RAMCO GERSHENSON PROPERTIES TRUST
Form 10-Q
July 30, 2014

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

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES ACT OF 1934

For the quarterly period ended June 30, 2014

Commission file number 1-10093

RAMCO-GERSHENSON PROPERTIES TRUST
(Exact name of registrant as specified in its charter)

MARYLAND	13-6908486
(State of other jurisdiction of incorporation or organization)	(I.R.S Employer Identification Numbers)
31500 Northwestern Highway Farmington Hills, Michigan	48334
(Address of principal executive offices)	(Zip Code)

248-350-9900
(Registrant's telephone number, including area code)

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

Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes x No o

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

Large accelerated filer x	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller	Smaller reporting company o

reporting company)

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

Yes o No x

Number of common shares of beneficial interest ($0.01 par value) of the registrant outstanding as of July 23, 2014: 70,662,513

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PART 1 – FINANCIAL INFORMATION
Item 1. Unaudited Condensed Consolidated Financial Statements
RAMCO-GERSHENSON PROPERTIES TRUST
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except per share amounts)

	June 30, 2014 (unaudited)	December 31, 2013
ASSETS		
Income producing properties, at cost:		
Land	$285,072	$284,686
Buildings and improvements	1,337,422	1,340,531
Less accumulated depreciation and amortization	(269,575)	(253,292)
Income producing properties, net	1,352,919	1,371,925
Construction in progress and land available for development or sale	115,462	101,974
Net real estate	1,468,381	1,473,899
Equity investments in unconsolidated joint ventures	28,663	30,931
Cash and cash equivalents	33,085	5,795
Restricted cash	14,915	3,454
Accounts receivable (net of allowance for doubtful accounts of $2,217 and $2,351 as of June 30, 2014 and December 31, 2013, respectively)	10,716	9,648
Other assets, net	118,139	128,521
TOTAL ASSETS	$1,673,899	$1,652,248
LIABILITIES AND SHAREHOLDERS' EQUITY		
Notes payable:		
Senior unsecured notes payable	$420,000	$365,000
Mortgages payable	301,029	333,049
Unsecured revolving credit facility	—	27,000
Junior subordinated notes	28,125	28,125
Total notes payable	749,154	753,174
Capital lease obligation	5,510	5,686
Accounts payable and accrued expenses	38,104	32,026
Other liabilities	46,631	48,593
Distributions payable	15,406	14,809
TOTAL LIABILITIES	854,805	854,288
Commitments and Contingencies		
Ramco-Gershenson Properties Trust ("RPT") Shareholders' Equity:		
Preferred shares, $0.01 par, 2,000 shares authorized: 7.25% Series D Cumulative Convertible Perpetual Preferred Shares, (stated at liquidation preference $50 per share), 2,000 shares issued and outstanding as of June 30, 2014 and December 31, 2013	$100,000	$100,000
Common shares of beneficial interest, $0.01 par, 120,000 shares authorized, 69,937 and 66,669 shares issued and outstanding as of June 30, 2014 and December 31, 2013, respectively	699	667
Additional paid-in capital	1,008,913	959,183
Accumulated distributions in excess of net income	(315,668)	(289,837)

Accumulated other comprehensive (loss) income	(1,925)	84
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO RPT	792,019	770,097
Noncontrolling interest	27,075	27,863
TOTAL SHAREHOLDERS' EQUITY	819,094	797,960
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$1,673,899	$1,652,248

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

RAMCO-GERSHENSON PROPERTIES TRUST
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
REVENUE				
Minimum rent	$37,054	$31,946	$73,321	$56,234
Percentage rent	5	20	153	115
Recovery income from tenants	11,857	9,772	24,104	18,000
Other property income	578	491	1,539	1,014
Management and other fee income	436	473	946	1,277
TOTAL REVENUE	49,930	42,702	100,063	76,640
EXPENSES				
Real estate taxes	7,347	5,769	14,714	10,334
Recoverable operating expense	5,739	4,709	11,898	8,838
Other non-recoverable operating expense	835	730	1,684	1,467
Depreciation and amortization	23,658	14,551	41,399	25,328
General and administrative expense	5,619	5,634	11,233	11,134
TOTAL EXPENSES	43,198	31,393	80,928	57,101
OPERATING INCOME	6,732	11,309	19,135	19,539
OTHER INCOME AND EXPENSES				
Other expense, net	(239)	(180)	(372)	(316)
Gain on sale of real estate	2,672	332	2,672	3,914
Earnings (loss) from unconsolidated joint ventures	816	260	(791)	(5,414)
Interest expense	(7,632)	(7,296)	(15,231)	(13,369)
Amortization of deferred financing fees	(370)	(346)	(773)	(687)
Deferred gain recognized on real estate	—	—	117	5,282
Loss on extinguishment of debt	(860)	—	(860)	—
INCOME FROM CONTINUING OPERATIONS BEFORE TAX	1,119	4,079	3,897	8,949
Income tax benefit (provision)	1	13	(16)	(30)
INCOME FROM CONTINUING OPERATIONS	1,120	4,092	3,881	8,919
DISCONTINUED OPERATIONS				
Gain on sale of real estate	—	1,537	—	1,537
Income from discontinued operations	—	153	—	600
INCOME FROM DISCONTINUED OPERATIONS	—	1,690	—	2,137
NET INCOME	1,120	5,782	3,881	11,056
Net income attributable to noncontrolling partner interest	(34)	(208)	(123)	(433)
NET INCOME ATTRIBUTABLE TO RPT	1,086	5,574	3,758	10,623
Preferred share dividends	(1,813)	(1,813)	(3,625)	(3,625)
NET (LOSS) INCOME AVAILABLE TO COMMON SHAREHOLDERS	$(727)	$3,761	$133	$6,998

(LOSS) EARNINGS PER COMMON SHARE, BASIC				
Continuing operations	$(0.01)	$0.03	$—	$0.08
Discontinued operations	—	0.03	—	0.04
	$(0.01)	$0.06	$—	$0.12
(LOSS) EARNINGS PER COMMON SHARE, DILUTED				
Continuing operations	$(0.01)	$0.03	$—	$0.08
Discontinued operations	—	0.03	—	0.04
	$(0.01)	$0.06	$—	$0.12
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING				
Basic	68,853	59,911	67,966	55,867
Diluted	69,097	60,319	68,209	56,277
OTHER COMPREHENSIVE (LOSS) INCOME				
Net income	$1,120	$5,782	$3,881	$11,056
Other comprehensive (loss) income:				
(Loss) gain on interest rate swaps	(1,377)	4,118	(2,076)	4,676
Comprehensive (loss) income	(257)	9,900	1,805	15,732
Comprehensive loss (income) attributable to noncontrolling interest	44	(147)	67	(171)
COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO RPT	$(213)	$9,753	$1,872	$15,561

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

RAMCO-GERSHENSON PROPERTIES TRUST
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
For the six months ended June 30, 2014
(In thousands)
(Unaudited)

	Shareholders' Equity of Ramco-Gershenson Properties Trust						
	Preferred Shares	Common Shares	Additional Paid-in Capital	Accumulated Distributions in Excess of Net Income	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total Shareholders' Equity
Balance, December 31, 2013	$100,000	$667	$959,183	$(289,837)	$84	$27,863	$797,960
Issuance of common shares	—	30	49,860	—	—	—	49,890
Share-based compensation and other expense, net of shares withheld for employee taxes	—	2	(130)	—	—	—	(128)
Dividends declared to common shareholders	—	—	—	(25,791)	—	—	(25,791)
Dividends declared to preferred shareholders	—	—	—	(3,625)	—	—	(3,625)
Distributions declared to noncontrolling interests	—	—	—	—	—	(844)	(844)
Dividends declared to deferred shares	—	—	—	(173)	—	—	(173)
Other comprehensive income adjustment	—	—	—	—	(2,009)	(67)	(2,076)
Net income	—	—	—	3,758	—	123	3,881
Balance, June 30, 2014	$100,000	$699	$1,008,913	$(315,668)	$(1,925)	$27,075	$819,094

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

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

	Six Months Ended June 30,	
	2014	2013
OPERATING ACTIVITIES		
Net income	$3,881	$11,056
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization, including discontinued operations	41,398	25,684
Amortization of deferred financing fees, including discontinued operations	773	687
Income tax provision	16	30
Loss from unconsolidated joint ventures	791	5,414
Distributions received from operations of unconsolidated joint ventures	1,353	1,798
Loss on extinguishment of debt, including discontinued operations	860	—
Deferred gain recognized on real estate	(117)	(5,282)
Gain on sale of real estate, including discontinued operations	(2,672)	(5,451)
Amortization of premium on mortgages, net	(347)	(186)
Share-based compensation expense	1,060	1,076
Long-term incentive cash compensation expense	1,071	700
Changes in assets and liabilities:		
Accounts receivable, net	(1,068)	660
Other assets, net	675	202
Accounts payable, accrued expenses and other liabilities	526	7,151
Net cash provided by operating activities	48,200	43,539
INVESTING ACTIVITIES		
Acquisition of real estate, net of assumed debt	$—	$(202,096)
Development and capital improvements	(34,776)	(18,196)
Net proceeds from sales of real estate	9,883	18,960
Distributions from sale of joint venture property	—	1,687
Increase in restricted cash	(11,461)	(940)
Investment in unconsolidated joint ventures	—	(4,979)
Net cash used in investing activities	(36,354)	(205,564)
FINANCING ACTIVITIES		
Proceeds on mortgages and notes payable	$175,000	$160,000
Repayment of mortgages and notes payable	(151,672)	(116,064)
Net repayments on revolving credit facility	(27,000)	(37,000)
Payment of deferred financing costs	(762)	(1,319)
Proceeds from issuance of common stock	49,890	178,295
Repayment of capitalized lease obligation	(176)	(166)
Conversion of operating partnership units for cash	—	(1,207)
Dividends paid to preferred shareholders	(3,625)	(3,625)
Dividends paid to common shareholders	(25,367)	(18,302)
Distributions paid to operating partnership unit holders	(844)	(778)
Net cash provided by financing activities	15,444	159,834

Net change in cash and cash equivalents	27,290	(2,191)
Cash and cash equivalents at beginning of period	5,795	4,233
Cash and cash equivalents at end of period	$33,085	$2,042
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITY		
Assumption of debt related to acquisitions	$—	$158,767
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest (net of capitalized interest of $884 and $457 in 2014 and 2013, respectively)	$16,284	$13,811
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 community shopping centers in strategic metropolitan markets throughout the Eastern, Midwestern and Central United States. As of June 30, 2014, our property portfolio consists of 65 wholly owned shopping centers and one office building comprising approximately 13.0 million square feet. In addition, we are co-investor in and manager of two institutional joint ventures that own portfolios of shopping centers. We own 20% of Ramco 450 Venture LLC, an entity that owns eight shopping centers comprising approximately 1.6 million square feet. We own 30% of Ramco/Lion Venture L.P., an entity that owns three shopping centers comprising approximately 0.8 million square feet. We also have ownership interests in two smaller joint ventures that each own a shopping center. In addition, we own interests in three parcels of land available for development or sale and five parcels of land adjacent to certain of our existing developed properties located in Florida, Georgia, Michigan, Tennessee, and Virginia. Most of our properties are anchored by supermarkets and/or national chain stores. The Company's 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. (96.9% and 96.8% owned by the Company at June 30, 2014 and December 31, 2013, respectively), and all wholly-owned subsidiaries, including entities in which we have a controlling financial interest. 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, 2013.

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

Certain reclassifications of prior period amounts, primarily related to discontinued operations, have been made in the condensed consolidated financial statements in order to conform to the current presentation.

Recent Accounting Pronouncements

In June 2014, the FASB issued Accounting Standards Update No. 2014-12, “Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period” (“ASU 2014-12”). The amendments in ASU 2014-12 require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in Accounting Standards Codification Topic No. 718, “Compensation — Stock Compensation” (“ASC 718”), as it relates to awards with performance conditions that affect vesting to account for such awards. The amendments in ASU 2014-12 are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Early adoption is permitted. Entities may apply the amendments in ASU 2014-12 either: (a) prospectively to all awards granted or modified after the effective date; or (b) retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. We believe the adoption of this guidance will not have a material effect on our consolidated financial statements.

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09 "Revenue from Contract with Customers" as a new Topic, Accounting Standards Codification ("ASC") Topic 606. The objective of ASU 2014-09 is to establish a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and will supersede most of the existing revenue recognition guidance, including industry-specific guidance. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In applying the new standard, companies will perform a five-step analysis of transactions to determine when and how revenue is recognized. ASU 2014-09 applies to all contracts with customers except those that are within the scope of other topics is the FASB ASC. This ASU is effective for annual reporting periods (including interim periods within those periods) beginning after December 15, 2016 and shall be applied using either a full retrospective or modified retrospective approach. Early adoption is not permitted. We are currently evaluating the guidance and have not determined the impact this standard may have on the consolidated financial statements nor decided upon the method of adoption.

In April 2014, FASB issued ASU 2014-08 "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360), Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity" which amends the requirements for reporting discontinued operations. Under ASU 2014-08, a disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. For public entities, ASU 2014-08 is effective prospectively for fiscal years beginning after December 15, 2014; however, early adoption is permitted, but only for disposals or classifications as held for sale that have not been reported in financial statements previously issued or available for issuance. We adopted the provisions of ASU 2014-08 beginning with the period ended March 31, 2014, and have applied the provisions prospectively.

Prior to the adoption of ASU 2014-08, the results of operations for operating properties sold or held for sale during the reported periods were shown under Discontinued Operations on the Consolidated Statements of Operations. Beginning with the period ended March 31, 2014, in general, our activity related to individual sales of properties wholly-owned or co-owned with joint ventures will no longer be classified as Discontinued Operations.

In July 2013, the FASB updated ASC 740 "Income Taxes" with ASU 2013-11 "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carry forward, a Similar Tax Loss, or a Tax Credit Carry forward Exists." The objective of this update is to reduce the diversity in practice related to the presentation of certain unrecognized tax benefits. The amendments in this update require an entity to present an unrecognized tax benefit in the financial statements as a reduction to a deferred tax asset for those instances described above, except in certain situations described in the update. For public entities, ASU 2013-11 is effective for fiscal years beginning after December 15, 2013 and interim periods within those years. The guidance should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Early adoption and retrospective application are permitted. The adoption of this guidance did not have an impact on our consolidated financial statements.

In July 2013, the FASB updated ASC 815 "Derivatives and Hedging" with ASU 2013-10 "Inclusion of the Fed Funds Effective Swap Rate (of Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes." ASU 2013-10 permits the Overnight Index Swap ("OIS") Rate, also referred to as the Fed Funds effective Swap Rate, to be used as a U.S. benchmark for hedge accounting purposes, in addition to London Interbank Offered Rate ("LIBOR") and the interest rate on direct U.S. Treasury obligations. The guidance also removes the restriction on using different benchmarks for similar hedges. ASU 2013-10 is effective prospectively for qualifying new or re-designated hedges entered into on or after July 17, 2013. The adoption of this guidance did not have an impact on our consolidated financial statements.

2. Real Estate

Included in our net real estate assets are income producing shopping center properties that are recorded at cost less accumulated depreciation and amortization.

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, is regularly evaluated under applicable accounting requirements, including requirements relating to abandonment of assets or changes in use. Land available for development or sale was $70.4 million and $68.5 million at June 30, 2014 and December 31, 2013, 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 $45.1 million and $33.5 million at June 30, 2014 and December 31, 2013, respectively.

The increase in construction in progress from December 31, 2013 to June 30, 2014 was due primarily to tenant build-outs at various projects as well as ongoing development of Phase I of Lakeland Park Center, located adjacent to our existing Shoppes of Lakeland shopping center in Lakeland, Florida.

3. Property Acquisitions and Dispositions

Acquisitions

There were no acquisitions during the six months ended June 30, 2014. See Note 15 Subsequent Events for additional information regarding acquisitions.

Dispositions

The following table provides a summary of our disposition activity for the six months ended June 30, 2014:

Property Name	Location	GLA	Acreage	Date Sold	Gross Sales Price	Debt Repaid	Gain (loss) on Sale
		(In thousands)			(In thousands)		
The Town Center at Aquia - El Gran Charro Outparcel	Stafford, VA	6	N/A	05/28/14	$1,730	$—	$123
Naples Towne Centre	Naples, FL	135	N/A	04/17/14	7,150	—	2,343
Total consolidated income producing dispositions		141			$8,880	$—	$2,466
Parkway Phase I - Express Oil Change Outparcel	Jacksonville, FL	N/A	0.7	06/13/14	$680	$—	$215
Hartland - Taco Bell Outparcel	Hartland, MI	N/A	0.8	05/01/14	650	$—	$(9)
Total consolidated land / outparcel dispositions			1.5		$1,330	$—	$206
Total consolidated dispositions		141	1.5		$10,210	$—	$2,672

Pursuant to the criteria established under ASC 360, Property, Plant, and Equipment, we will classify properties as held for sale when executed purchase and sales agreement contingencies have been satisfied thereby signifying that the sale is legally binding and we are able to conclude that the sale of the property within one year is probable. Pursuant to our adoption of ASU 2014-08 the results of operations of properties classified as held for sale will not be classified as Discontinued Operations in the Condensed Consolidated Statements of Operations. As of June 30, 2014 and 2013, we did not have any properties held for sale.

4. Discontinued Operations

We have adopted the provisions of ASU 2014-08 beginning with the period ended March 31, 2014, and have applied the provisions prospectively. The following table provides a summary of selected operating results during the three and six months ended June 30, 2013 for those properties classified as Discontinued Operations prior to our adoption of ASU 2014-08:

	Three Months Ended June 30, 2013	Six Months Ended June 30, 2013

	(in thousands)	
Total revenue	$578	$1,461
Expenses:		
Recoverable operating expenses	165	394
Other non-recoverable property operating expenses	57	61
Depreciation and amortization	153	357
Operating income from discontinued operations	203	649
Other expense	(50)	(49)
Gain on sale of properties	1,537	1,537
Income from discontinued operations	$1,690	$2,137

5. Equity Investments in Unconsolidated Joint Ventures

We have four joint venture agreements whereby we own between 7% and 30% of the equity in the 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, 2014	December 31, 2013
	(In thousands)	
ASSETS		
Income producing properties, net	$391,660	$410,218
Cash, accounts receivable and other assets	24,195	27,462
Total Assets	$415,855	$437,680
LIABILITIES AND OWNERS' EQUITY		
Mortgage notes payable	$170,692	$178,708
Other liabilities	6,359	7,885
Owners' equity	238,804	251,087
Total Liabilities and Owners' Equity	$415,855	$437,680
RPT's equity investments in unconsolidated joint ventures	$28,663	$30,931

	Three Months Ended June 30,		Six Months Ended June 30,	
Statements of Operations	2014	2013	2014	2013
	(In thousands)			
Total revenue	$10,578	$10,736	$21,502	$21,729
Total expenses [(1)]	7,035	7,251	24,961	14,872
Income (loss) before other income, expense, and discontinued operations	3,543	3,485	(3,459)	6,857
Gain on sale of land [(2)]	740	—	740	—
Interest expense	(1,816)	(2,302)	(3,691)	(4,967)
Gain on extinguishment of debt [(3)]	—	—	529	—
Amortization of deferred financing fees	(77)	(66)	(152)	(129)
Income (loss) from continuing operations	2,390	1,117	(6,033)	1,761
Discontinued operations [(4)]				
Loss on sale of real estate [(5)]	—	(295)	—	(21,512)
Income from discontinued operations	—	(8)	—	1,146
Loss from discontinued operations	—	(303)	—	(20,366)
Net income (loss)	$2,390	$814	$(6,033)	$(18,605)
RPT's share of gain (loss) from unconsolidated joint ventures [(6)]	$816	$260	$(719)	$(5,414)

(1) The increase for the six months ended June 30, 2014 is due to depreciation expense related to a redevelopment project.

(2)

The gain on sale relates to a joint venture property that was sold in 2011 and additional proceeds received in June 2014. Our share of the gain was approximately $0.4 million.

(3) As a result of a property conveyance, a joint venture recognized a gain on extinguishment of debt of which our share was approximately $0.1 million.

(4) Beginning in the first quarter of 2014 discontinued operations reflects results of operations for those properties classified as discontinued operations as of December 31, 2013.

(5) In March 2013, Ramco/Lion Venture LP sold 12 shopping centers to us resulting in a loss on the sale of $21.5 million to the joint venture.

(6) For the six months ended June 30, 2014, we recognized additional loss of $72 thousand to write-off costs related to our Ramco 191 LLC joint venture increasing our total loss from unconsolidated joint ventures.

As of June 30, 2014, we had investments in the following unconsolidated joint ventures:

Unconsolidated Entities	Ownership as of June 30, 2014	Total Assets as of June 30, 2014	Total Assets as of December 31, 2013
		(In thousands)	
Ramco/Lion Venture LP	30%	$89,204	$91,053
Ramco 450 Venture LLC	20%	280,755	293,410
Other Joint Ventures	7%	45,896	53,217
		$415,855	$437,680

There was no acquisition activity in the six months ended June 30, 2014 and 2013 by any of our unconsolidated joint ventures.

Debt

Our unconsolidated joint ventures had the following debt outstanding at June 30, 2014:

Entity Name	Balance Outstanding
	(In thousands)
Ramco 450 Venture LLC [1]	$140,597
Ramco/Lion Venture LP [2]	30,245
	$170,842
Unamortized premium	(150)
Total mortgage debt	$170,692

[1] Maturities range from October 2015 to September 2023 with interest rates ranging from 1.9% to 5.8%.
[2] Balance relates to Millennium Park's mortgage loan which has a maturity date of October 2015 with a 5.0% interest rate.

On March 31, 2014, Ramco 191 LLC, in which our ownership interest was 20%, completed the conveyance of its ownership interest in its sole remaining shopping center to the noteholder in lieu of repayment of a non-recourse loan in the amount of $7.5 million of which our share was $1.5 million.

Joint Venture Management and Other Fee Income

We are engaged by certain of 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, 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,	
	2014	2013	2014	2013
	(In thousands)			
Management fees	$367	$411	$766	$1,080
Leasing fees	46	43	105	149

Construction fees	23	19	75	48
Total	$436	$473	$946	$1,277

6. Other Assets, Net

Other assets consist of the following:

	June 30, 2014	December 31, 2013
	(In thousands)	
Deferred leasing costs, net	$26,421	$26,617
Deferred financing costs, net	5,659	6,513
Lease intangible assets, net	60,508	69,635
Straight-line rent receivable, net	15,158	15,115
Cash flow hedge marked-to-market asset	993	2,244
Prepaid and other deferred expenses, net	5,945	4,629
Other, net	3,455	3,768
Other assets, net	$118,139	$128,521

Total accumulated amortization of other assets was $49.2 million and $44.0 million at June 30, 2014 and December 31, 2013, respectively.

Intangible assets attributable to lease origination costs and for above-market leases are being amortized over the lives of the applicable lease. Amortization of lease origination costs is an increase to amortization expense and amortization of above-market leases is a reduction to minimum rent revenue over the applicable terms of the respective leases. Amortization of the above-market leases resulted in a reduction of revenue of approximately $1.3 million and $0.9 million for the six months ended June 30, 2014 and 2013, respectively.

Straight-line rent receivables are recorded net of allowances of $4.1 million and $3.8 million at June 30, 2014 and December 31, 2013, respectively.

7. Debt

The following table summarizes our mortgages and notes payable and capital lease obligation as of June 30, 2014 and December 31, 2013:

Notes Payable	June 30, 2014	December 31, 2013
	(In thousands)	
Senior unsecured notes	$210,000	$110,000
Unsecured term loan facilities	210,000	255,000
Fixed rate mortgages	298,203	329,875
Unsecured revolving credit facility	—	27,000
Junior subordinated notes	28,125	28,125
	746,328	750,000
Unamortized premium	2,826	3,174
	$749,154	$753,174
Capital lease obligation [1]	$5,510	$5,686

[1]

99 year ground lease expires 9/30/2103. However, an anchor tenant's exercise of its option to purchase its parcel in October 2014 would require us to purchase the real estate that is subject to the ground lease.

In May 2014, we completed a $100 million private placement of senior unsecured notes consisting of $50 million of notes with a ten-year term with a fixed interest rate of 4.65% and $50 million of notes with a twelve-year term at a fixed interest rate of 4.74%. A "shelf" facility allows for an additional $50 million in notes to the same purchaser within the next three years, subject to approval, pricing and documentation.

Also in May 2014, we closed a $75 million senior unsecured term loan with an additional $75 million accordion feature. The loan has a seven-year term and bears interest at an annual rate of LIBOR plus 1.25% to 2.25% (initially 1.7%) depending upon our leverage or credit rating. The interest expense will be hedged with an existing interest rate swap expiring in April 2016, resulting in an effective fixed initial annual rate of 2.9%.

The combined proceeds from these financings were used to repay $45 million of variable-rate bank term debt due 2017, $75 million of bank term debt also due in 2017, the $45 million balance on our unsecured revolving line of credit, as well as for general corporate purposes.

During the six months ended June 30, 2014 we repaid mortgages securing the following properties:

- The Auburn Mile in the amount of $6.6 million with an interest rate of 5.4%; and
- Crossroads Centre in the amount of $23.2 million with an interest rate of 5.4%.

Our fixed rate mortgages have interest rates ranging from 5.0% to 7.4% and are due at various maturity dates from June 2015 through June 2026. Included in fixed rate mortgages at June 30, 2014 and December 31, 2013 were unamortized premium balances related to the fair market value of debt of approximately $2.8 million and $3.2 million, respectively. The fixed rate mortgage notes are secured by mortgages on properties that have an approximate net book value of $283.3 million as of June 30, 2014.

We had net repayments of $27.0 million under our revolving credit facility during the six months ended June 30, 2014. As of June 30, 2014 there were no amounts outstanding under the facility. Outstanding letters of credit issued under our revolving credit facility, not reflected in the accompanying condensed consolidated balance sheets, totaled $7.0 million. These letters of credit reduce borrowing availability under our bank facility.

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, 2014, we were in compliance with these covenants.

The mortgage loans encumbering our properties, including properties held by our unconsolidated joint ventures, 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.

The following table presents scheduled principal payments on mortgages and notes payable as of June 30, 2014:

Year Ending December 31,	
	(In thousands)
2014 (July 1 - December 31)	$1,784
2015	85,250
2016	22,710
2017	112,222
2018	84,244
Thereafter	440,118
Subtotal debt	746,328
Unamortized premium	2,826
Total debt (including unamortized premium)	$749,154

We have no mortgage maturities until the second quarter of 2015 and it is our intent to repay these mortgages using cash, borrowings under our unsecured line of credit, or other sources of financing.

8. Other Liabilities, net

Other liabilities consist of the following:

	June 30, 2014	December 31, 2013
	(In thousands)	
Lease intangible liabilities, net	$38,158	$40,386
Cash flow hedge marked-to-market liability	3,122	2,297
Deferred liabilities	2,119	2,637
Tenant security deposits	2,932	2,940
Other, net	300	333
Other liabilities, net	$46,631	$48,593

The lease intangible liability relates to below-market leases that are being accreted over the applicable terms of the acquired leases, which resulted in an increase in revenue of $2.3 million and $1.2 million for the six months ended June 30, 2014 and 2013, respectively.

9. 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 10 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, 2014.

	Total Fair Value	Level 1	Level 2	Level 3
	(In thousands)			
Derivative assets - interest rate swaps	$993	$—	$993	$—
Derivative liabilities - interest rate swaps	$(3,122)	$—	$(3,122)	$—

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, assumes the debt is outstanding through maturity and considers 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 $718.2 million and $649.9 million as of June 30, 2014 and December 31, 2013, respectively, have fair values of approximately $729.6 million and $650.9 million, respectively. Variable rate debt's fair value is estimated to be the carrying values of $28.1 million and $100.1 million as of June 30, 2014 and December 31, 2013, respectively. We classify our debt as Level 2.

The following is a description of valuation methodologies used for our assets and liabilities recorded at fair value on a nonrecurring basis:

Net Real Estate

Our net investment in real estate, including any identifiable intangible assets, is subject to impairment testing on a nonrecurring basis. To estimate fair value, we use discounted cash flow models that include assumptions of the discount rates that market participants would use in pricing the asset. To the extent impairment has occurred, we charge to expense the excess of the carrying value of the property over its estimated fair value. We classify impaired real estate assets as nonrecurring Level 3.

Equity Investments in Unconsolidated Joint Ventures

Our equity investments in unconsolidated joint ventures are subject to impairment testing on a nonrecurring basis if there is an indication that a decrease in the value of our investment has occurred that is other-than-temporary. To estimate the fair value of properties held by unconsolidated entities, we use cash flow models, discount rates, and capitalization rates based upon assumptions of the rates that market participants would use in pricing the asset. To the extent other-than-temporary impairment has occurred, we charge to expense the excess of the carrying value of the equity investment over its estimated fair value. We classify other-than-temporarily impaired equity investments in unconsolidated entities as nonrecurring Level 3.

10. 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. 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 highly 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 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.

At June 30, 2014, we had seven interest rate swap agreements with an aggregate notional amount of $210.0 million that were designated as cash flow hedges. The agreements provided for swapping one-month LIBOR interest rates ranging from 1.2% to 2.2% on $210.0 million of unsecured term loans and have expirations ranging from April 2016 to May 2020.

The following table summarizes the notional values and fair values of our derivative financial instruments as of June 30, 2014:

Underlying Debt	Hedge Type	Notional Value (In thousands)	Fixed Rate		Fair Value (In thousands)		Expiration Date
Derivative Assets							
Unsecured term loan facility	Cash Flow	$50,000	1.4600	%	$993		05/2020
Derivative Liabilities							
Unsecured term loan facility	Cash Flow	$75,000	1.2175	%	$(1,094	)	04/2016

Unsecured term loan facility	Cash Flow	30,000	2.0480	%	(889	) 10/2018
Unsecured term loan facility	Cash Flow	25,000	1.8500	%	(536	) 10/2018
Unsecured term loan facility	Cash Flow	5,000	1.8400	%	(104	) 10/2018
Unsecured term loan facility	Cash Flow	15,000	2.1500	%	(299	) 05/2020
Unsecured term loan facility	Cash Flow	10,000	2.1500	%	(200	) 05/2020
		$160,000			$(3,122	)

The following table presents the fair values of derivative financial instruments in our condensed consolidated balance sheets as of June 30, 2014 and December 31, 2013, respectively:

Derivatives designated as hedging instruments	June 30, 2014 Balance Sheet Location	Fair Value (In thousands)	December 31, 2013 Balance Sheet Location	Fair Value (In thousands)
Interest rate contracts - assets	Other assets	$993	Other assets	$2,244
Interest rate contracts - liabilities	Other liabilities	$(3,122)	Other liabilities	$(2,297)

The effect of derivative financial instruments on our condensed consolidated statements of operations for the six months ended June 30, 2014 and 2013 is summarized as follows:

Derivatives in Cash Flow Hedging Relationship	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion) Six Months Ended June 30, 2014 (In thousands)	2013	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, 2014 (In thousands)	2013
Interest rate contracts - assets	$(1,251)	$—	Interest Expense	$(582)	$—
Interest rate contracts - liabilities	(825)	4,676	Interest Expense	(946)	(994)
Total	$(2,076)	$4,676	Total	$(1,528)	$(994)

11. Earnings Per Common Share

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(In thousands, except per share data)			
Income from continuing operations	$1,120	$4,092	$3,881	$8,919
Net income from continuing operations attributable to noncontrolling interest	(34)	(147)	(123)	(357)
Preferred share dividends	(1,813)	(1,813)	(3,625)	(3,625)
Allocation of continuing income to restricted share awards	(44)	(38)	(94)	(76)
(Loss) income from continuing operations attributable to RPT	$(771)	$2,094	$39	$4,861
Income from discontinued operations	—	1,690	—	2,137
Net income from discontinued operations attributable to noncontrolling interest	—	(61)	—	(76)
Allocation of discontinued income to restricted share awards	—	(11)	—	(15)
Income from discontinued operations attributable to RPT	—	1,618	—	2,046
Net (loss) income available to common shareholders	$(771)	$3,712	$39	$6,907
Weighted average shares outstanding, Basic	68,853	59,911	67,966	55,867
(Loss) income per common share, Basic				
Continuing operations	$(0.01)	$0.03	$—	$0.08
Discontinued operations	—	0.03	—	0.04
Net (loss) income available to common shareholders	$(0.01)	$0.06	$—	$0.12

The following table sets forth the computation of diluted EPS:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(In thousands, except per share data)			
Income from continuing operations	$1,120	$4,092	$3,881	$8,919
Net income from continuing operations attributable to noncontrolling interest	(34)	(147)	(123)	(357)
Preferred share dividends	(1,813)	(1,813)	(3,625)	(3,625)
Allocation of continuing income to restricted share awards	(44)	(38)	(94)	(76)
Allocation of over distributed continuing income to restricted share awards	—	(4)	—	(8)
(Loss) income from continuing operations attributable to RPT	$(771)	$2,090	$39	$4,853
Income from discontinued operations	—	1,690	—	2,137
Net income from discontinued operations attributable to noncontrolling interest	—	(61)	—	(76)
Allocation of discontinued income to restricted share awards	—	(2)	—	(2)
Income from discontinued operations attributable to RPT	—	1,627	—	2,059
Net (loss) income available to common shareholders	$(771)	$3,717	$39	$6,912

Weighted average shares outstanding, Basic	68,853	59,911	67,966	55,867
Stock options and restricted stock awards using the treasury method	244	408	243	410
Dilutive effect of securities [1]	—	—	—	—
Weighted average shares outstanding, Diluted	69,097	60,319	68,209	56,277
(Loss) income per common share, Basic				
Continuing operations	$(0.01)	$0.03	$—	$0.08
Discontinued operations	—	0.03	—	0.04
Net (loss) income available to common shareholders	$(0.01)	$0.06	$—	$0.12

(1) The assumed conversion of preferred shares are anti-dilutive for all periods presented and accordingly, have been excluded from the weighted average common shares used to compute diluted EPS.

12. Share-based Compensation Plans

As of June 30, 2014, 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 the Company's 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 2,000,000 shares of our common stock, units or stock options, of which 1,737,492 remained available for issuance at June 30, 2014.

In addition, as of June 30, 2014, we had 198,209 share awards that were granted under plans which terminated when the 2012 LTIP became effective. These awards have various expiration dates through June 2017.

During the six months ended June 30, 2014, we had the following activity:

- issued restricted stock related to the 2011 performance-based units. The measurement period was January 1, 2011 through December 31, 2013 and measured our three-year shareholder return compared to our peer group. Our rank in comparison to the peer group resulted in a grant of 159,424 shares of restricted stock. Per the plan, 50% vested on the date of the grant and the balance vests on the first anniversary of the date of the grant;
- granted 114,114 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 of March 1, 2014 and the expense is recognized on a graded vesting basis; and
- granted performance-based cash awards 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 grant 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.

We recognized share-based compensation expense of $1.1 million for each of the six months ended June 30, 2014 and June 30, 2013.

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 criteria are not met, compensation expense previously recognized would be reversed. Compensation expense related to the cash awards was $1.1 million and $0.7 million for the six months ended June 30, 2014 and 2013, respectively.

As of June 30, 2014, we had $5.9 million of total unrecognized compensation expense related to unvested restricted shares, options granted under our plans and performance based equity and cash awards. This expense is expected to be recognized over a weighted-average period of 4.7 years.

13. 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, and net operating loss carry forwards.

As of June 30, 2014, we had a federal and state deferred tax asset of $10.3 million, and a valuation allowance of $10.1 million. We believe that it is more likely than not that the results of future operations will generate sufficient taxable income to recognize the net 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. The valuation allowances relate to net operating loss carry forwards and tax basis differences where there is uncertainty regarding their realizability.

We recorded income tax provisions of approximately $16,000 and $30,000 for the six months ended June 30, 2014 and 2013, respectively.

Sales Taxes

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

14. Commitments and Contingencies

Construction Costs

In connection with the development and expansion of various shopping centers as of June 30, 2014, we had entered into agreements for construction costs of approximately $25.5 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

We lease office space for our corporate headquarters under an operating lease. We also have operating leases for land at one of our shopping centers and a capital ground lease at our Gaines Marketplace Shopping Center. Total amounts expensed relating to these leases was $0.7 million and $0.5 million for the the six months ended June 30, 2014 and 2013.

15. Subsequent Events

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

Subsequent to June 30, 2014 we completed the acquisition of two multi-anchored community shopping centers located in Minneapolis-St. Paul, Minnesota and Cincinnati, Ohio for $150.0 million. The acquisitions were funded with a combination of assumed mortgage debt of $58.6 million, borrowings under our revolving credit facility, restricted cash and cash.

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

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, 2013. 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 REIT which owns, develops, acquires, manages and leases community shopping centers located in strategic metropolitan markets throughout the Eastern, Midwestern and Central United States. As of June 30, 2014, our property portfolio consists of 65 wholly owned shopping centers and one office building comprising approximately 13 million million square feet. In addition, we are co-investor in and manager of two institutional joint ventures that own portfolios of shopping centers. We own 20% of Ramco 450 Venture LLC, an entity that owns eight shopping centers comprising approximately 1.6 million square feet. We own 30% of Ramco/Lion Venture L.P., an entity that owns three shopping centers comprising approximately 0.8 million square feet. We also have ownership interests in two smaller joint ventures that each own a shopping center. In addition, we own three parcels of land available for development or sale and five parcels of land adjacent to certain of our existing developed properties located in Florida, Georgia, Michigan, Tennessee, and Virginia. Our core portfolio, which includes joint venture properties, was 95.7% leased at June 30, 2014. Including properties in redevelopment or slated for redevelopment, our overall portfolio was 94.9% leased.

Business Strategy

We intend to maximize shareholder value through a well-defined business strategy that incorporates the following elements:

- Leasing and managing our shopping centers to increase occupancy, maximize rental income, and control operating expenses and capital expenditures;
- Redeveloping our centers to increase gross leasable area, reconfigure space for creditworthy tenants, create outparcels, sell excess land, and generally make the centers more desirable for our tenants and their shoppers;
-

- Acquiring new shopping centers that are located in targeted metropolitan markets, anchored by stable and productive supermarkets, discounters, or national chain stores, and that provide opportunities to add value through intensive leasing, management, or redevelopment;
- Developing our land available for development into income-producing investment property, subject to market demand, availability of capital and adequate returns on our incremental capital;
- Selling non-core shopping centers and redeploying the proceeds into investments that meet our criteria;
- Selling land parcels and using the proceeds to pay down debt or reinvest in our business;
- Maintaining a strong and flexible balance sheet by capitalizing our Company with a moderate ratio of debt to equity and by financing our investment activities with various forms and sources of capital; and
- Managing our overall enterprise to create an efficient organization with a strong corporate culture and transparent disclosure for all stakeholders.

We periodically review our performance on these endeavors and adjust our operational and financial tactics accordingly.

We continue to strengthen our balance sheet to allow financial and operational flexibility and recycle capital through strategic acquisitions and dispositions of our shopping center portfolio. We accomplished the following activity during the six months ended June 30, 2014:

Operating Activity

For the combined portfolio, including wholly-owned and joint venture properties we reported the following leasing activity:

	Leasing Transactions	Square Footage	Base Rent/SF	Prior Rent/SF	Tenant Improvements/SF	Leasing Commissions/SF
Renewals	123	1,040,630	$12.27	$11.71	$ —	$ —
New Leases - Comparable	18	45,420	$18.03	$14.84	$ 8.29	$ 3.50
New Leases - Non-Comparable [1]	35	266,562	$12.26	N/A	$ 18.09	$ 3.37
Total	176	1,352,612	$12.46	N/A	$ 3.84	$ 0.78

[1] Non-comparable lease transactions include leases for space vacant for greater than 12 months, leases for space which has been combined from smaller spaces or demised from larger spaces, and leases structured differently from the prior lease. As a result, there is no prior rent per square foot to compare to the base rent per square foot of the new lease.

Investing Activity

Redevelopment or expansion projects currently in process include:

- Redevelopment at Merchants' Square shopping center where we have executed a lease for approximately 39,000 square foot Flix Brewhouse to replace the former Hobby Lobby space. The total projected cost is estimated to be approximately $6.4 million and is expected to be completed by the second quarter of 2015;
- Expansion at Village Plaza with a 55,000 square foot Hobby Lobby to replace existing vacant and small shop space and expansion by an additional 12,000 square feet. The total projected cost is estimated to be approximately $4.4 million and is expected to be completed by the first quarter of 2015;
- Expansion at The Shoppes at Fox River II to include a 55,000 square foot Hobby Lobby, which opened in March 2014, an additional anchor and retail tenants. The total projected cost is estimated to be approximately $14.6 million and is expected to be completed by the third quarter of 2015; and
- Expansion at Harvest Junction North on an adjacent 15.0 acres which will include approximately 25,000 square feet of new small shop retail, along with multiple ground leases and outparcel sales. The total projected cost is estimated to be approximately $7.1 million and is expected to be completed by the third quarter of 2015.

During the six months ended June 30, 2014 we completed the following dispositions for net proceeds to us of $9.9 million:

- Naples Towne Centre, a 134,707 square foot shopping center located in Naples, Florida, for $7.0 million; and
- Two outparcels of land plus one income producing outparcel in various locations for a combined $2.9 million.

Financing Activity

Debt

We closed the following debt transactions during the six months ended June 30, 2014:

- a $100 million private placement of senior unsecured notes consisting of $50 million of notes with a ten-year term with a fixed interest rate of 4.65% and $50 million of notes with a twelve-year term at a fixed interest rate of 4.74%. A "shelf" facility allows for an additional $50 million in notes to the same purchaser within the next three years, subject to approval, pricing and documentation; and
- a $75 million senior unsecured term loan with an additional $75 million accordion feature. The loan has a seven-year term and bears interest at an annual rate of LIBOR plus 1.25% to 2.25% (initially 1.7%) depending upon our leverage or

credit rating. The interest expense will be hedged with an existing interest rate swap expiring in April 2016, resulting in an effective fixed initial annual rate of 2.9%.

The combined proceeds from these financings were used to repay $45 million of variable-rate bank term debt due 2017, $75 million of bank term debt also due in 2017, the $45 million balance on our unsecured revolving line of credit, as well as for general corporate purposes.

In addition, during the six months ended June 30, 2014 we repaid mortgages securing the following properties:

- The Auburn Mile in the amount of $6.6 million with an interest rate of 5.4%; and
- Crossroads Centre in the amount of $23.2 million with an interest rate of 5.4%.

Equity

Through our controlled equity offering we have issued 3.1 million common shares at an average share price of $16.44 and received approximately $49.9 million in net proceeds during the six months ended June 30, 2014. As of June 30, 2014, there were 4.8 million shares remaining under this program.

Land Available for Development or Sale

At June 30, 2014, we had two projects in pre-development and various parcels of land available for development or sale. We estimate that if we proceed with the development of these projects, up to approximately 320,000 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.

Construction continues on Lakeland Park Center adjacent to our existing Shoppes of Lakeland shopping center in Lakeland, Florida. Lakeland Park Center is being developed in two phases. Phase I consists of approximately 210,000 square feet of retail space. The total expected cost, excluding land cost, is approximately $34.6 million, net of outparcel land sales. Phase I is expected to be completed by the fourth quarter of 2014.

Our development and construction activities are subject to risks such as our inability to obtain the necessary zoning or other 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 2013 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, 2014, there were no material changes to these policies, except for the presentation changes related to our adoption of the provisions of ASU 2014-08 "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360), Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity".

Comparison of three months ended June 30, 2014 to 2013

The following summarizes certain line items from our unaudited condensed consolidated statements of operations which we believe are important in understanding our operations and/or those items which have significantly changed in the three months ended June 30, 2014 as compared to the same period in 2013:

	Three Months Ended June 30,			
	2014	2013	Dollar Change	Percent Change
	(In thousands)			
Total revenue	$49,930	$42,702	$7,228	16.9 %
Recoverable operating and real estate tax expense	13,086	10,478	2,608	24.9 %
Other non-recoverable operating expense	835	730	105	14.4 %
Depreciation and amortization	23,658	14,551	9,107	62.6 %
General and administrative expense	5,619	5,634	(15)	(0.3)%
Other expense, net	(239)	(180)	(59)	32.8 %
Gain on sale of real estate	2,672	332	2,340	NM
Earnings from unconsolidated joint ventures	816	260	556	213.8 %
Interest expense	(7,632)	(7,296)	(336)	4.6 %
Amortization of deferred financing fees	(370)	(346)	(24)	6.9 %
Loss on extinguishment of debt	(860)	—	(860)	NM
Income tax benefit	1	13	(12)	NM
Income from discontinued operations	—	1,690	(1,690)	NM
Net income attributable to noncontrolling partner interest	(34)	(208)	174	NM
Preferred share dividends	(1,813)	(1,813)	—	—
Net income available to common shareholders	$(727)	$3,761	$(4,488)	(119.3)%

NM - Not meaningful

Total revenue for the three months ended June 30, 2014, increased $7.2 million, or 16.9%, from 2013. The increase is primarily due to the following:

- $6.0 million increase related to acquisitions completed in the second half of 2013;
- $1.2 million increase related to our existing centers;
- $0.1 million increase related to the completion of Phase I of the Parkway Shops development; and
- higher lease termination income of $0.1 million; offset by
- $0.2 million decrease related to properties sold in 2014.

Recoverable operating expense and real estate taxes for the three months ended June 30, 2014 increased $2.6 million, or 24.9%, from 2013. The increase was primarily due to following:

- $2.2 million increase in real estate taxes and recoverable operations expenses related to our 2013 acquisitions; and
- $0.2 million increase in recoverable operating expenses at existing centers.

Depreciation and amortization expense for the three months ended June 30, 2014 increased $9.1 million, or 62.6%, from 2013. The increase was primarily due to the following:

- $6.2 million related to the demolition of a portion of Merchants Square and Village Plaza for redevelopment and the acceleration of depreciation; and
- $2.8 million related to our 2013 acquisitions and the amortization of the related lease origination costs associated with the acquired properties.

In 2014 we recognized a gain on sale of real estate of $2.7 million comprised of $2.3 million related to the sale of the Naples Towne Centre and $0.4 million related to the sale of two outparcels and one income producing outparcel compared to a gain of $0.3 million related to the sale of an outparcel at our Parkway Shops Phase I development in 2013. In 2013 gain or loss on sales of income producing properties were reflected in discontinued operations.

Earnings from unconsolidated joint ventures for the three months ended June 30, 2014 increased $0.6 million from 2013. In June 2014 we received proceeds related to the 2011 sale of a joint venture property. In addition, interest expense is lower in 2014 due to the refinancing of several mortgages in 2013.

Interest expense for the three months ended June 30, 2014 increased $0.3 million from 2013 primarily due to the following:

- $1.2 million increase related to the issuance of senior unsecured notes in July 2013;
- $0.4 million increase related to the issuance of senior unsecured notes in May 2014; offset in part by
- lower average balances on our revolving credit facility;
- $0.8 million decrease in interest related to mortgage debt due to the payoff in 2013 and 2014 of higher interest mortgages; and
- increased capitalized interest due to our development projects.

In 2014 we recorded a $0.9 million loss on extinguishment of debt due to the early payoff of $120.0 million in unsecured term loan debt. We had no such activity in 2013.

Income from discontinued operations was $1.7 million for the three months ended June 30, 2013. We recorded a gain on sale of real estate of $1.5 million and $0.2 million in income from discontinued operations. Pursuant to our adoption of the provisions of ASU 2014-08 beginning with the period ended March 31, 2014, in general, our activity related to individual sales of properties wholly-owned or co-owned with joint ventures will no longer be classified as discontinued operations.

Comparison of six months ended June 30, 2014 to 2013

The following summarizes certain line items from our unaudited condensed consolidated statements of operations which we believe are important in understanding our operations and/or those items which have significantly changed in the six months ended June 30, 2014 as compared to the same period in 2013:

Six Months Ended June 30,