60% to 0% to 100% of base salary, depending on the position. Half of the potential range is based on the satisfactory completion of personal objectives and the other half of the potential range is based on the achievement of Company financial objectives, which is described below in 2008 Annual Incentive . The incentive is performance-based and is paid out in February according to the achievement of both personal and financial objectives during the previous fiscal year.

The financial half of the incentive has an incremental financial element, which can double the payout on achievement of superior financial results. This enhanced incentive is only applied to operations and staff positions reporting to the CEO, to positions reporting to executive officers and to certain categories of operations and staff positions that have a significant impact on the Company s success. The Compensation Committee reviews and recommends to the full Board the financial objectives for both the CEO and the other executive officers. The Committee approves the personal objectives for the CEO and assesses his performance against those objectives in determining the actual level of the annual cash incentive award, which is approved by the Board. The CEO approves the personal objectives for the other executive officers, including the other named executive officers, and the Committee reviews and approves the results. The half of the incentive based on personal objectives has no incremental element.

2008 Annual Incentive

In 2008, the financial half of the annual cash incentive for all executive officers was based on earnings per share goals.

Earnings per share (EPS) was selected as the most appropriate measure upon which to base the financial portion of the annual cash incentive because it is currently the metric that Schlumberger believes is most widely used by investors and analysts to evaluate the performance of Schlumberger. (The Compensation Committee has the discretion to decide whether to take into account the effect of unusual charges or gains on EPS depending on the nature of the item.)

The process used to set these EPS targets starts with a review of plans and projections following bottom-up planning from the field which looks at factors including:

- activity growth as measured by the number of rigs;
- pricing;
- exploration and production (E&P) spending; and
- introduction of new technology.

Taking into account all of the above, together with Schlumberger s leadership position in the oilfield services industry, management set aggressive EPS objectives for 2008, which were approved by the Compensation Committee, to exceed the average expected growth of the industry. These objectives provided the opportunity to increase the financial half of the incentive from 100% to 300% of the incentive potential for those eligible. No incentive would be paid if the minimum EPS target was not met.

In order for 100% of the financial incentive to be paid in 2009 for goals set in early 2008, the EPS achieved had to be at least \$4.80. An EPS of at least \$4.96 was needed to achieve 200% of the financial incentive, and \$5.16 was necessary to achieve the maximum 300% level. An EPS of at least \$4.60 was needed to trigger an 80% financial incentive payment and below that no financial annual incentive would be paid. If the EPS result achieved was between two targets, then the financial incentive payment would be pro-rated.

For 2008, EPS achieved was \$4.42, resulting in zero incentive payment. This result was a consequence of the current difficult global economic conditions, which have reduced worldwide demand for energy, significantly lowered crude oil and natural gas prices and led to client curtailment of spending.

The second half of the incentive is related to personal objectives that are specific to each executive officer position and may relate to:

- technology or geographical profitability or revenue growth;
- new technology introduction and market penetration;
- acquisitions or divestitures;
- non-financial goals that are important to the Company s success, including:
  - people-related objectives such as retention and diversity;
  - ethics and compliance;
  - safety objectives; and
- any other business priority.

In 2008, all of the named executive officers, with the exception of Mr. Ayat, had objectives regarding people. These included objectives on the retention of key populations, diversity, compensation management and the development of specific competencies. These were mostly achieved. The same named executive officers had objectives on strategic business development with regard to particular product offerings and geographic areas, which they completed to a significant extent. Messrs. Sbiti and Pai also had objectives on safety, which were partially achieved.

Messrs. Gould and Ayat had objectives relating to acquisitions, which were largely achieved, including the acquisition of Saxon Energy Services Inc. Additionally, Mr. Gould had objectives on business projects, which among other things, resulted in an alliance between Schlumberger and Gazprom.

Messrs. Gould and Sbiti had objectives relating to research, development and manufacturing, which covered a number of aspects including quality and geographic capability, and were partly achieved. Messrs. Sbiti and Pai had additional objectives on quality in field operations and cost management, which were mostly completed.

Mr. Ayat had additional objectives including currency management and a review of deferred benefit programs, which he achieved.

The award for the personal half of the objectives was based on the specific results each named executive officer achieved.

Total Cash Compensation

Cash compensation comprises base salary and annual cash incentive. Typically the higher the job is in the management hierarchy, the smaller the base salary as a percentage of total compensation. In other words, the greater the job s impact on Company results, the larger the variable portion of compensation as a percentage of total compensation.

2008 Annual Incentive as a Percentage of Base Salary

Name	Total Incentive Range Eligibility	Financial Half Incentive Eligibility	Financial Half Incentive Achieved	Personal Half Incentive Eligibility	Personal Half Incentive Achieved	Total Incentive as a % of Base Salary
A. Gould	0-100	50	0	50	45	45
S. Ayat	0-100	50	0	50	42	42
C. Sbiti	0-100	50	0	50	43	43
D. Boutte	0-100	50	0	50	42	42
S. Pai	0-75	37.5	0	37.5	32	32

Long-Term Incentives

Stock Options

Stock options are a vital piece of the Company s total compensation package and are designed to give high-value employees, including named executive officers, a longer-term stake in the Company, provide incentives for future performance, act as a long-term retention tool and align employee and stockholder interests. Schlumberger currently uses stock options as its sole long-term incentive for executive officers as it believes that they align employee incentives with stockholders interests. This is because options only have value if the stock price increases over time. Since a financial gain from stock options is possible only after the price of the common stock has increased, the Company believes that grants of stock options motivate executives and other employees towards behavior and activities that benefit all stockholders.

Stock Option Granting Process

The Compensation Committee is responsible for option grants under Schlumberger s stock option and incentive plans. The Committee approves a budget for stock option grants for the following year at each October Compensation Committee meeting. Management determines the allocation for groups within the Company and individual recommendations are made by the heads of the groups and approved by the CEO. The Compensation Committee approves and grants all stock option awards, paying particular attention to executive officer awards, which are recommended by the CEO, except for his own. Awards for executive officers other than the CEO are granted by the Compensation Committee and discussed with the Board of Directors. Awards for the CEO are granted by the Committee following approval by the full Board.

The regular Board of Directors and Compensation Committee meeting schedule is set at least a year in advance with Board meetings held quarterly, on the third or fourth Thursday of January, April, July and October, and the committee meetings held the day before each Board meeting. The timing of these committee meetings is not determined by executive officers and is usually two days in advance of the Company s announcement of earnings. The Compensation Committee sets the grant date as the day of the Board meeting. The Company does not time the release of material non-public information for the purpose of affecting the values of executive compensation. At the time of making stock option grant decisions, the Compensation Committee is aware of the earnings results and takes them into account, but it does not adjust the size of grants to reflect possible market reaction. Generally, annual stock option grants are made at the January meeting of the Compensation Committee, although specific grants may be made at other regular meetings to recognize the promotion of an employee, a change in responsibility or a specific achievement. It is Schlumberger s policy to make awards to executive officers and other employees at the same time.

The exercise price for all stock options granted to executive officers and other employees is the average of the high and low trading price of the Schlumberger common stock on the NYSE on the date of grant, which has been the practice for many years. The potential gain with any increase in stock price is the same as the stockholders gain.

Stock options have five-year ratable vesting, except for those granted to employees in France, which have four-year cliff vesting (meaning that all of those options vest at a single point in time). Stock options are awarded to employees in professional-level jobs, but each general grant typically includes fewer than 10% of this population. The selection process for employees recommended for a grant is the same for all employees and is based on management s decision regarding the performance and potential of each individual, the individual s success in achieving both financial and personal objectives and the desire to retain key employees while motivating future exceptional performance. The list of recommendations to the Compensation Committee is reviewed through the Executive Vice President of each operating group and is approved by the Vice President of Personnel and the CEO.

Important Factors in Understanding Schlumberger s Use of Stock Options

The Company s stock option plans do not permit the following:

- granting of stock options at a price below the fair market value on the grant date;
- repricing, or reducing the exercise price of a stock option;
- substituting a new option grant with an exercise price lower than the exercise price of an outstanding option grant;
- providing grants with a reload vehicle; or
- acceleration of vesting upon retirement.

Executive Stock Ownership Guidelines

The Compensation Committee and management believe strongly in linking executive long-term rewards to stockholder value. As a result, the Committee has established the following stock ownership guidelines applicable to executive officers and other key position holders.

Title	Stock Ownership Guidelines
CEO	5 times base salary
Executive Vice President	3 times base salary
Other Officers	1.5 times base salary
Key Staff Positions	1 times base salary

Each executive covered by the guidelines must hold in shares at least 30% of their entire gain on the stock option exercise for a period of six months. Those who do not meet the guidelines after the six-month period must continue to hold the shares until the guidelines are met. There is no specified timeline to achieve the guidelines, as many of the executives do not exercise their stock options until the later part of their option term.

The stock ownership guidelines also specify that any individual covered by this policy may not purchase, sell or enter into any other market transactions with respect to Schlumberger stock during any blackout period. A blackout period usually applies from the beginning of the first day following the last month of each fiscal quarter (January, April, July and October 1 of each year) up to and including two full trading days after the public release of Schlumberger s quarterly or annual financial results. In addition to the regularly scheduled blackout periods, Schlumberger may impose additional blackout periods during which there may exist material non-public information about Schlumberger, such as major acquisitions and divestitures.

Prohibition on Speculation in Schlumberger Stock

Schlumberger s stock ownership guidelines prohibit executives from speculating in the Company s stock, which includes, but is not limited to, short selling (profiting if the market price of the common stock decreases); buying or selling publicly traded options, including writing covered calls; and hedging or any other type of derivative arrangement that has a similar economic effect.

Stock Options Granted to Executive Officers with Respect to 2008 Performance

The Compensation Committee makes grants of stock options to reward prior performance but also to retain executive officers and provide incentives for future exceptional performance. The size of a stock option grant increases with the level of position, and for the CEO is typically the largest element of the total compensation package. In determining the number, if any, of stock options granted to executive officers, the Compensation Committee considers numerous factors, including:

the Company s financial and operating performance during the relevant period;

achievement of non-financial goals;

the executive officer s tom:2px;">
906,337

Issuance of common shares, net of issuance costs	—	—	(155)	—	—	—	(155)
Redemption of OP unit holders	—	—	—	(594)	—	(914)	(1,508)
Share-based compensation and other expense, net of shares withheld for employee taxes	—	—	876	—	—	—	876
Dividends declared to common shareholders	—	—	—	(33,278)	—	—	(33,278)
Dividends declared to preferred shareholders	—	—	—	(3,350)	—	—	(3,350)
Distributions declared to noncontrolling interests	—	—	—	—	—	(823)	(823)
Dividends declared to deferred shares	—	—	—	(184)	—	—	(184)
Other comprehensive income adjustment	—	—	—	—	(6,828)	(169)	(6,997)
Net income	—	—	—	39,206	—	956	40,162
Balance, June 30, 2016	$ 92,427	$792	$1,157,066	$(362,137)	$(8,232)	$21,164	$901,080

The accompanying notes are an integral part of these condensed consolidated financial statements.

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RAMCO GERSHENSON PROPERTIES TRUST
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30,	
	2016	2015
OPERATING ACTIVITIES		
Net income	$40,162	$17,233
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	46,561	41,483
Amortization of deferred financing fees	754	664
Income tax provision	101	277
Earnings from unconsolidated joint ventures	(218)	(2,995)
Distributions received from operations of unconsolidated joint ventures	268	901
Provision for impairment	—	2,521
Gain on extinguishment of debt	—	(1,387)
Other gain on unconsolidated joint ventures	(215)	—
Gain on sale of real estate	(26,324)	(3,469)
Amortization of premium on mortgages, net	(910)	(806)
Share-based compensation expense	1,325	1,082
Long-term incentive cash compensation expense	915	720
Changes in assets and liabilities:		
Accounts receivable, net	1,851	(817)
Acquired lease intangibles and other assets, net	(876)	(352)
Accounts payable, acquired lease intangibles and other liabilities	(9,475)	(10,872)
Net cash provided by operating activities	53,919	44,183
INVESTING ACTIVITIES		
Acquisition of real estate	—	(12,097)
Development and capital improvements	(30,872)	(24,034)
Net proceeds from sales of real estate	68,546	16,106
Distributions from sale of joint venture property	1,304	8,173
Increase (decrease) in restricted cash	923	(1,223)
Net cash provided by (used in) investing activities	39,901	(13,075)
FINANCING ACTIVITIES		
Repayment of mortgages and notes payable	(22,411)	(20,343)
Net (repayments) proceeds on revolving credit facility	(34,000)	7,000
Payment of deferred financing costs	(386)	(204)
Proceeds, net of costs, from issuance of common stock	(155)	17,125
Repayment of capitalized lease obligation	—	(680)
Redemption of operating partnership units for cash	(1,508)	(40)
Preferred share conversion costs	—	(500)
Dividends paid to preferred shareholders	(3,350)	(3,625)
Dividends paid to common shareholders	(33,462)	(31,346)
Distributions paid to operating partnership unit holders	(823)	(898)
Net cash used in financing activities	(96,095)	(33,511)

Net change in cash and cash equivalents	(2,275)	(2,403)
Cash and cash equivalents at beginning of period	6,644	9,335
Cash and cash equivalents at end of period	$4,369	$6,932
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest (net of capitalized interest of $402 and $488 in 2016 and 2015, respectively)	$23,216	$21,185
Cash paid for federal income taxes	$—	$—

The accompanying notes are an integral part of these condensed consolidated financial statements.

RAMCO-GERSHENSON PROPERTIES TRUST
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Organization and Basis of Presentations

Organization

Ramco-Gershenson Properties Trust, together with its subsidiaries (the “Company” or "RPT"), is a real estate investment trust (“REIT”) engaged in the business of owning, developing, redeveloping, acquiring, managing and leasing large multi-anchored shopping centers primarily in a number of the largest metropolitan markets in the central United States. As of June 30, 2016, our property portfolio consisted of 66 wholly owned shopping centers and one office building comprising approximately 14.7 million square feet. We also have ownership interests, ranging from 7% to 30%, in three joint ventures. Our joint ventures are reported using equity method accounting. We earn fees from the joint ventures for managing, leasing and redeveloping the shopping centers they own. In addition, we own interests in several land parcels that are available for development or sale. Most of our properties are anchored by supermarkets and/or national chain stores. Our credit risk, therefore, is concentrated in the retail industry.

Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts of the Company and our majority owned subsidiary, the Operating Partnership, Ramco-Gershenson Properties, L.P. (the "OP") (97.7% owned by the Company at June 30, 2016 and 97.6% owned by the Company at December 31, 2015), and all wholly-owned subsidiaries, including entities in which we have a controlling financial interest. During the first quarter of 2016 we adopted Accounting Standards Update (“ASU”) No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis. The Company evaluated the application of ASU No. 2015-02 and concluded that no change was required to its accounting of its interests in less than wholly owned joint ventures, however, the Operating Partnership now meets the criteria as a variable interest entity. The Company’s significant asset is its investment in the Operating Partnership, and consequently, substantially all of our assets and liabilities represent those assets and liabilities of the Operating Partnership.

We have elected to be a REIT for federal income tax purposes. All intercompany balances and transactions have been eliminated in consolidation. The information furnished is unaudited and reflects all adjustments which are, in the opinion of management, necessary to reflect a fair statement of the results for the interim periods presented, and all such adjustments are of a normal recurring nature. These condensed consolidated financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2015.

The preparation of our unaudited financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management of the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited financial statements and the reported amounts of revenues and expenses during the reporting period. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and reported amounts that are not readily apparent from other sources. Actual results could differ from those estimates.

Reclassifications and Revisions

Certain reclassifications of prior period amounts have been made in the condensed consolidated financial statements and footnotes in order to conform to the current presentation.

In previously filed quarterly reports, the Company incorrectly calculated comprehensive income attributable to noncontrolling interest. Accordingly, the Condensed Consolidated Statements of Comprehensive Income have been revised. The revision resulted in a decrease to previously reported comprehensive income attributable to RPT as follows:

	Three Months Ended	Six Months Ended
	June 30, 2015	
	(in thousands)	
Comprehensive (income) loss attributable to non controlling interest as previously reported	$(31)	$10
Comprehensive income attributable to non controlling interest as revised	$(231)	$(466)
Comprehensive income attributable to RPT as previously reported	$8,408	$16,928
Comprehensive income attributable to RPT as revised	$8,208	$16,452

There was no impact to the Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Operations, Condensed Consolidated Statements of Shareholders' Equity or to the Company's cash position resulting from this revision.

Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") updated Accounting Standards Codification ("ASC") Topic 326 "Financial Instruments - Credit Losses" with 2016-13 "Measurement of Credit Losses on Financial Instruments." ASU 2016-13 enhances the methodology of measuring expected credit losses to include the use of forward-looking information to better inform credit loss estimates. ASU 2016-13 is effective for annual periods (including interim periods within those periods) beginning after December 15, 2019. We are currently evaluating the guidance and have not determined the impact this standard may have on our consolidated financial statements.

In March 2016, the FASB updated ASC Topic 718 "Compensation - Stock Compensation" with ASU 2016-09 "Improvements to Employee Share-Based Payment Accounting". ASU 2016-09 simplifies several aspects of share-based payment award transactions, including tax consequences, classification of awards and the classification on the statement of cash flows. ASU 2016-09 is effective for annual periods (including interim periods within those periods) beginning after December 15, 2016. Early adoption is permitted. We are currently evaluating the guidance and have not determined the impact this standard may have on our consolidated financial statements.

In February 2016, the FASB updated ASC Topic 842 "Leases." In ASU 2016-02, which requires lessees to record operating and financing leases as assets and liabilities on the balance sheet and lessors to expense costs that are not direct leasing costs. ASU 2016-02 is effective for periods beginning after December 15, 2018, with early adoption permitted upon issuance using a modified retrospective approach. We are currently evaluating the effect that ASU 2016-02 will have on our consolidated financial statements and related disclosures.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. ASU 2014-09 is a comprehensive revenue recognition standard that will supersede nearly all existing GAAP revenue recognition guidance as well as impact the existing GAAP guidance governing the sale of nonfinancial assets. The standard's core principle is that a company will recognize revenue when it satisfies performance obligations, by transferring promised goods or services to customers, in an amount that reflects the consideration to which the company expects to be entitled in exchange for fulfilling those performance obligations. In doing so, companies will need to exercise more judgment and make more estimates than under existing GAAP guidance. ASU 2014-09 will be effective for public entities for annual and interim reporting periods beginning after December 15, 2017 and early adoption is permitted in periods ending after December 15, 2016. We have not yet selected a transition method nor have we determined the effect of ASU 2014-09 on our consolidated financial statements.

2. Real Estate

Included in our net real estate assets are income producing properties that are recorded at cost less accumulated depreciation and amortization, construction in process and land available for development or sale.

We review our investment in real estate, including any related intangible assets, for impairment on a property-by-property basis whenever events or changes in circumstances indicate that the carrying value of the property may not be recoverable. These changes in circumstances include, but are not limited to, changes in occupancy, rental rates, tenant sales, net operating income, geographic location, real estate values and expected holding period.

Land available for development or sale includes real estate projects where vertical construction has yet to commence, but which have been identified by us and are available for future development when market conditions dictate the demand for a new shopping center. The viability of all projects under construction or development, including those owned by unconsolidated joint ventures, are regularly evaluated under applicable accounting requirements, including requirements relating to abandonment of assets or changes in use. Land available for development or sale was $39.8 million and $39.6 million at June 30, 2016 and December 31, 2015, respectively.

Construction in progress represents existing development, redevelopment and tenant build-out projects. When projects are substantially complete and ready for their intended use, balances are transferred to land or building and improvements as appropriate. Construction in progress was $26.4 million and $20.6 million at June 30, 2016 and December 31, 2015, respectively.

The increase in construction in progress from December 31, 2015 to June 30, 2016 was due primarily to ongoing redevelopment and expansion projects across the portfolio.

3. Property Acquisitions and Dispositions

Acquisitions

There were no acquisitions for the six months ended June 30, 2016.

Dispositions

The following table provides a summary of our disposition activity for the six months ended June 30, 2016:

Property Name	Location	GLA	Acreage	Date Sold	Gross Sales Price	Gain (Loss) on Sale
		(In thousands)			(In thousands)	
Lakeshore Marketplace	Norton Shores, MI	343	4.6	06/30/16	$27,750	$6,583
River Crossing Centre	New Port Ritchey, FL	62	N/A	06/26/16	12,500	6,750
Centre at Woodstock	Woodstock, GA	87	N/A	06/26/16	16,000	5,893
Troy Towne Center	Troy, OH	144	N/A	02/02/16	12,400	6,274
Total income producing dispositions		636	4.6		$68,650	$25,500
Conyers Crossing - Outparcel	Conyers, GA	N/A	0.5	06/27/16	$1,000	$579
Lakeshore Marketplace - Outparcel	Norton Shores, MI	N/A	0.7	06/15/16	302	(6)
The Towne Center at Aquia - Outparcel	Stafford, VA	N/A	0.7	01/15/16	750	251
Total land / outparcel dispositions		—	1.9		$2,052	$824
Total consolidated dispositions		636	6.5		$70,702	$26,324

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4. Equity Investments in Unconsolidated Joint Ventures

We have three joint venture agreements whereby we own between 7% and 30% of the equity in each joint venture. We and the joint venture partners have joint approval rights for major decisions, including those regarding property operations. We cannot make significant decisions without our partner's approval. Accordingly, we account for our interest in the joint ventures using the equity method of accounting.

The combined condensed financial information for our unconsolidated joint ventures is summarized as follows:

Balance Sheets	June 30, 2016	December 31, 2015
	(In thousands)	
ASSETS		
Investment in real estate, net	$44,627	$ 63,623
Other assets	4,076	4,230
Total Assets	$48,703	$ 67,853
LIABILITIES AND OWNERS' EQUITY		
Other liabilities	$791	$ 750
Owners' equity	47,913	67,103
Total Liabilities and Owners' Equity	$48,704	$ 67,853
RPT's equity investments in unconsolidated joint ventures	$3,159	$ 4,325

	Three Months Ended June 30,		Six Months Ended June 30,	
Statements of Operations	2016	2015	2016	2015
	(In thousands)			
Total revenue	$1,600	$10,285	$3,309	$20,910
Total expenses	1,106	7,367	2,154	14,663
Income before other income and expense	494	2,918	1,155	6,247
Gain on sale of real estate	371	—	371	7,463
Interest expense	—	(1,801)	—	(3,594)
Amortization of deferred financing fees	—	(74)	—	(148)
Net income	$865	$1,043	$1,526	$9,968
RPT's share of earnings from unconsolidated joint ventures	$109	$335	$218	$2,995

Acquisitions

There was no acquisition activity in the six months ended June 30, 2016 by any of our unconsolidated joint ventures.

Dispositions

The following table provides a summary of disposition activity, by our unconsolidated joint ventures, for the six months ended June 30, 2016.

Property Name	Location	GLA	Ownership %	Date Sold	Gross Sales Price	Gain on Sale (at

						100%)
		(In thousands)			(In thousands)	
Kissimmee West Shopping Center	Kissimmee, FL	116	7%	06/14/16	$19,400	$ 371
		116			$19,400	$ 371

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Joint Venture Management and Other Fee Income

We are engaged by our joint ventures to provide asset management, property management, leasing and investing services for such ventures' respective properties. We receive fees for our services, including a property management fee calculated as a percentage of gross revenues received, and recognize these fees as the services are rendered.

The following table provides information for our fees earned which are reported in our condensed consolidated statements of operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(In thousands)			
Management fees	$92	$383	$186	$782
Leasing fees	68	88	83	208
Construction fees	39	107	40	120
Disposition fees	46	—	46	—
Total	$245	$578	$355	$1,110

5. Debt

The following table summarizes our mortgages and notes payable and capital lease obligation as of June 30, 2016 and December 31, 2015:

Notes Payable and Capital Lease Obligation	June 30, 2016	December 31, 2015
	(In thousands)	
Senior unsecured notes	$460,000	$460,000
Unsecured term loan facilities	210,000	210,000
Fixed rate mortgages	300,045	322,457
Unsecured revolving credit facility	26,000	60,000
Junior subordinated notes	28,125	28,125
	1,024,170	1,080,582
Unamortized premium	6,025	6,935
Unamortized deferred financing costs	(3,777)	(3,806)
Total notes payable	$1,026,418	$1,083,711
Capital lease obligation	$1,108	$1,108

Senior unsecured notes and unsecured term loans

During the six months ended June 30, 2016, we executed an amendment extending the maturity of our $60.0 million unsecured term loan, originally maturing in 2018, to 2023.

Our $670.0 million of senior unsecured notes and unsecured term loans have interest rates ranging from 2.99% to 4.74% and are due at various maturity dates from May 2020 through November 2026.

Mortgages

During the six months ended June 30, 2016 we repaid a mortgage note secured by Troy Marketplace in the amount of $20.6 million, that had an interest rate of 5.90%.

A $11.8 million non-recourse mortgage note secured by our wholly-owned Towne Center at Aquia office property located in Stafford County, Virginia, matured on June 1, 2016. The note is currently in maturity default. We are working with the lender to transfer the property's title to the lender and release our obligation.

Our $300.0 million of fixed rate mortgages have interest rates ranging from 2.86% to 7.38% and are due at various maturity dates from January 2017 through June 2026. The fixed rate mortgages are secured by properties that have an approximate net book value of $375.3 million as of June 30, 2016.

Other than the $11.8 million non-recourse mortgage note mentioned above, we have no additional mortgage maturities until January 2017. It is our intent to repay those mortgages using cash, borrowings under our unsecured line of credit, or other sources of financing.

The mortgage loans encumbering our properties are generally nonrecourse, subject to certain exceptions for which we would be liable for any resulting losses incurred by the lender. These exceptions vary from loan to loan but generally include fraud or a material misrepresentation, misstatement or omission by the borrower, intentional or grossly negligent conduct by the borrower that harms the property or results in a loss to the lender, filing of a bankruptcy petition by the borrower, either directly or indirectly and certain environmental liabilities. In addition, upon the occurrence of certain events, such as fraud or filing of a bankruptcy petition by the borrower, we or our joint ventures would be liable for the entire outstanding balance of the loan, all interest accrued thereon and certain other costs, including penalties and expenses.

We have entered into mortgage loans which are secured by multiple properties and contain cross-collateralization and cross-default provisions. Cross-collateralization provisions allow a lender to foreclose on multiple properties in the event that we default under the loan. Cross-default provisions allow a lender to foreclose on the related property in the event a default is declared under another loan.

Revolving Credit Facility

As of June 30, 2016 we had $26.0 million outstanding under our revolving credit facility, a decrease of $50.0 million during the quarter. After adjusting for outstanding letters of credit issued under our revolving credit facility, not reflected in the accompanying condensed consolidated balance sheets, totaling $0.1 million we had $323.9 million of availability under our revolving credit facility. The interest rate as of June 30, 2016 was 1.82%.

Our revolving credit facility, term loans and unsecured notes contain financial covenants relating to total leverage, fixed charge coverage ratio, unencumbered assets, tangible net worth and various other calculations. As of June 30, 2016, we were in compliance with these covenants.

Junior Subordinated Notes

Our junior subordinated notes have a variable rate of LIBOR plus 3.30%. The maturity date is January 2038.

The following table presents scheduled principal payments on mortgages and notes payable as of June 30, 2016:

Year Ending December 31,	(In thousands)
2016 (July 1 - December 31) (1)	$13,433
2017	129,096
2018 (2)	65,132
2019	5,860
2020	102,269
Thereafter	708,380
Subtotal debt	1,024,170

Unamortized premium	6,025
Unamortized deferred financing costs	(3,777)
Total debt	$1,026,418

(1) Includes the $11.8 million Towne Center at Aquia note that matured on June 1, 2016.
(2) Scheduled maturities in 2018 include the $26.0 million balance on the unsecured revolving credit facility drawn as of June 30, 2016. The unsecured revolving credit facility has a one-year extension option.

6. Fair Value

We utilize fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Derivative instruments (interest rate swaps) are recorded at fair value on a recurring basis. Additionally, we, from time to time, may be required to record other assets at fair value on a nonrecurring basis. As a basis for considering market participant assumptions in fair value measurements, GAAP establishes three fair value levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. The assessed inputs used in determining any fair value measurement could result in incorrect valuations that could be material to our condensed consolidated financial statements. These levels are:

Level 1 Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 Valuation is based upon prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the assets or liabilities.

The following is a description of valuation methodologies used for our assets and liabilities recorded at fair value.

Derivative Assets and Liabilities

All of our derivative instruments are interest rate swaps for which quoted market prices are not readily available. For those derivatives, we measure fair value on a recurring basis using valuation models that use primarily market observable inputs, such as yield curves. We classify these instruments as Level 2. Refer to Note 7 Derivative Financial Instruments of the notes to the condensed consolidated financial statements for additional information on our derivative financial instruments.

The table below presents the recorded amount of assets and liabilities measured at fair value on a recurring basis as of June 30, 2016 and December 31, 2015.

	Balance Sheet Location	Total Fair Value	Level 2
2016		(In thousands)	
Derivative liabilities - interest rate swaps	Other liabilities	$(8,596)	$(8,596)
2015			
Derivative assets - interest rate swaps	Other assets	$642	$642
Derivative liabilities - interest rate swaps	Other liabilities	$(2,241)	$(2,241)

The carrying values of cash and cash equivalents, restricted cash, receivables and accounts payable and accrued liabilities are reasonable estimates of their fair values because of the short maturity of these financial instruments.

We estimated the fair value of our debt based on our incremental borrowing rates for similar types of borrowing arrangements with the same remaining maturity and on the discounted estimated future cash payments to be made for other debt. The discount rates used approximate current lending rates for loans or groups of loans with similar maturities and credit quality, assume the debt is outstanding through maturity and consider the debt's collateral (if applicable). Since such amounts are estimates that are based on limited available market information for similar transactions, there can be no assurance that the disclosed value of any financial instrument could be realized by immediate settlement of the instrument.

Fixed rate debt (including variable rate debt swapped to fixed through derivatives) with carrying values of $970.0 million and $996.3 million as of June 30, 2016 and December 31, 2015, respectively, had fair values of approximately $998.3 million and $1.0 billion, respectively. Variable rate debt's fair value is estimated to be the carrying values of $54.1 million and $87.4 million as of June 30, 2016 and December 31, 2015, respectively.

7. Derivative Financial Instruments

We utilize interest rate swap agreements for risk management purposes to reduce the impact of changes in interest rates on our variable rate debt. We may also enter into forward starting swaps to set the effective interest rate on planned variable rate financing. On the date we enter into an interest rate swap, the derivative is designated as a hedge against the variability of cash flows that are to be paid in connection with a recognized liability. Subsequent changes in the fair value of a derivative designated as a cash flow hedge that is determined to be effective are recorded in other comprehensive income ("OCI") until earnings are affected by the variability of cash flows of the hedged transaction. The differential between fixed and variable rates to be paid or received is accrued, as interest rates change, and recognized currently as interest expense in the condensed consolidated statements of operations. We assess effectiveness of our cash flow hedges both at inception and on an ongoing basis. Our cash flow hedges become ineffective, for example, if critical terms of the hedging instrument and the debt do not perfectly match such as notional amounts, settlement dates, reset dates and calculation period and LIBOR rate. Changes in the fair values are immediately included in other income and expenses. At June 30, 2016, all of our hedges were effective.

The following table summarizes the notional values and fair values of our derivative financial instruments as of June 30, 2016:

Underlying Debt	Hedge Type	Notional Value (In thousands)	Fixed Rate	Fair Value (In thousands)	Expiration Date
Derivative Liabilities					
Unsecured term loan	Cash Flow	30,000	2.0480%	(1,002)	10/2018
Unsecured term loan	Cash Flow	25,000	1.8500%	(722)	10/2018
Unsecured term loan	Cash Flow	5,000	1.8400%	(143)	10/2018
Unsecured term loan	Cash Flow	15,000	2.1500%	(830)	05/2020
Unsecured term loan	Cash Flow	10,000	2.1500%	(554)	05/2020
Unsecured term loan	Cash Flow	50,000	1.4600%	(1,438)	05/2020
Unsecured term loan	Cash Flow	20,000	1.4980%	(682)	05/2021
Unsecured term loan	Cash Flow	15,000	1.4900%	(499)	05/2021
Unsecured term loan	Cash Flow	40,000	1.4800%	(1,286)	05/2021
		$ 210,000		(7,156)	
Derivative Liabilities - Forward Swaps					
Unsecured term loan	Cash Flow	60,000	1.7700%	(1,440)	05/2023
Total Derivative Liabilities		$ 270,000		$ (8,596)	

The effect of derivative financial instruments on our condensed consolidated statements of operations for the six months ended June 30, 2016 and 2015 is summarized as follows:

Derivatives in Cash Flow Hedging Relationship	Amount of Loss Recognized in OCI on Derivative (Effective Portion) Six Months Ended June 30,		Location of Loss Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Loss Reclassified from Accumulated OCI into Income (Effective Portion) Six Months Ended June 30,	
	2016	2015		2016	2015
	(In thousands)			(In thousands)	

Interest rate contracts - assets	$(716)	$(564)	Interest Expense	$(74)	$(329)
Interest rate contracts - liabilities	(7,529)	(1,258)	Interest Expense	(1,174)	(1,178)
Total	$(8,245)	$(1,822)	Total	$(1,248)	$(1,507)

8. Earnings Per Common Share

The following table sets forth the computation of basic and diluted earnings per share ("EPS"):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(In thousands, except per share data)			
Net income	$28,020	$7,289	$40,162	$17,233
Net income attributable to noncontrolling interest	(659)	(199)	(956)	(476)
Allocation of income to restricted share awards	(120)	(60)	(198)	(120)
Income attributable to RPT	$27,241	$7,030	$39,008	$16,637
Preferred share dividends	(1,675)	(1,675)	(3,350)	(3,487)
Preferred share conversion costs	—	(500)	—	(500)
Net income available to common shareholders	$25,566	$4,855	$35,658	$12,650
Addback preferred shares for dilution [(1)]	1,675	—	—	—
Net income available to common shareholders - Diluted	$27,241	$4,855	$35,658	$12,650
Weighted average shares outstanding, Basic	79,233	79,124	79,214	78,528
Stock options and restricted stock awards using the treasury method	206	195	199	203
Dilutive effect of securities [(1)]	6,588	—	—	—
Weighted average shares outstanding, Diluted [(1)]	86,027	79,319	79,413	78,731
Income per common share, Basic	$0.32	$0.06	$0.45	$0.16
Income per common share, Diluted	$0.32	$0.06	$0.45	$0.16

[(1)] The assumed conversion of preferred shares is dilutive for the three months ended June 30, 2016 and anti-dilutive for all other periods presented and accordingly, have been excluded from the weighted average common shares used to compute diluted EPS for those periods.

9. Share-based Compensation Plans

As of June 30, 2016, we have one share-based compensation plan in effect. The 2012 Omnibus Long-Term Incentive Plan ("2012 LTIP") under which our compensation committee may grant, subject to any Company performance conditions as specified by the compensation committee, restricted shares, restricted share units, options and other awards to trustees, officers and other key employees. The 2012 LTIP allows us to issue up to 2.0 million shares of our common stock, units or stock options, of which 1.4 million remained available for issuance as of June 30, 2016.

As of June 30, 2016, we had 372,352 unvested share awards granted under the 2012 LTIP and other plans which terminated when the 2012 LTIP became effective. These awards have various expiration dates through March 2021.

During the six months ended June 30, 2016, we had the following activity:

- granted 115,646 shares of service-based restricted stock that vest over five years. The service-based awards were valued based on our closing stock price as of the grant date and the expense is recognized on a graded vesting basis; and
- granted performance-based cash units that are earned subject to a future performance measurement based on a three-year shareholder return peer comparison ("TSR Grants"). If the performance criterion is met, the actual value of the units earned will be determined and 50% of the award will be paid in cash immediately while the balance will be paid in cash the following year.

Pursuant to ASC 718 – Stock Compensation, we determine the grant date fair value of TSR Grants, and any subsequent re-measurements, based upon a Monte Carlo simulation model. We will recognize the compensation expense ratably over the requisite service period. We are required to re-value the cash awards at the end of each quarter using the same methodology as was used at the initial grant date and adjust the compensation expense accordingly. If at the end of the three-year measurement period the performance criterion is not met, compensation expense previously recognized would be reversed. Compensation expense related to the cash awards was $0.4 million and $0.4 million for the three months ended June 30, 2016 and June 30, 2015, respectively, and $0.8 million and $0.7 million for the six months ended June 30, 2016 and June 30, 2015, respectively.

We recognized total share-based compensation expense of $0.7 million and $0.6 million for the three months ended June 30, 2016 and 2015, respectively, and $1.3 million and $1.1 million for the six months ended June 30, 2016 and June 30, 2015, respectively.

As of June 30, 2016, we had $7.1 million of total unrecognized compensation expense related to unvested restricted shares and performance based equity and cash awards. This expense is expected to be recognized over a weighted-average period of 4.7 years.

10. Taxes

Income Taxes

We conduct our operations with the intent of meeting the requirements applicable to a REIT under sections 856 through 860 of the Internal Revenue Code. In order to maintain our qualification as a REIT, we are required to distribute annually at least 90% of our REIT taxable income, excluding net capital gain, to our shareholders. As long as we qualify as a REIT, we will generally not be liable for federal corporate income taxes.

Certain of our operations, including property management and asset management, as well as ownership of certain land, are conducted through our taxable REIT subsidiaries ("TRSs") which allows us to provide certain services and conduct certain activities that are not generally considered as qualifying REIT activities.

Deferred tax assets and liabilities reflect the impact of temporary differences between the amounts of assets and liabilities for financial reporting purposes and the bases of such assets and liabilities as measured by tax laws. Deferred tax assets are reduced by a valuation allowance to the amount where realization is more likely than not assured after considering all available evidence, including expected taxable earnings and potential tax planning strategies. Our temporary differences primarily relate to deferred compensation, depreciation, land basis differences, and net operating loss carry forwards.

As of June 30, 2016, we had a federal and state deferred tax asset of $10.8 million and a valuation allowance of $10.8 million. Our deferred tax assets are reduced by an offsetting valuation allowance where there is uncertainty regarding their realizability. We believe that it is more likely than not that the results of future operations will not generate sufficient taxable income to recognize the deferred tax assets. These future operations are primarily dependent upon the profitability of our TRSs, the timing and amounts of gains on land sales, and other factors affecting the results of operations of the TRSs.

If in the future we are able to conclude it is more likely than not that we will realize a future benefit from a deferred tax asset, we will reduce the related valuation allowance by the appropriate amount. The first time this occurs, it will result in a net deferred tax asset on our balance sheet and an income tax benefit of equal magnitude in our statement of operations in the period we make the determination.

We recorded income tax provisions of approximately $0.1 million and $0.3 million for the six months ended June 30, 2016 and 2015, respectively.

Sales Taxes

We collect various taxes from tenants and remit these amounts, on a net basis, to the applicable taxing authorities.

11. Commitments and Contingencies

Construction Costs

In connection with the development and expansion of various shopping centers as of June 30, 2016, we had entered into agreements for construction costs of approximately $12.2 million.

Litigation

We are currently involved in certain litigation arising in the ordinary course of business; however, we do not believe that any of this litigation will have a material effect on our consolidated financial statements.

Leases

Operating Leases

We lease office space for our corporate headquarters under an operating lease that expires in August 2019.

Capital Leases

We have a ground lease at Buttermilk Towne Center which we have recorded as a capital lease that expires in December 2032.

We recognized rent and interest expense related to the operating and capital leases of $0.3 million and $0.3 million for the six months ended June 30, 2016 and 2015, respectively.

12. Subsequent Events

We have evaluated subsequent events through the date that the condensed consolidated financial statements were issued.

On July 8, 2016, we entered into agreements to issue $75.0 million senior unsecured notes in a private placement offering. The notes will have a 12-year term and are priced at a fixed interest rate of 3.64%. The notes are expected to extend the Company's maturity waterfall and reduce its average interest rate. The sale of the notes is expected to close on November 30, 2016.

In July 2016, we executed two agreements with separate buyers to sell two wholly-owned income producing properties totaling $40.5 million.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Where we say "we," "us," or "our," we usually mean Ramco-Gershenson Properties Trust.

The following discussion and analysis of the financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements, including the respective notes thereto, which are included in this Form 10-Q.

Forward-Looking Statements

This document contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements represent our expectations, plans or beliefs concerning future events and may be identified by terminology such as “may,” “will,” “should,” “believe,” “expect,” “estimate,” “anticipate,” “continue,” “predict” or similar terms. Although the forward-looking statements made in this document are based on our good faith beliefs, reasonable assumptions and our best judgment based upon current information, certain factors could cause actual results to differ materially from those in the forward-looking statements, including: our success or failure in implementing our business strategy; economic conditions generally and in the commercial real estate and finance markets specifically; the cost and availability of capital, which depends in part on our asset quality and our relationships with lenders and other capital providers; our business prospects and outlook; changes in governmental regulations, tax rates and similar matters; our continuing to qualify as a REIT; and other factors discussed elsewhere in this document and our other filings with the SEC, including our Annual Report on Form 10-K for the year ended December 31, 2015. Given these uncertainties, you should not place undue reliance on any forward-looking statements. Except as required by law, we assume no obligation to update these forward-looking statements, even if new information becomes available in the future.

Overview

We are a fully integrated, self-administered, publicly-traded equity REIT which owns, develops, redevelops, acquires, manages and leases large multi-anchored shopping centers primarily in a number of the largest metropolitan markets in the central United States. As of June 30, 2016, our property portfolio consisted of 66 wholly owned shopping centers and one office building comprising approximately 14.7 million square feet. We also have ownership interests, ranging from 7% to 30%, in three joint ventures. In addition, we own interests in several land parcels that are available for development or sale, the majority of which are adjacent to certain of our existing developed properties. Our consolidated portfolio was 95% leased at June 30, 2016.

We accomplished the following activity during the six months ended June 30, 2016:

Operating Activity

For our consolidated properties we reported the following leasing activity:

	Leasing Transactions	Square Footage	Base Rent/SF [1]	Prior Rent/SF [2]	Tenant Improvements/SF [3]	Leasing Commissions/SF
Renewals	56	526,910	$ 11.25	$ 10.58	$ 0.04	$ —
New Leases - Comparable [4]	7	26,650	19.04	14.31	10.92	4.46
New Leases - Non-Comparable	17	74,628	17.67	N/A	33.40	3.83
Total	80	628,188	$ 12.34	N/A	$ 4.47	$ 0.64

(1) Base rent represents contractual minimum rent under the new lease for the first 12 months of the term.
(2) Prior rent represents minimum rent, if any, paid by the prior tenant in the final 12 months of the term.
(3) Includes tenant improvement cost, tenant allowances, landlord costs and third-party leasing commissions. Excludes first generation space and new leases related to development and redevelopment activity.
(4) Comparable leases represent those leases signed on identical spaces for which there was a former tenant within the last twelve months and the leases contain similar tenant billing terms. Redevelopment leases are excluded.

Investing Activity

At June 30, 2016, we have ten properties under redevelopment, expansion or re-anchoring projects in process with an anticipated cost of $79.9 million, of which $38.0 million remains to be invested. Completion for these projects is anticipated over the next 18 months.

In addition to the above we completed $70.7 million of dispositions. Refer to Note 3 Property Acquisitions and Dispositions of the notes to the condensed consolidated financial statements for additional information related to acquisitions and dispositions.

Financing Activity

Debt

During the six months ended June 30, 2016, we repaid a $20.6 million mortgage note. In addition, we amended our existing $60.0 million unsecured term loan extending the maturity date from 2018 to 2023. Refer to Note 5 Debt of the notes to the condensed consolidated financial statements for additional information related to our debt.

Equity
As of June 30, 2016 we had net debt to total market capitalization of 37.2% as compared to 38.3%, at June 30, 2015. At June 30, 2016 and June 30, 2015 we had $323.9 million and $329.5 million, respectively, available to draw under our unsecured revolving line of credit.

Land Available for Development or Sale

At June 30, 2016, we had one project in pre-development and two projects where Phase I of the development was completed. The remaining future phases at those projects are in pre-development. We estimate that if we proceed with the development of the projects, up to approximately 750,000 square feet of GLA could be developed, excluding various outparcels of land. It is our policy to start vertical construction on new development projects only after the project has received entitlements, significant anchor commitments and construction financing, if appropriate.

Our development and construction activities are subject to risks such as our inability to obtain the necessary governmental approvals for a project, our determination that the expected return on a project is not sufficient to warrant continuation of the planned development, or our change in plan or scope for the development. If any of these events occur, we may record an impairment provision.

Accounting Policies and Estimates

Our 2015 Annual Report on Form 10-K contains a description of our critical accounting policies, including initial adoption of accounting policies, revenue recognition and accounts receivable, real estate investment, off balance sheet arrangements, fair value measurements and deferred charges. For the six months ended June 30, 2016, there were no material changes to these policies.

Comparison of three months ended June 30, 2016 to 2015

The following summarizes certain line items from our unaudited condensed consolidated statements of operations that we believe are important in understanding our operations and/or those items that have significantly changed in the three months ended June 30, 2016 as compared to the same period in 2015:

	Three Months Ended June 30,			
	2016	2015	Dollar Change	Percent Change
	(In thousands)			
Total revenue	$65,883	$59,735	$6,148	10.3 %
Real estate taxes	11,132	9,126	2,006	22.0 %
Recoverable and non-recoverable operating expenses	7,236	7,840	(604)	(7.7)%
Depreciation and amortization	22,714	21,120	1,594	7.5 %
General and administrative expense	5,683	5,474	209	3.8 %
Gain on sale of real estate	19,799	273	19,526	7,152.4 %
Earnings from unconsolidated joint ventures	109	335	(226)	(67.5)%
Interest expense and amortization of deferred financing fees	11,376	10,388	988	9.5 %
Gain on extinguishment of debt	—	1,387	(1,387)	NM
Preferred share dividends and conversion costs	1,675	2,175	(500)	(23.0)%

NM - Not meaningful

Total revenue for the three months ended June 30, 2016, increased $6.1 million, or 10.3%, from 2015. The increase is primarily due to acquisitions completed during the second half of 2015, as well as the completion of redevelopment projects, offset by dispositions.
Real estate tax expense for the three months ended June 30, 2016 increased $2.0 million, or 22.0% from 2015, primarily due to our acquisitions.
Recoverable and non-recoverable operating expenses for the three months ended June 30, 2016 decreased $0.6 million, or 7.7% from 2015, primarily due to the timing of landscaping services and lower exterior utility costs as well as the reversal of a reserve taken in the first quarter associated with an anchor tenant.

Depreciation and amortization expense for the three months ended June 30, 2016 increased $1.6 million, or 7.5%, from 2015. The increase was primarily related to our acquisitions completed during the second half of 2015 as well as new development completion and other capital improvements partially offset by dispositions.

General and administrative expense for the three months ended June 30, 2016 increased $0.2 million or 3.8% from 2015. The increase was primarily due to an increase in costs associated with our long-term incentive plans and additional compensation expense related to new hires subsequent to June 30, 2015.

Gain on sale of real estate was $19.8 million for the three months ended June 30, 2016 compared to $0.3 million during the same period in 2015. Refer to Note 3 Property Acquisitions and Dispositions of the notes to the condensed consolidated financial statements for further information related to our 2016 dispositions.

Earnings from unconsolidated joint ventures for the three months ended June 30, 2016 decreased $0.2 million or 67.5%, primarily attributable to the sale of joint venture properties in the third quarter of 2015. As of June 30, 2016, two properties remained in our unconsolidated joint ventures.

Interest expense for the three months ended June 30, 2016 increased $1.0 million or 9.5% from 2015 primarily due to higher indebtedness, offset in part by a net reduction in mortgage debt balances.

Preferred share dividends and conversion costs decreased $0.5 million, or 23.0% from 2015 due to the conversion of shares in April 2015 and the corresponding conversion costs.

Comparison of six months ended June 30, 2016 to June 30, 2015

The following summarizes certain line items from our unaudited condensed consolidated statements of operations that we believe are important in understanding our operations and/or have significantly changed in the six months ended June 30, 2016 as compared to the same period in 2015:

	Six Months Ended June 30,			
	2016	2015	Dollar Change	Percent Change
	(In thousands)			
Total revenue	$132,395	$119,152	$13,243	11.1 %
Real estate taxes	21,441	18,121	3,320	18.3 %
Recoverable and non-recoverable operating expenses	16,708	15,831	877	5.5 %
Depreciation and amortization	46,561	41,483	5,078	12.2 %
General and administrative expense	11,288	10,348	940	9.1 %
Provision for impairment	—	2,521	(2,521)	NM
Gain on sale of real estate	26,324	3,469	22,855	658.8 %
Earnings from unconsolidated joint ventures	218	2,995	(2,777)	(92.7)%
Interest expense and amortization of deferred financing fees	22,678	20,691	1,987	9.6 %
Gain on extinguishment of debt	—	1,387	(1,387)	NM
Preferred share dividends and conversion costs	3,350	3,987	(637)	(16.0)%

NM - Not meaningful

Total revenue for the six months ended June 30, 2016, increased $13.2 million, or 11.1%, from 2015. The increase is primarily due to acquisitions completed during the third quarter 2015, net of properties sold during 2015, as well as completed redevelopment projects.
Real estate tax expense for the six months ended June 30, 2016 increased $3.3 million, or 18.3% from 2015, primarily due to our acquisitions and incremental tax increases within existing properties.

Recoverable and non-recoverable operating expenses for the six months ended June 30, 2016 increased $0.9 million, or 5.5%, from 2015. The increase was primarily due to our acquisitions as well as a net increase in bad debt expense associated with the bankruptcy of an anchor tenant.

Depreciation and amortization expense for the six months ended June 30, 2016 increased $5.1 million, or 12.2%, from 2015. The increase was primarily due to our acquisitions in 2015, completion of redevelopment projects and other capital improvement expenditures, partially offset by dispositions.

General and administrative expense for the six months ended June 30, 2016 increased $0.9 million or 9.1% from 2015. The increase was primarily due to an increase in costs associated with our long-term incentive plans and additional compensation expense related to new hires subsequent to June 30, 2015.

Gain on sale of real estate was $26.3 million for the six months ended June 30, 2016 compared to $3.5 million during the same period in 2015. Refer to Note 3 Property Acquisitions and Dispositions of the notes to the condensed consolidated financial statements for further information related to our 2016 dispositions.

Earnings from unconsolidated joint ventures for the six months ended June 30, 2016 decreased $2.8 million or (92.7)% as a result of the sale of joint venture properties in the third quarter of 2015. Additionally, in March 2015 a joint venture property was sold generating a gain of $7.5 million of which our share was $2.2 million.

Interest expense for the six months ended June 30, 2016 increased $2.0 million or 9.6% from 2015 primarily due to higher indebtedness.

Preferred share dividends and conversion costs decreased $0.6 million or 16.0% from 2015 due to the conversion of preferred shares in April 2015 and the corresponding conversion costs.

Liquidity and Capital Resources

Our internally generated funds from operating centers and other investing activities, augmented by use of our existing line of credit and equity sales through our controlled equity offering, provide resources to maintain our current operations and assets and pay dividends. Generally, our need to access the capital markets is limited to refinancing debt obligations at or near maturity and funding major capital investments and acquisitions. See “Planned Capital Spending” for more details.

At June 30, 2016, we had $4.4 million in cash and cash equivalents and $7.8 million in restricted cash. Restricted cash was comprised primarily of funds held in escrow to pay real estate taxes, insurance premiums, and certain capital expenditures.

Short-Term Liquidity Requirements

Our short-term liquidity needs are met primarily from rental and recovery income and consist primarily of funds necessary to pay operating expenses associated with our operating properties, interest and scheduled principal payments on our debt, quarterly dividend payments (including distributions to Operating Partnership ("OP") unit holders) and capital expenditures related to tenant improvements and redevelopment activities. We believe that our retained cash flow from operations along with availability under our revolving credit facility is sufficient to meet these obligations.

We have no additional mortgages maturing until January 2017. As opportunities arise and market conditions permit, we will look to repay maturing mortgages by issuing unsecured debt, utilizing cash flow from operating activities or funding from availability under our credit facility.

We will continue to pursue the strategy of selling mature properties or non-core assets that no longer meet our investment criteria. Our ability to obtain acceptable selling prices and satisfactory terms and financing will impact the timing of future sales. We anticipate using net proceeds from the sale of properties to reduce outstanding debt and support current and future growth initiatives.

We continually search for investment opportunities that may require additional capital and/or liquidity. As of June 30, 2016, we had no proposed property acquisitions or dispositions under contract.

Long-Term Liquidity Requirements

Our long-term liquidity needs consist primarily of funds necessary to pay indebtedness at maturity, potential acquisitions of properties, redevelopment of existing properties, the development of land and non-recurring capital expenditures.

As of June 30, 2016, $323.9 million was available to be borrowed under our unsecured revolving credit facility subject to continuing compliance with maintenance covenants that may affect availability.

For the six months ended June 30, 2016, our cash flows were as follows compared to the same period in 2015:

	Six Months Ended June 30,	
	2016	2015
	(In thousands)	
Cash provided by operating activities	$53,919	$44,183
Cash provided by (used in) investing activities	39,901	(13,075)

Cash used in financing activities	(96,095)	(33,511)

Operating Activities

Net cash provided by operating activities increased $9.7 million in 2016 compared to 2015 primarily due to:

- Shopping center operating income increased $9.6 million as a result of acquisitions, leasing and redevelopment activity;
- an overall increase in accounts receivable and net other assets of $2.1 million;
- higher net interest expense of approximately $2.0 million due to higher average loan balances as a result of acquisitions; and
- higher long-term and share-based compensation expense of $0.4 million.

Investing Activities

Net cash from investing activities increased $53.0 million compared to 2015 primarily due to increased net proceeds from sales of real estate partially offset by increased development and capital improvements activities.

Financing Activities

Net cash used in financing activities increased $62.6 million primarily due to:

- decreased proceeds, net of costs, from the issuance of common stock of $17.3 million in 2015; and
- higher cash dividends to common shareholders of $2.0 million due to the increase in the number of common shares outstanding and a 5.0% increase in our quarterly dividend compared to 2015; partly offset by
- an increase in net debt activity of $43.1 million.

Dividends and Equity

We currently qualify, and intend to continue to qualify in the future as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"). Under the Code, as a REIT we must distribute to our shareholders at least 90% of our REIT taxable income annually, excluding net capital gains. Distributions paid are at the discretion of our Board and depend on our actual net income available to common shareholders, cash flow, financial condition, capital requirements, restrictions in financing arrangements, the annual distribution requirements under REIT provisions of the Code and such other factors as our Board deems relevant.

On May 16, 2016, our Board of Trustees declared a quarterly cash dividend distribution of $0.21 per common share paid to common shareholders of record as of June 20, 2016, a 5.0% increase from the same period in 2015. Future dividends will be declared at the discretion of our Board of Trustees. On an annual basis, we intend to make distributions to shareholders of at least 90% of our REIT taxable income, excluding net capital gains, in order to maintain our qualification as a REIT. On an annualized basis, our current dividend is above our estimated minimum required distribution.

Distributions paid by us are funded from cash flows from operating activities. To the extent that cash flows from operating activities are insufficient to pay total distributions for any period, alternative funding sources such as sales of real estate and bank borrowings may be used. We expect that distribution requirements for an entire year will be met with cash flows from operating activities.

Additionally, we declared a quarterly cash dividend of $0.90625 per preferred share to preferred shareholders of record as of June 20, 2016, unchanged from the per share dividend declared for the same period in 2015.

	Six Months Ended June 30,	
	2016	2015
	(In thousands)	
Cash provided by operating activities	$53,919	$44,183
Cash distributions to preferred shareholders	$(3,350)	$(3,625)
Cash distributions to common shareholders	(33,462)	(31,346)
Cash distributions to operating partnership unit holders	(823)	(898)
Total distributions	(37,635)	(35,869)
Surplus	$16,284	$8,314

In June 2016, we terminated our previous controlled equity offering arrangement and commenced a new distribution agreement that registered up to 8.0 million common shares for issuance from time to time, in our sole discretion. For the six months ended June 30, 2016, we did not issue any common shares through either arrangement. The shares issuable in the new distribution agreement are registered with the Securities and Exchange Commission ("SEC") on our registration statement on Form S-3 (No. 333-211925).

Debt

At June 30, 2016, we had interest rate swap derivative instruments in effect for an aggregate notional amount of $270.0 million converting a portion of our floating rate corporate debt to fixed rate debt. After taking into account the impact of converting our variable rate debt to fixed rate debt by use of the interest rate swap agreements, at June 30, 2016, we had $54.1 million of variable rate debt outstanding.

In addition, we had $300.0 million of fixed rate mortgage loans encumbering certain consolidated properties and $460.0 million in senior unsecured notes. For further information on the fixed rate mortgages and other debt, refer to Note 5 Debt of the notes to the condensed consolidated financial statements.

Off Balance Sheet Arrangements

Real Estate Joint Ventures

We consolidate entities in which we own less than 100% equity interest if we have a controlling interest or are the primary beneficiary in a variable interest entity, as defined in the Consolidation Topic of FASB ASC 810. From time to time, we enter into joint venture arrangements from which we believe we can benefit by owning a partial interest in one or more properties.

As of June 30, 2016, we had three equity investments in unconsolidated joint ventures in which we owned 30% or less of the total ownership interest and accounted for these entities under the equity method. Refer to Note 4 Equity Investments in Unconsolidated Joint Ventures of the notes to the condensed consolidated financial statements for more information.

We review our equity investments in unconsolidated entities for impairment on a venture-by-venture basis whenever events or changes in circumstances indicate that the carrying value of the equity investment may not be recoverable. In testing for impairment of these equity investments, we primarily use cash flow models, discount rates, and capitalization rates to estimate the fair value of properties held in joint ventures, and we also estimate the fair value of the debt of the joint ventures based on borrowing rates for similar types of borrowing arrangements with the same remaining maturity. Considerable judgment by management is applied when determining whether an equity invest in an unconsolidated entity is impaired and, if so, the amount of the impairment. Changes to assumptions regarding cash flows, discount rates, or capitalization rates could be material to our condensed consolidated financial statements.

We are engaged by our joint ventures to provide asset management, property management, leasing and investing services for such venture’s respective properties. We receive fees for our services, including a property management fee calculated as a percentage of gross revenues received.

Contractual Obligations

The following are our contractual cash obligations as of June 30, 2016:

Contractual Obligations	Payments due by period Total	Less than 1 year [1]	1-3 years	3-5 years	More than 5 years
	(In thousands)				
Mortgages and notes payable:					
Scheduled amortization	$20,197	$1,651	$8,747	$5,060	$4,739
Payments due at maturity	1,003,973	11,782	191,341	211,717	589,133
Total mortgages and notes payable [2]	1,024,170	13,433	200,088	216,777	593,872
Interest expense [3]	286,512	21,591	105,115	57,171	102,635
Employment contracts	2,009	509	1,500	—	—
Capital lease [4]	1,700	100	300	200	1,100
Operating leases	2,006	310	1,696	—	—
Construction commitments	12,223	12,223	—	—	—
Total contractual obligations	$1,328,620	$48,166	$308,699	$274,148	$697,607

(1) Amounts represent balance of obligation for the remainder of 2016.
(2) Excludes $6.0 million of unamortized mortgage debt premium and $3.8 million in net deferred financing costs.
(3) Variable-rate debt interest is calculated using rates at June 30, 2016.
(4) Includes interest payments associated with the capital lease obligation.

We anticipate that the combination of cash on hand, cash provided from operating activities, the availability under our revolving credit facility ($323.9 million at June 30, 2016 subject to compliance with covenants), our access to the capital markets, and the sale of existing properties will satisfy our expected working capital and capital expenditure requirements through at least the next 12 months. Although we believe that the combination of factors discussed will provide sufficient liquidity, no assurance can be given.

At June 30, 2016, we did not have any contractual obligations that required or allowed settlement, in whole or in part, with consideration other than cash.

Mortgages and notes payable

See the analysis of our debt included in "Liquidity and Capital Resources."

Employment Contracts

At June 30, 2016, we had employment contracts with our Chief Executive, Chief Financial and Chief Operating Officers that contain minimum guaranteed compensation. All other employees are subject to at-will employment.

Operating and Capital Leases

We lease office space for our corporate headquarters under an operating lease that expires in August 2019.

We have a capital lease at our Buttermilk Towne Center with the City of Crescent Springs, Kentucky. The lease provides for fixed annual payments of $0.1 million through maturity in December 2032, at which time we can acquire the center for one dollar.

Construction Costs

In connection with the development and expansion of various shopping centers as of June 30, 2016, we have entered into agreements for construction activities with an aggregate cost of approximately $12.2 million.

Planned Capital Spending

We are focused on our core strengths of enhancing the value of our existing portfolio of shopping centers through successful leasing efforts and the completion of our development and redevelopment projects currently in process.

In addition to the construction agreements of approximately $12.2 million we have entered into as of June 30, 2016, we anticipate spending an additional $20.8 million for the remainder of 2016 for development and redevelopment projects, tenant improvements, and leasing costs. Estimates for future spending will change as new projects are approved.

Disclosures regarding planned capital spending, including estimates regarding timing of tenant openings, capital expenditures and occupancy are forward-looking statements and certain significant factors discussed elsewhere in this document and our other filings with the SEC, including our Annual Report on Form 10-K could cause the actual results to differ materially.

Capitalization

At June 30, 2016 our total market capitalization was $2.7 billion and is detailed below:

	(in thousands)	
Net debt (including property-specific mortgages, unsecured revolving credit facility, term loans and capital lease obligation net of $4.4 million in cash)	$1,020,909	
Common shares, OP units, and dilutive securities based on market price of $19.61 at June 30, 2016	1,595,430	
Convertible perpetual preferred shares based on market price of $70.52 at June 30, 2016	130,391	
Total market capitalization	$2,746,730	
Net debt to total market capitalization	37.2	%

Outstanding letters of credit issued under our revolving credit facility totaled approximately $0.1 million at June 30, 2016.

At June 30, 2016, the non-controlling interest in the Operating Partnership was approximately 2.3%. The OP Units outstanding may, under certain circumstances, be exchanged for our common shares of beneficial interest on a one-for-one basis. We, as sole general partner of the Operating Partnership, have the option, but not the obligation, to settle exchanged OP Units held by others in cash based on the current trading price of our common shares of beneficial interest. Assuming the exchange of all OP Units, there would have been approximately 81.2 million common shares of beneficial interest outstanding at June 30, 2016, with a market value of approximately $1.6 billion.

Inflation

Inflation has been relatively low in recent years and has not had a significant detrimental impact on the results of our operations. Should inflation rates increase in the future, substantially all of our tenant leases contain provisions designed to mitigate the negative impact of inflation in the near term. Such lease provisions include clauses that require our tenants to reimburse us for real estate taxes and many of the operating expenses we incur. Also, many of our leases provide for periodic increases in base rent which are either of a fixed amount or based on changes in the consumer price index and/or percentage rents (where the tenant pays us rent based on percentage of its sales). Significant inflation rate increases over a prolonged period of time may have a material adverse impact on our business.

Non-GAAP Financial Measures

Certain of our key performance indicators are considered non-GAAP financial measures. Management uses these measures along with our GAAP financial statements in order to evaluate our operations results. We believe these additional measures provide users of our financial information additional comparable indicators of our industry, as well as, our performance.

Funds from Operations

We consider funds from operations, also known as “FFO”, to be an appropriate supplemental measure of the financial performance of an equity REIT. Under the NAREIT definition, FFO represents net income (computed in accordance with generally accepted accounting principles), excluding gains (or losses) from sales of depreciable property and excluding impairment provisions on depreciable real estate or on investments in non-consolidated investees that are driven by measurable decreases in the fair value of depreciable real estate held by the investee, plus depreciation and amortization, (excluding amortization of financing costs). Adjustments for unconsolidated partnerships and joint ventures are calculated to reflect funds from operations on the same basis.

Also, we consider “Operating FFO” a meaningful, additional measure of financial performance because it excludes acquisition costs and periodic items such as gains (or losses) from sales of land and impairment provisions on land available for development or sale, bargain purchase gains, and gains or losses on extinguishment of debt that are not adjusted under the current NAREIT definition of FFO. We provide a reconciliation of net income available to common shareholders to FFO to Operating FFO. FFO and Operating FFO should not be considered alternatives to GAAP net income available to common shareholders or as alternatives to cash flow as measures of liquidity.

While we consider FFO and Operating FFO useful measures for reviewing our comparative operating and financial performance between periods or to compare our performance to different REITs, our computations of FFO and Operating FFO may differ from the computations utilized by other real estate companies, and therefore, may not be comparable.

We recognize the limitations of FFO and Operating FFO when compared to GAAP net income available to common shareholders. FFO and Operating FFO do not represent amounts available for needed capital replacement or expansion, debt service obligations, or other commitments and uncertainties. In addition, FFO and Operating FFO do not represent cash generated from operating activities in accordance with GAAP and are not necessarily indicative of cash available to fund cash needs, including the payment of dividends. FFO and Operating FFO are simply used as additional indicators of our operating performance.

The following table illustrates the reconciliation of net income available to common shareholders to FFO to Operating FFO:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(In thousands, except per share data)			
Net income available to common shareholders	$25,686	$4,915	$35,856	$12,770
Adjustments:				
Rental property depreciation and amortization expense	22,671	21,080	46,478	41,407
Pro-rata share of real estate depreciation from unconsolidated joint ventures	81	702	163	1,398
Gain on sale of depreciable real estate	(18,473)	(298)	(24,747)	(298)
Gain on sale of joint venture depreciable real estate (1)	(26)	—	(26)	(2,239)
Other gain on unconsolidated joint ventures (2)	(215)	—	(215)	—
Noncontrolling interest in Operating Partnership (3)	659	199	956	476
FFO	$30,383	$26,598	$58,465	$53,514
Preferred share dividends (assuming conversion)	1,675	1,675	3,350	3,487
FFO available to common shareholders	$32,058	$28,273	$61,815	$57,001
(Gain) loss on sale of land	$(1,326)	$25	$(1,577)	$(3,171)
Provision for impairment on land available for development or sale	—	—	—	2,521
Gain on extinguishment of debt	—	(1,387)	—	(1,387)
Acquisition costs	4	265	63	307
Preferred share conversion costs	—	500	—	500
Operating FFO	$30,736	$27,676	$60,301	$55,771
Weighted average common shares	79,233	79,124	79,214	78,528
Shares issuable upon conversion of Operating Partnership Units (3)	1,936	2,247	1,969	2,247
Dilutive effect of securities	206	195	199	203
Subtotal	81,375	81,566	81,382	80,978
Shares issuable upon conversion of preferred shares (4)	6,588	6,538	6,588	6,792
Weighted average equivalent shares outstanding, diluted	87,963	88,104	87,970	87,770
Diluted earnings per share (5)	$0.32	$0.06	$0.45	$0.16
FFO per share adjustments to net income available to common shareholders including preferred share dividends	0.04	0.26	0.25	0.49
FFO per share, diluted	$0.36	$0.32	$0.70	$0.65
Per share adjustments to FFO	(0.01)	(0.01)	(0.01)	(0.01)
Operating FFO per share, diluted	$0.35	$0.31	$0.69	$0.64

(1) Amount included in earnings from unconsolidated joint ventures.

(2) The gain represents the write off of costs associated with our equity investment in a joint venture that was triggered by the sale of the venture's only property.

(3) The total non-controlling interest reflects OP units convertible 1:1 into common shares.

(4) Series D convertible preferred shares are paid annual dividends of $6.7 million and are currently convertible into approximately 6.6 million shares of common stock. They are dilutive only when earnings or FFO exceed approximately $0.26 per diluted share per quarter, which was the case for FFO for the three and six months ended June 30, 2016 and 2015. The conversion ratio is subject to adjustment based upon a number of factors, and such adjustment could affect the dilutive impact of the Series D convertible preferred shares on FFO and earnings per

share in future periods.

(5) The denominator to calculate diluted earnings per share excludes shares issuable upon conversion of Operating Partnership Units and preferred shares for all periods reported.

Same Property Operating Income

Same Property Operating Income ("Same Property NOI") is a supplemental non-GAAP financial measure of real estate companies' operating performance. Same Property NOI is considered by management to be a relevant performance measure of our operations because it includes only the NOI of comparable properties for the reporting period. Same Property NOI excludes acquisitions, dispositions, non-retail and redevelopment properties. Same Property NOI is calculated using consolidated operating income and adjusted to exclude management and other fee income, depreciation and amortization, general and administrative expense, provision for impairment and non-comparable income/expense adjustments such as straight-line rents, lease termination fees, above/below market rents, and other non-comparable operating income and expense adjustments.

Acquisition and redevelopment properties removed from the pool will not be added until owned and operated or construction is complete for the entirety of both periods being compared.

Same Property NOI should not be considered an alternative to net income in accordance with GAAP or as a measure of liquidity. Our method of calculating Same Property NOI may differ from methods used by other REITs and, accordingly, may not be comparable to such other REITs.

The following is a summary of our wholly owned properties by classification:

	Three Months Ended	Six Months Ended
Property Designation	June 30, 2016	June 30, 2016
Same property	55	54
Acquisitions [1]	7	7
Non-retail properties [2]	1	1
Redevelopment [3]	4	5
Total wholly owned properties	67	67

[1] Properties were not owned in both comparable periods.
[2] Office building.
[3] Properties under construction.

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The following is a reconciliation of our Operating Income to Same Property NOI:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(in thousands)			
Operating income	$19,114	$15,910	$36,334	$30,541
Adjustments:				
Management and other fee income	(245)	(578)	(355)	(1,110)
Depreciation and amortization	22,714	21,120	46,561	41,483
Acquisition costs	4	265	63	307
General and administrative expenses	5,683	5,474	11,288	10,348
Provision for impairment	—	—	—	2,521
Properties excluded from pool - Acquisitions	(4,516)	(142)	(8,920)	(248)
Properties excluded from pool - Development/Redevelopment	(4,198)	(4,029)	(9,132)	(8,437)
Properties excluded from pool - Dispositions	(1,154)	(2,031)	(1,249)	(2,953)
Properties excluded from pool - Others	(232)	(144)	(502)	(174)
Non-comparable income/expense adjustments (1)	(734)	(756)	(2,934)	(2,423)
Same Property NOI	$36,436	$35,089	$71,154	$69,855
Period-end Occupancy percent	94.4 %	94.0 %	94.4 %	94.0 %

(1) Includes adjustments for items that affect the comparability of the same property NOI results. Such adjustments include: straight-line rents, lease termination fees, above/below market rents and prior-period recovery income adjustments.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

We have exposure to interest rate risk on our variable rate debt obligations. Based on market conditions, we may manage our exposure to interest rate risk by entering into interest rate swap agreements to hedge our variable rate debt. We are not subject to any foreign currency exchange rate risk or commodity price risk, or other material rate or price risks. Based on our debt and interest rates and interest rate swap agreements in effect at June 30, 2016, a 100 basis point change in interest rates would impact our future earnings and cash flows by approximately $0.5 million annually. We believe that a 100 basis point increase in interest rates would increase the fair value of our total outstanding debt by approximately $5.4 million at June 30, 2016.

We had derivative instruments outstanding with an aggregate notional amount of $270.0 million as of June 30, 2016. The agreements provided for swapping one-month LIBOR to fixed interest rates ranging from 1.22% to 2.15% and had expirations ranging from April 2016 to May 2023. The following table sets forth information as of June 30, 2016 concerning our long-term debt obligations, including principal cash flows by scheduled amortization payment and scheduled maturity, weighted average interest rates of maturing amounts and fair market value:

	2016	2017	2018	2019	2020	Thereafter	Total	Fair Value
(In thousands)								
Fixed-rate debt	$13,433	$129,096	$39,132	$5,860	$102,269	$680,255	$970,045	$998,269
Average interest rate	5.80 %	5.49 %	4.72 %	6.76 %	3.90 %	4.18 %	4.39 %	3.80 %
Variable-rate debt	$—	$—	$26,000	$—	$—	$28,125	$54,125	$54,125
Average interest rate	—	—	1.82 %	—	—	3.94 %	2.92 %	2.92 %

We estimated the fair value of our fixed rate mortgages using a discounted cash flow analysis, based on borrowing rates for similar types of borrowing arrangements with the same remaining maturity. Considerable judgment is required to develop estimated fair values of financial instruments. The table incorporates only those exposures that exist at June 30, 2016 and does not consider those exposures or positions which could arise after that date or firm commitments as of such date. Therefore, the information presented therein has limited predictive value. Our actual interest rate fluctuations will depend on the exposures that arise during the period and on market interest rates at that time.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in our reports under the Securities Exchange Act of 1934, as amended (“Exchange Act”), such as this report on Form 10-Q, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the designed control objectives, and therefore management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

We carried out an assessment as of June 30, 2016 of the effectiveness of the design and operation of our disclosure controls and procedures. This assessment was done under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer. Based on such evaluation, our management, including our Chief Executive Officer and Chief Financial Officer concluded that such disclosure controls and procedures were effective at the reasonable assurance level as of June 30, 2016.

Changes in Internal Control Over Financial Reporting

During the quarter ended June 30, 2016, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We are currently involved in certain litigation arising in the ordinary course of business. We do not believe that any of this litigation will have a material effect on our consolidated financial statements. There are no material pending governmental proceedings.

Item 1A. Risk Factors

You should review our Annual Report on Form 10-K for the year ended December 31, 2015 which contains a detailed description of risk factors that may materially affect our business, financial condition or results of operations.

Item 6. Exhibits

Exhibit No.	Description
12.1*	Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Dividends.
31.1*	Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of CEO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley Act of 2002.
32.2*	Certification of CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley Act of 2002.
101.INS(1)	XBRL Instance Document.
101.SCH(1)	XBRL Taxonomy Extension Schema.
101.CAL(1)	XBRL Taxonomy Extension Calculation.
101.DEF(1)	XBRL Taxonomy Extension Definition.
101.LAB(1)	XBRL Taxonomy Extension Label.
101.PRE(1)	XBRL Taxonomy Extension Presentation.

* Filed herewith

** Management contract or compensatory plan or arrangement

(1) Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability thereunder.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	RAMCO-GERSHENSON PROPERTIES TRUST
Date: August 4, 2016	By: DENNIS GERSHENSON Dennis Gershenson President and Chief Executive Officer (Principal Executive Officer)
Date: August 4, 2016	By: GEOFFREY BEDROSIAN Geoffrey Bedrosian Chief Financial Officer (Principal Financial Officer)
Date: August 4, 2016	By: DEBORAH R. CHEEK Deborah R. Cheek Chief Accounting Officer (Principal Accounting Officer)