MACK CALI REALTY CORP
Form 10-Q
October 23, 2014

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

FORM 10-Q

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2014

or

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

For the transition period from to

Commission File Number: 1-13274

Mack-Cali Realty Corporation
(Exact name of registrant as specified in its charter)

Maryland	22-3305147
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

343 Thornall Street, Edison, New Jersey	08837-2206
(Address of principal executive offices)	(Zip Code)

(732) 590-1000
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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 ninety (90) days. YES X NO ___

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

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

Large accelerated filer x Accelerated filer ¨

Non-accelerated filer ¨ (Do not check if a smaller reporting company) Smaller reporting company ¨

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

As of October 20, 2014, there were 89,030,829 shares of the registrant's Common Stock, par value $0.01 per share, outstanding.

MACK-CALI REALTY CORPORATION

FORM 10-Q

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MACK-CALI REALTY CORPORATION

Part I – Financial Information

Item 1. Financial Statements

The accompanying unaudited consolidated balance sheets, statements of operations, of changes in equity, and of cash flows and related notes thereto, have been prepared in accordance with generally accepted accounting principles ("GAAP") for interim financial information and in conjunction with the rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the disclosures required by GAAP for complete financial statements. The financial statements reflect all adjustments consisting only of normal, recurring adjustments, which are, in the opinion of management, necessary for a fair presentation for the interim periods.

The aforementioned financial statements should be read in conjunction with the notes to the aforementioned financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and notes thereto included in Mack-Cali Realty Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

The results of operations for the three and nine month periods ended September 30, 2014 are not necessarily indicative of the results to be expected for the entire fiscal year or any other period.

MACK-CALI REALTY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (in thousands, except per share amounts) (unaudited)

ASSETS	September 30, 2014	December 31, 2013
Rental property		
Land and leasehold interests	$ 746,066	$ 750,658
Buildings and improvements	3,731,700	3,915,800
Tenant improvements	421,291	456,003
Furniture, fixtures and equipment	10,670	7,472
	4,909,727	5,129,933
Less – accumulated depreciation and amortization	(1,379,911)	(1,400,988)
Net investment in rental property	3,529,816	3,728,945
Cash and cash equivalents	105,528	221,706
Investments in unconsolidated joint ventures	239,767	181,129
Unbilled rents receivable, net	124,278	136,304
Deferred charges, goodwill and other assets	320,396	218,519
Restricted cash	26,571	19,794
Accounts receivable, net of allowance for doubtful accounts of $1,408 and $2,832	10,841	8,931
Total assets	$ 4,357,197	$ 4,515,328
LIABILITIES AND EQUITY		
Senior unsecured notes	$ 1,417,439	$ 1,616,575
Mortgages, loans payable and other obligations	821,202	746,191
Dividends and distributions payable	15,188	29,938
Accounts payable, accrued expenses and other liabilities	126,580	121,286
Rents received in advance and security deposits	47,792	53,730
Accrued interest payable	24,713	29,153
Total liabilities	2,452,914	2,596,873
Commitments and contingencies		
Equity:		
Mack-Cali Realty Corporation stockholders' equity:		
Common stock, $0.01 par value, 190,000,000 shares authorized, 89,055,220 and 88,247,591 shares outstanding	891	882
Additional paid-in capital	2,556,948	2,539,326
Dividends in excess of net earnings	(913,389)	(897,849)
Total Mack-Cali Realty Corporation stockholders' equity	1,644,450	1,642,359
Noncontrolling interests in subsidiaries:		
Operating Partnership	204,820	220,813
Consolidated joint ventures	55,013	55,283
Total noncontrolling interests in subsidiaries	259,833	276,096
Total equity	1,904,283	1,918,455

Total liabilities and equity	$ 4,357,197	$ 4,515,328

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

MACK-CALI REALTY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (in thousands, except per share amounts) (unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
REVENUES	2014	2013	2014	2013
Base rents	$ 125,793	$ 134,882	$ 393,054	$ 403,943
Escalations and recoveries from tenants	19,172	17,173	61,736	54,117
Construction services	-	678	-	15,650
Real estate services	7,622	7,003	21,323	20,088
Parking income	2,255	1,642	6,605	4,631
Other income	647	1,127	2,667	3,335
Total revenues	155,489	162,505	485,385	501,764
EXPENSES				
Real estate taxes	22,154	20,572	69,880	62,055
Utilities	15,701	18,043	58,555	48,070
Operating services	26,519	25,852	83,581	76,487
Direct construction costs	-	609	-	14,945
Real estate services expenses	6,933	5,552	20,213	15,809
General and administrative	12,665	12,151	49,219	37,235
Depreciation and amortization	41,983	46,094	131,679	135,122
Impairments	-	48,700	-	48,700
Total expenses	125,955	177,573	413,127	438,423
Operating income (loss)	29,534	(15,068)	72,258	63,341
OTHER (EXPENSE) INCOME				
Interest expense	(27,353)	(30,936)	(85,458)	(92,075)
Interest and other investment income	908	187	2,216	1,287
Equity in earnings (loss) of unconsolidated joint ventures	(1,268)	(229)	(2,060)	(2,059)
Realized gains (losses) on disposition of rental property, net	264	-	54,848	-
Total other (expense) income	(27,449)	(30,978)	(30,454)	(92,847)
Income (loss) from continuing operations	2,085	(46,046)	41,804	(29,506)
Discontinued operations:				
Income from discontinued operations	-	2,164	-	11,842
Loss from early extinguishment of debt	-	-	-	(703)
Realized gains (losses) on disposition of rental property, net	-	47,321	-	61,079
Total discontinued operations	-	49,485	-	72,218
Net income	2,085	3,439	41,804	42,712
Noncontrolling interest in consolidated joint ventures	145	1,838	757	1,962
Noncontrolling interest in Operating Partnership	(248)	5,314	(4,754)	3,295
Noncontrolling interest in discontinued operations	-	(5,948)	-	(8,699)

Net income available to common shareholders	$	1,982	$	4,643	$	37,807	$	39,270
Basic earnings per common share:								
Income (loss) from continuing operations	$	0.02	$	(0.44)	$	0.43	$	(0.28)
Discontinued operations		-		0.49		-		0.73
Net income available to common shareholders	$	0.02	$	0.05	$	0.43	$	0.45
Diluted earnings per common share:								
Income (loss) from continuing operations	$	0.02	$	(0.44)	$	0.43	$	(0.28)
Discontinued operations		-		0.49		-		0.73
Net income available to common shareholders	$	0.02	$	0.05	$	0.43	$	0.45
Basic weighted average shares outstanding		88,875		87,793		88,621		87,724
Diluted weighted average shares outstanding		100,052		99,787		100,014		99,778

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

MACK-CALI REALTY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (in thousands) (unaudited)

	Common Stock		Additional Paid-In	Dividends in Excess of Net	Noncontrolling Interests	Total
	Shares	Par Value	Capital	Earnings	in Subsidiaries	Equity
Balance at January 1, 2014	88,248	$ 882	$ 2,539,326	$ (897,849)	$ 276,096	$ 1,918,455
Net income	-	-	-	37,807	3,997	41,804
Common stock dividends	-	-	-	(53,347)	-	(53,347)
Common unit distributions	-	-	-		(6,793)	(6,793)
Increase in noncontrolling interest in consolidated joint ventures	-	-	-	-	487	487
Redemption of common units for common stock	773	8	14,203	-	(14,211)	-
Shares issued under Dividend Reinvestment and Stock Purchase Plan	5	-	102	-	-	102
Directors deferred compensation plan	-	-	310	-	-	310
Stock compensation	29	1	3,264	-	-	3,265
Rebalancing of ownership percentage between parent and subsidiaries	-	-	(257)	-	257	-
Balance at September 30, 2014	89,055	$ 891	$ 2,556,948	$ (913,389)	$ 259,833	$ 1,904,283

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

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MACK-CALI REALTY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands) (unaudited)

	Nine Months Ended September 30,	
CASH FLOWS FROM OPERATING ACTIVITIES	2014	2013
Net income	$ 41,804	$ 42,712
Adjustments to reconcile net income to net cash provided by Operating activities:		
Depreciation and amortization, including related intangible assets	132,698	135,148
Depreciation and amortization on discontinued operations	-	8,196
Amortization of deferred stock units	309	-
Amortization of stock compensation	6,439	2,451
Amortization of deferred financing costs and debt discount	2,306	2,379
Write off of unamortized discount on senior unsecured notes	-	156
Equity in (earnings) loss of unconsolidated joint venture, net	2,060	2,059
Distributions of cumulative earnings from unconsolidated joint ventures	10,974	6,468
Realized (gains) on disposition of rental property, net	(54,848)	(61,079)
Impairments	-	48,700
Changes in operating assets and liabilities:		
Increase in unbilled rents receivable, net	(4,477)	(8,504)
Increase in deferred charges, goodwill and other assets	(23,042)	(27,584)
(Increase) decrease in accounts receivable, net	(1,911)	1
Increase in accounts payable, accrued expenses and other liabilities	13,565	5,967
Decrease in rents received in advance and security deposits	(5,938)	(10,059)
Decrease in accrued interest payable	(4,440)	(4,083)
Net cash provided by operating activities	$ 115,499	$ 142,928
CASH FLOWS FROM INVESTING ACTIVITIES		
Rental property acquisitions and related intangibles	$ (46,883)	$ (149,200)
Rental property additions and improvements	(77,109)	(67,172)
Development of rental property, other related costs and deposits	(4,881)	(12,954)
Proceeds from the sale of rental property	274,839	332,540
Issuance of notes and mortgage receivable	(62,276)	(16,425)
Repayment of notes receivable	10,250	208
Investment in unconsolidated joint ventures	(57,568)	(32,235)
Distributions in excess of cumulative earnings from unconsolidated joint ventures	36,303	20,671
(Increase) decrease in restricted cash	(6,777)	126
Net cash provided by investing activities	$ 65,898	$ 75,559
CASH FLOW FROM FINANCING ACTIVITIES		
Borrowings from revolving credit facility	$ 262,328	$ 289,000
Repayment of revolving credit facility	(262,328)	(289,000)
Proceeds from senior unsecured notes	-	268,928

Repayment of senior unsecured notes		(200,000)		(100,000)
Proceeds from mortgages and loans payable		28,350		2,343
Repayment of mortgages, loans payable and other obligations		(44,825)		(12,185)
Payment of contingent consideration		(5,228)		(2,755)
Payment of financing costs		(1,021)		(5,459)
Payment of dividends and distributions		(74,851)		(119,561)
Net cash (used in) provided by financing activities	$	(297,575)	$	31,311
Net (decrease) increase in cash and cash equivalents	$	(116,178)	$	249,798
Cash and cash equivalents, beginning of period		221,706		58,245
Cash and cash equivalents, end of period	$	105,528	$	308,043

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

MACK-CALI REALTY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

1. ORGANIZATION AND BASIS OF PRESENTATION

ORGANIZATION
Mack-Cali Realty Corporation, a Maryland corporation, together with its subsidiaries (collectively, the "Company"), is a fully-integrated, self-administered, self-managed real estate investment trust ("REIT") providing leasing, management, acquisition, development, construction and tenant-related services for its properties and third parties. As of September 30, 2014, the Company owned or had interests in 282 properties, consisting of 266 commercial properties, primarily class A office and office/flex properties, totaling approximately 31.5 million square feet, leased to approximately 2,000 commercial tenants, and 16 multi-family rental properties containing 4,940 residential units, plus developable land (collectively, the "Properties"). The Properties are comprised of 251 buildings, primarily office and office/flex buildings totaling approximately 31.0 million square feet (which include 37 buildings, primarily office buildings aggregating approximately 6.0 million square feet owned by unconsolidated joint ventures in which the Company has investment interests), six industrial/warehouse buildings totaling approximately 387,400 square feet, 16 multi-family properties totaling 4,940 apartments (which include 10 properties aggregating 3,639 apartments owned by unconsolidated joint ventures in which the Company has investment interests), five parking/retail properties totaling approximately 121,500 square feet (which include two buildings aggregating 81,500 square feet owned by unconsolidated joint ventures in which the Company has investment interests), one hotel (which is owned by an unconsolidated joint venture in which the Company has an investment interest) and three parcels of land leased to others. The Properties are located in seven states, primarily in the Northeast, plus the District of Columbia.

BASIS OF PRESENTATION
The accompanying consolidated financial statements include all accounts of the Company, its majority-owned and/or controlled subsidiaries, which consist principally of Mack-Cali Realty, L.P. (the "Operating Partnership"), and variable interest entities for which the Company has determined itself to be the primary beneficiary, if any. See Note 2: Significant Accounting Policies – Investments in Unconsolidated Joint Ventures, for the Company's treatment of unconsolidated joint venture interests. Intercompany accounts and transactions have been eliminated.

Accounting Standards Codification ("ASC") 810, Consolidation, provides guidance on the identification of entities for which control is achieved through means other than voting rights ("variable interest entities" or "VIEs") and the determination of which business enterprise, if any, should consolidate the VIEs. Generally, the consideration of whether an entity is a VIE applies when either: (1) the equity investors (if any) lack one or more of the essential characteristics of a controlling financial interest; (2) the equity investment at risk is insufficient to finance that entity's activities without additional subordinated financial support; or (3) the equity investors have voting rights that are not proportionate to their economic interests and the activities of the entity involve or are conducted on behalf of an investor with a disproportionately small voting interest. The Company consolidates VIEs in which it is considered to be the primary beneficiary. The primary beneficiary is defined by the entity having both of the following characteristics: (1) the power to direct the activities that, when taken together, most significantly impact the variable interest entity's performance: and (2) the obligation to absorb losses and right to receive the returns from the VIE that would be significant to the VIE.

As of September 30, 2014 and December 31, 2013, the Company's investments in consolidated real estate joint ventures in which the Company is deemed to be the primary beneficiary have total real estate assets of $237.7 million and $219.9 million, respectively, mortgages of $90 million and $81.9 million, respectively, and other liabilities of $17 million and $18.3 million, respectively.

The preparation of financial statements in conformity with GAAP requires management 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Certain reclassifications have been made to prior period amounts in order to conform with current period presentation.

2. SIGNIFICANT ACCOUNTING POLICIES

Rental Property

Rental properties are stated at cost less accumulated depreciation and amortization. Costs directly related to the acquisition, development and construction of rental properties are capitalized. Acquisition–related costs are expensed as incurred. Capitalized development and construction costs include pre-construction costs essential to the development of the property, development and construction costs, interest, property taxes, insurance, salaries and other project costs incurred during the period of development. Capitalized development and construction salaries and related costs approximated $1.0 million and $1.9 million for the three months ended September 30, 2014 and 2013, respectively, and $2.7 million and $3.7 million for the nine months ended September 30, 2014 and 2013, respectively. Included in total rental property is construction, tenant improvement and development in-progress of $58.8 million and $40.8 million as of September 30, 2014 and December 31, 2013, respectively. Ordinary repairs and maintenance are expensed as incurred; major replacements and betterments, which improve or extend the life of the asset, are capitalized and depreciated over their estimated useful lives. Fully-depreciated assets are removed from the accounts.

The Company considers a construction project as substantially completed and held available for occupancy upon the substantial completion of tenant improvements, but no later than one year from cessation of major construction activity (as distinguished from activities such as routine maintenance and cleanup). If portions of a rental project are substantially completed and occupied by tenants, or held available for occupancy, and other portions have not yet reached that stage, the substantially completed portions are accounted for as a separate project. The Company allocates costs incurred between the portions under construction and the portions substantially completed and held available for occupancy, primarily based on a percentage of the relative square footage of each portion, and capitalizes only those costs associated with the portion under construction.

Properties are depreciated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Leasehold interests	Remaining lease term
Buildings and improvements	5 to 40 years
Tenant improvements	The shorter of the term of the related lease or useful life
Furniture, fixtures and equipment	5 to 10 years

Upon acquisition of rental property, the Company estimates the fair value of acquired tangible assets, consisting of land, building and improvements, and identified intangible assets and liabilities assumed, generally consisting of the fair value of (i) above and below market leases, (ii) in-place leases and (iii) tenant relationships. The Company allocates the purchase price to the assets acquired and liabilities assumed based on their fair values. The Company records goodwill or a gain on bargain purchase (if any) if the net assets acquired/liabilities assumed exceed the purchase consideration of a transaction. In estimating the fair value of the tangible and intangible assets acquired, the Company considers information obtained about each property as a result of its due diligence and marketing and leasing activities, and utilizes various valuation methods, such as estimated cash flow projections utilizing appropriate discount and capitalization rates, estimates of replacement costs net of depreciation, and available market information. The fair value of the tangible assets of an acquired property considers the value of the property as if it were vacant.

Above-market and below-market lease values for acquired properties are initially recorded based on the present value (using a discount rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to each in-place lease and (ii) management's estimate of fair market lease rates for each corresponding in-place lease, measured over a period equal to the remaining term of the lease for above-market leases and the remaining initial term plus the term of any below-market fixed rate renewal options for below-market leases. The capitalized above-market lease values are amortized as a reduction of base rental revenue over the remaining terms of the respective leases, and the capitalized below-market lease values are amortized as an increase to base rental revenue over the remaining initial terms plus the terms of any below-market fixed rate renewal options of the respective leases.

Other intangible assets acquired include amounts for in-place lease values and tenant relationship values, which are based on management's evaluation of the specific characteristics of each tenant's lease and the Company's overall relationship with the respective tenant. Factors to be considered by management in its analysis of in-place lease values include an estimate of carrying costs during hypothetical expected lease-up periods considering current market conditions, and costs to execute similar leases. In estimating carrying costs, management includes real estate taxes, insurance and other operating expenses and estimates of lost rentals at market rates during the expected lease-up periods, depending on local market conditions. In estimating costs to execute similar leases, management considers leasing commissions, legal and other related expenses. Characteristics considered by management in valuing tenant relationships include the nature and extent of the Company's existing business relationships with the tenant, growth prospects for developing new business with the tenant, the tenant's credit quality and expectations of lease renewals. The value of in-place leases are amortized to expense over the remaining initial terms of the respective leases. The value of tenant relationship intangibles are amortized to expense over the anticipated life of the relationships.

On a periodic basis, management assesses whether there are any indicators that the value of the Company's rental properties held for use may be impaired. In addition to identifying any specific circumstances which may affect a property or properties, management considers other criteria for determining which properties may require assessment for potential impairment. The criteria considered by management include reviewing low leased percentages, significant near-term lease expirations, recently acquired properties, current and historical operating and/or cash flow losses, near-term mortgage debt maturities or other factors that might impact the Company's intent and ability to hold the property. A property's value is impaired only if management's estimate of the aggregate future cash flows (undiscounted and without interest charges) to be generated by the property is less than the carrying value of the property. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying amount of the property over the fair value of the property. The Company's estimates of aggregate future cash flows expected to be generated by each property are based on a number of assumptions. These assumptions are generally based on management's experience in its local real estate markets and the effects of current market conditions. The assumptions are subject to economic and market uncertainties including, among others, demand for space, competition for tenants, changes in market rental rates, and costs to operate each property. As these factors are difficult to predict and are subject to future events that may alter management's assumptions, the future cash flows estimated by management in its impairment analyses may not be achieved, and actual losses or impairments may be realized in the future.

Rental Property
Held for Sale
When assets are identified by management as held for sale, the Company discontinues depreciating the assets and estimates the sales price, net of selling costs, of such assets. If, in management's opinion, the estimated net sales price of the assets which have been identified as held for sale is less than the net book value of the assets, a valuation allowance is established.

If circumstances arise that previously were considered unlikely and, as a result, the Company decides not to sell a property previously classified as held for sale, the property is reclassified as held and used. A property that is reclassified is measured and recorded individually at the lower of (a) its carrying amount before the property was classified as held for sale, adjusted for any depreciation (amortization) expense that would have been recognized had the property been continuously classified as held and used, or (b) the fair value at the date of the subsequent decision not to sell.

Investments in
Unconsolidated

Joint Ventures	The Company accounts for its investments in unconsolidated joint ventures under the equity method of accounting. The Company applies the equity method by initially recording these investments at cost, as Investments in Unconsolidated Joint Ventures, subsequently adjusted for equity in earnings and cash contributions and distributions. The outside basis portion of the Company's joint ventures is amortized over the anticipated useful lives of the underlying ventures' tangible and intangible assets acquired and liabilities assumed. Generally, the Company would discontinue applying the equity method when the investment (and any advances) is reduced to zero and would not provide for additional losses unless the Company has guaranteed obligations of the venture or is otherwise committed to providing further financial support for the investee. If the venture subsequently generates income, the Company only recognizes its share of such income to the extent it exceeds its share of previously unrecognized losses.

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On a periodic basis, management assesses whether there are any indicators that the value of the Company's investments in unconsolidated joint ventures may be impaired. An investment is impaired only if management's estimate of the value of the investment is less than the carrying value of the investment, and such decline in value is deemed to be other than temporary. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying amount of the investment over the value of the investment. The Company's estimates of value for each investment (particularly in real estate joint ventures) are based on a number of assumptions that are subject to economic and market uncertainties including, among others, demand for space, competition for tenants, changes in market rental rates, and operating costs. As these factors are difficult to predict and are subject to future events that may alter management's assumptions, the values estimated by management in its impairment analyses may not be realized, and actual losses or impairment may be realized in the future. See Note 4: Investments in Unconsolidated Joint Ventures.

Cash and Cash Equivalents	All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.
Deferred Financing Costs	Costs incurred in obtaining financing are capitalized and amortized over the term of the related indebtedness. Amortization of such costs is included in interest expense and was $778,000 and $954,000 for the three months ended September 30, 2014 and 2013, respectively, $2,306,000 and $2,379,000 for the nine months ended September 30, 2014 and 2013, respectively. If a financing obligation is extinguished early, any unamortized deferred financing costs are written off and included in gains (loss) from early extinguishment of debt.
Deferred Leasing Costs	Costs incurred in connection with commercial leases are capitalized and amortized on a straight-line basis over the terms of the related leases and included in depreciation and amortization. Unamortized deferred leasing costs are charged to amortization expense upon early termination of the lease. Certain employees of the Company are compensated for providing leasing services to the Properties. The portion of such compensation related to commercial leases, which is capitalized and amortized, approximated $940,000 and $962,000 for the three months ended September 30, 2014 and 2013, respectively, and $2,816,000 and $3,168,000 for the nine months ended September 30, 2014 and 2013, respectively.
Goodwill	Goodwill represents the excess of the purchase price over the fair value of net tangible and intangible assets acquired in a business combination. Goodwill is allocated to various reporting units, as applicable. Each of the Company's segments consists of a reporting unit. Goodwill is not amortized. Management performs an annual impairment test for goodwill during the fourth quarter and between annual tests, management evaluates the recoverability of goodwill whenever events or changes in circumstances indicate that the carrying amount of goodwill may not be fully recoverable. In its impairment tests of goodwill, management first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If based on this assessment, management determines that the fair value of the reporting unit is not less than its carrying amount, then performing the additional two-step impairment test is unnecessary. If the carrying amount of goodwill exceeds its fair value, an impairment charge is recognized.

Derivative Instruments

The Company measures derivative instruments, including certain derivative instruments embedded in other contracts, at fair value and records them as an asset or liability, depending on the Company's rights or obligations under the applicable derivative contract. For derivatives designated and qualifying as fair value hedges, the changes in the fair value of both the derivative instrument and the hedged item are recorded in earnings. For derivatives designated as cash flow hedges, the effective portions of the derivative are reported in other comprehensive income ("OCI") and are subsequently reclassified into earnings when the hedged item affects earnings. Changes in fair value of derivative instruments not designated as hedging and ineffective portions of hedges are recognized in earnings in the affected period.

Revenue Recognition

Base rental revenue is recognized on a straight-line basis over the terms of the respective leases. Unbilled rents receivable represents the cumulative amount by which straight-line rental revenue exceeds rents currently billed in accordance with the lease agreements.

Above-market and below-market lease values for acquired properties are initially recorded based on the present value (using a discount rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to each in-place lease and (ii) management's estimate of fair market lease rates for each corresponding in-place lease, measured over a period equal to the remaining term of the lease for above-market leases and the remaining initial term plus the term of any below-market fixed-rate renewal options for below-market leases. The capitalized above-market lease values for acquired properties are amortized as a reduction of base rental revenue over the remaining terms of the respective leases, and the capitalized below-market lease values are amortized as an increase to base rental revenue over the remaining initial terms plus the terms of any below-market fixed-rate renewal options of the respective leases.

Escalations and recoveries from tenants are received from tenants for certain costs as provided in the lease agreements. These costs generally include real estate taxes, utilities, insurance, common area maintenance and other recoverable costs. See Note 14: Tenant Leases.

Construction services revenue includes fees earned and reimbursements received by the Company for providing construction management and general contractor services to clients. Construction services revenue is recognized on the percentage of completion method. Using this method, profits are recorded on the basis of our estimates of the overall profit and percentage of completion of individual contracts. A portion of the estimated profits is accrued based upon estimates of the percentage of completion of the construction contract. This revenue recognition method involves inherent risks relating to profit and cost estimates.

Real estate services revenue includes property management, development and leasing commission fees and other services, and payroll and related costs reimbursed from clients. Fee income derived from the Company's unconsolidated joint ventures (which are capitalized by such ventures) are recognized to the extent attributable to the unaffiliated ownership interests.

Parking income includes income from parking spaces leased to tenants and others.

Other income includes income from tenants for additional services arranged for by the Company and income from tenants for early lease terminations.

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09 Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"). ASU 2014-09 is a comprehensive new revenue recognition model requiring a company to recognize revenue to depict the transfer of goods or services to a customer at an amount reflecting the consideration it expects to receive in exchange for those goods or services. In adopting ASU 2014-09, companies may use either a full retrospective or a modified retrospective approach. Additionally, this guidance requires improved disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. ASU 2014-09 is effective for the first interim period within annual reporting periods beginning after December 15, 2016, and early adoption is not permitted. The Company is currently in the process of evaluating the impact the adoption of ASU 2014-09 will have on the Company's financial position or results of operations.

Allowance for Doubtful Accounts Management performs a detailed review of amounts due from tenants to determine if an allowance for doubtful accounts is required based on factors affecting the collectability of the accounts receivable balances. The factors considered by management in determining which individual tenant receivable balances, or aggregate receivable balances, require a collectability allowance include the age of the receivable, the tenant's payment history, the nature of the charges, any communications regarding the charges and other related information. Management's estimate of the allowance for doubtful accounts requires management to exercise significant judgment about the timing, frequency and severity of collection losses, which affects the allowance and net income.

Income and Other Taxes

The Company has elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code"). As a REIT, the Company generally will not be subject to corporate federal income tax (including alternative minimum tax) on net income that it currently distributes to its shareholders, provided that the Company satisfies certain organizational and operational requirements including the requirement to distribute at least 90 percent of its REIT taxable income (determined by excluding any net capital gains) to its shareholders. If and to the extent the Company retains and does not distribute any net capital gains, the Company will be required to pay federal, state and local taxes on such net capital gains at the rate applicable to capital gains of a corporation. The Company has elected to treat certain of its corporate subsidiaries as taxable REIT subsidiaries (each a "TRS"). In general, a TRS of the Company may perform additional services for tenants of the Company and generally may engage in any real estate or non-real estate related business (except for the operation or management of health care facilities or lodging facilities or the providing to any person, under a franchise, license or otherwise, rights to any brand name under which any lodging facility or health care facility is operated). A TRS is subject to corporate federal income tax. The Company has conducted business through its TRS entities for certain property management, development, construction and other related services, as well as to hold a joint venture interest in a hotel and other matters. As of September 30, 2014, the Company had a deferred tax asset with a balance of approximately $14.1 million which has been fully reserved for through a valuation allowance. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to federal income tax (including any applicable alternative minimum tax) on its taxable income at regular corporate tax rates. The Company is subject to certain state and local taxes.

Pursuant to the amended provisions related to uncertain tax provisions of ASC 740, Income Taxes, the Company recognized no material adjustments regarding its tax accounting treatment. The Company expects to recognize interest and penalties related to uncertain tax positions, if any, as income tax expense, which is included in general and administrative expense.

In the normal course of business, the Company or one of its subsidiaries is subject to examination by federal, state and local jurisdictions in which it operates, where applicable. As of September 30, 2014, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are generally from the year 2009 forward.

Earnings Per Share

The Company presents both basic and diluted earnings per share ("EPS"). Basic EPS excludes dilution and is computed by dividing net income available to common shareholders by the weighted average number of shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock, where such exercise or conversion would result in a lower EPS from continuing operations amount. Shares whose issuance is contingent upon the satisfaction of certain conditions shall be considered outstanding and included in the computation of diluted EPS as follows (i) if all necessary conditions have been satisfied by the end of the period (the events have occurred), those shares shall be included as of the beginning of the period in which the conditions were satisfied (or as of the date of the grant, if later) or (ii) if all necessary conditions have not been satisfied by the end of the period, the number of contingently issuable shares included in diluted EPS shall be based on the number of shares, if any, that would be issuable if the end of the reporting period were the end of the contingency period (for example, the number of shares that would be issuable based on current period earnings or period-end market price) and if the result would be dilutive. Those contingently issuable shares shall be included in the denominator of diluted EPS as of the beginning of the period (or as of the date of the grant, if later).

Dividends and Distributions Payable

The dividends and distributions payable at September 30, 2014 represents dividends payable to common shareholders (88,815,356 shares) and distributions payable to noncontrolling interest common unitholders of the Operating Partnership (11,092,044 common units) for all such holders of record as of October 3, 2014 with respect to the third quarter 2014. The third quarter 2014 common stock dividends and common unit distributions of $0.15 per common share and unit were approved by the Board of Directors on September 11, 2014. The common stock dividends and common unit distributions payable were paid on October 10, 2014.

The dividends and distributions payable at December 31, 2013 represents dividends payable to common shareholders (87,928,002 shares) and distributions payable to noncontrolling interest common unitholders of the Operating Partnership (11,864,775 common units) for all such holders of record as of January 6, 2014 with respect to the fourth quarter 2013. The fourth quarter 2013 common stock dividends and common unit distributions of $0.30 per common share and unit were approved by the Board of Directors on December 10, 2013. The common stock dividends and common unit distributions payable were paid on January 15, 2014.

Costs Incurred
For Stock
Issuances Costs incurred in connection with the Company's stock issuances are reflected as a reduction of additional paid-in capital.

Stock
Compensation The Company accounts for stock compensation in accordance with the provisions of ASC 718, Compensation-Stock Compensation. These provisions require that the estimated fair value of restricted stock ("Restricted Stock Awards"), TSR-based Performance Shares and stock options at the grant date be amortized ratably into expense over the appropriate vesting period. The Company recorded stock compensation expense of $830,000 and $641,000 for the three months ended September 30, 2014 and 2013, respectively, and $5,094,000 (which includes $3,150,000 related to the departure of executive vice presidents. See Note 13: Commitments and Contingencies - Departure of Executive Vice Presidents); and $1,947,000 for the nine months ended September 30, 2014 and 2013, respectively.

Other
Comprehensive
Income Other comprehensive income (loss) includes items that are recorded in equity, such as unrealized holding gains or losses on marketable securities available for sale. There was no difference in other comprehensive income to net income for the three and nine months ended September 30, 2014 and 2013, and no accumulated other comprehensive income as of September 30, 2014 and December 31, 2013.

Fair Value
Hierarchy The standard Fair Value Measurements specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs). The following summarizes the fair value hierarchy:

- Level 1: Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2: Quoted prices for identical assets and liabilities in markets that are inactive, quoted prices for similar assets and liabilities inactive markets or financial instruments for which significant inputs are observable, either directly or indirectly, such as interest rates and yield curves that are observable at commonly quoted intervals and
- Level 3: Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Discontinued
Operations In April 2014, the FASB issued guidance related to the reporting of discontinued operation and disclosures of disposals of components of an entity. This guidance defines a discontinued operation as a component or group of components disposed or classified as held for sale and represents a strategic shift that has (or will have) a major effect on an entity's operations and final result; the guidance states that a strategic shift could include a disposal of a major geographical area of operations, a major line of business, a major equity method investment or other major parts of an entity. The guidance also provides for additional

disclosure requirements in connection with both discontinued operations and other dispositions not qualifying as discontinued operations. The guidance will be effective for annual and interim periods beginning on or after December 15, 2014. The guidance applies prospectively to new disposals and new classifications of disposal groups as held for sale after the effective date. All entities may early adopt the guidance for new disposals (or new classifications as held for sale) that have not been reported in financial statements previously issued or available for issuance. The Company has elected to early adopt this standard effective with the interim period beginning January 1, 2014. Prior to January 1, 2014, properties identified as held for sale and/or disposed of were presented in discontinued operations for all periods presented. See Note 7: Discontinued Operations.

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3. REAL ESTATE TRANSACTIONS

Acquisitions

On April 10, 2014, the Company acquired Andover Place, a 220-unit multi-family rental property located in Andover, Massachusetts, for approximately $37.7 million, which was funded primarily through borrowing under the Company's unsecured revolving credit facility.

The purchase price was allocated to the net assets acquired, as follows (in thousands):

		Andover Place
Land	$	8,535
Buildings and improvements		27,609
Furniture, fixtures and equipment		459
In-place lease values (1)		1,118
		37,721
Less: Below market lease values (1)		(25)
Net cash paid at acquisition	$	37,696

(1) In-place lease values and below market lease values will be amortized over one year or less.

On August 15, 2014, the Company acquired the equity interests of its joint venture partner in Overlook Ridge, L.L.C, Overlook Ridge JV, L.L.C. and Overlook Ridge JV 2C/3B, L.L.C. for $16.6 million, which was funded primarily through borrowing under the Company's unsecured revolving credit facility. As a result, the Company increased its ownership to 100 percent of the developable land and now consolidates these entities, which were previously accounted for through unconsolidated joint ventures, (collectively, the "Consolidated Land"); and acquired an additional 25 percent, for a total of 50 percent of its subordinated, unconsolidated interests in two operating multi-family properties owned by those entities. See Note 4: Investments in Unconsolidated Joint Ventures. In conjunction with the Company's acquisition of the Consolidated Land, the Company assumed loans with a total principal balance of $22.8 million, which bear interest in the range of LIBOR plus 2.50 to 3.50 percent. See Note 10: Mortgages, Loans Payable and Other Obligations.

For the nine months ended September 30, 2014, included in general and administrative expense was an aggregate of approximately $1.9 million in transactions costs related to the Company's property and joint venture acquisitions.

Excluded from the cash flow statement for the nine months ended September 30, 2014 was $44.4 million of acquisition and other investment fundings (of which $40.1 million related to the acquisition of 50 percent tenants in common interests in the Curtis Center property. See Recent Transactions in Note 4: Investments in Unconsolidated Joint Ventures), which were handled through a qualified intermediary using proceeds from prior sales structured for tax purposes as Section 1031 transactions.

Sales

The Company sold the following office properties during the nine months ended September 30, 2014 (dollars in thousands):

Sale Date	Property/Address	Location	# of Bldgs.	Rentable Square Feet		Net Sales Proceeds		Net Book Value		Realized Gain
04/23/14	22 Sylvan Way	Parsippany, New Jersey	1	249,409	$	94,897	$	60,244	$	34,653
06/23/14	30 Knightsbridge Road (a)	Piscataway, New Jersey	4	680,350		54,641		52,361		2,280
06/23/14	470 Chestnut Ridge Road (a) (b)	Woodcliff Lake, New Jersey	1	52,500		7,195		7,109		86
06/23/14	530 Chestnut Ridge Road (a) (b)	Woodcliff Lake, New Jersey	1	57,204		6,299		6,235		64
06/27/14	400 Rella Boulevard	Suffern, New York	1	180,000		27,539		10,938		16,601
06/30/14	412 Mount Kemble Avenue (a)	Morris Township, New Jersey	1	475,100		44,751		43,851		900
07/29/14	17-17 Route 208 North (a) (b)	Fair Lawn, New Jersey	1	143,000		11,835		11,731		104
08/20/14	555, 565, 570 Taxter Road (a)	Elmsford, New York	3	416,108		41,057		41,057		-
08/20/14	200, 220 White Plains Road (a)	Tarrytown, New York	2	178,000		12,619		12,619		-
08/20/14	1266 East Main Street (a) (b)	Stamford, Connecticut	1	179,260		18,406		18,246		160
Totals:			16	2,610,931	$	319,239	$	264,391	$	54,848

(a) The Company completed the sale of these properties for approximately $221 million, comprised of: $192.5 million in cash from a combination of affiliates of Keystone Property Group's ("Keystone Entities") senior and pari-passu equity and mortgage financing; Company subordinated equity interests in each of the properties sold with capital accounts aggregating $21.2 million; and Company pari-passu equity interests in five of the properties sold aggregating $7.3 million. Net sale proceeds from the sale aggregated $196.8 million which was comprised of the $221 million gross sales price less the subordinated equity interests of $21.2 million and $3 million in closing costs. The purchasers of these properties are unconsolidated joint ventures formed between the Company and the Keystone Entities. The senior and pari-passu equity will receive a 15 percent internal rate of return ("IRR") after which the subordinated equity will receive a 10 percent IRR and then all distributable cash flow will be split equally between the Keystone Entities and the Company. See Note 4: Investments in Unconsolidated Joint Ventures. In connection with certain of these partial sale transactions, because the buyer received a preferential return on certain of the ventures for which the Company received subordinated equity interests, the Company only recognized profit to the extent that they received net proceeds in excess of their entire carrying value of the properties, effectively reflecting their retained subordinated equity interest at zero.

(b) The Company recorded an impairment charge of $20.7 million on these properties at December 31, 2013 as it estimated that the carrying value of the properties may not be recoverable over their anticipated holding periods.

On January 1, 2014, the Company early adopted the new discontinued operations accounting standard and as the properties sold in the nine months ended September 30, 2014 will not represent a strategic shift (as the Company is not entirely exiting markets or property types), they have not been reflected as part of discontinued operations.

The following table summarizes income from the properties sold during the nine months ended September 30, 2014 for the three and nine months ended September 30, 2014 and 2013: (dollars in thousands) See Note 7: Discontinued Operations for properties sold in 2013.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Total revenues	$ 2,763	$ 13,672	$ 28,824	$ 41,965
Operating and other expenses	(1,957)	(7,368)	(17,248)	(20,681)
Depreciation and amortization	(502)	(3,600)	(6,371)	(10,945)
Interest income	2	-	4	-
Income from properties sold	$ 306	$ 2,704	$ 5,209	$ 10,339

4. INVESTMENTS IN UNCONSOLIDATED JOINT VENTURES

As of September 30, 2014, the Company had an aggregate investment of approximately $239.8 million in its equity method joint ventures. The Company formed these ventures with unaffiliated third parties, or acquired interests in them, to develop or manage primarily office and multi-family rental properties, or to acquire land in anticipation of possible development of office and multi-family rental properties. As of September 30, 2014, the unconsolidated joint ventures owned: 36 office and two retail properties aggregating approximately 5.7 million square feet, 10 multi-family properties totaling 3,639 apartments, a 350-room hotel, development projects for up to approximately 2,275 apartments; and interests and/or rights to developable land parcels able to accommodate up to 2,994 apartments and 1.4 million square feet of office space. The Company's unconsolidated interests range from 7.5 percent to 85 percent subject to specified priority allocations in certain of the joint ventures.

On October 23, 2012, the Company acquired the real estate development and management businesses (the "Roseland Business") of Roseland Partners, L.L.C. ("Roseland Partners"), a premier multi-family rental community developer and manager based in Short Hills, New Jersey, and the Roseland Partners' interests (the "Roseland Transaction"), principally through unconsolidated joint venture interests in various entities which, directly or indirectly, own or have rights with respect to various residential and/or commercial properties or vacant land (collectively, the "Roseland Assets"). The locations of the properties extend from New Jersey to Massachusetts, with the majority of the properties located in New Jersey. Certain of the entities which own the Roseland Assets are controlled by the Company upon acquisition and are therefore consolidated. However, many of the entities are not controlled by the Company and, therefore, are accounted for under the equity method as investments in unconsolidated joint ventures.

The amounts reflected in the following tables (except for the Company's share of equity in earnings) are based on the historical financial information of the individual joint ventures. The Company does not record losses of the joint ventures in excess of its investment balances unless the Company is liable for the obligations of the joint venture or is otherwise committed to provide financial support to the joint venture. The outside basis portion of the Company's investments in joint ventures is amortized over the anticipated useful lives of the underlying ventures' tangible and intangible assets acquired and liabilities assumed. Unless otherwise noted below, the debt of the Company's unconsolidated joint ventures generally is non-recourse to the Company, except for customary exceptions pertaining to such matters as intentional misuse of funds, environmental conditions, and material misrepresentations.

The Company has agreed to guarantee repayment of a portion of the debt of its unconsolidated joint ventures. As of September 30, 2014, such debt had a total facility amount of $287.9 million of which the Company agreed to guarantee up to $71.5 million. As of September 30, 2014, the outstanding balance of such debt totaled $215.5 million of which $62.6 million was guaranteed by the Company. The Company also posted a $4.1 million letter of credit in support of the South Pier at Harborside joint venture, half of which is indemnified by Hyatt Corporation, the Company's joint venture partner. The Company performed management, leasing, development and other services for the properties owned by the unconsolidated joint ventures and recognized $1.9 million and $1.7 million for such services in the three months ended September 30, 2014 and 2013, respectively, and $5.1 million and $4.2 million for the nine months ended September 30, 2014 and 2013, respectively. The Company had $899,000 and $523,000 in accounts receivable due from its unconsolidated joint ventures as of September 30, 2014 and December 31, 2013.

Included in the Company's investments in unconsolidated joint ventures as of September 30, 2014 are eight unconsolidated development joint ventures, which are VIEs for which the Company is not the primary beneficiary. These joint ventures are primarily established to develop real estate property for long-term investment and were deemed VIEs primarily based on the fact that the equity investment at risk was not sufficient to permit the entities to finance their activities without additional financial support. The initial equity contributed to these entities was not sufficient to fully finance the real estate construction as development costs are funded by the partners throughout the construction period. The Company determined that it was not the primary beneficiary of these VIEs based on the fact that the Company has shared control of these entities along with the entity's partners and therefore does not have controlling financial interests in these VIEs. The Company's aggregate investment in these VIEs was approximately $96.7 million as of September 30, 2014. The Company's maximum exposure to loss as a result of its involvement with these VIEs is estimated to be approximately $207.4 million, which includes the Company's current investment and estimated future funding commitments/guarantees of approximately $110.7 million. The Company has not provided financial support to these VIEs that it was not previously contractually required to provide. In general, future costs of development not financed through third party will be funded with capital contributions from the Company and its outside partners in accordance with their respective ownership percentages.

The following is a summary of the Company's unconsolidated joint ventures as of September 30, 2014: (dollars in thousands)

Entity / Property Name	Number of Apartment Units or Square Feet (sf)		Company's Effective Ownership % (a)	Company's Carrying Amount	Property Debt Balance	Maturity Date	Interest Rate
Multi-family							
Marbella RoseGarden, L.L.C./ Marbella (b)	412	units	24.27%	$ 15,784	$ 95,000	05/01/18	4.99 %
RoseGarden Monaco Holdings, L.L.C./ Monaco (North and South) (b)	523	units	15.00%	2,438	165,000	02/01/21	4.19 %
Rosewood Lafayette Holdings, L.L.C./ Highlands at Morristown Station (b)	217	units	25.00%	275	38,846	07/01/15	4.00 %
PruRose Port Imperial South 15, LLC /RiversEdge at Port Imperial (b)	236	units	50.00%	-	57,500	09/01/20	4.32 %
Rosewood Morristown, L.L.C. / Metropolitan at 40 Park (c) (d)	130	units	12.50%	6,127	46,217	(e)	(e)
Overlook Ridge JV, L.L.C./ Quarrystone (b) (f)	251	units	50.00%	-	69,580	(g)	(g)
Overlook Ridge JV 2C/3B, L.L.C./Overlook Ridge 2C & 3B (b) (f)	371	units	50.00%	2,753	47,872	12/26/15	L+2.50 %(h)
PruRose Riverwalk G, L.L.C./ RiverTrace at Port Imperial (b)	316	units	25.00%	1,332	79,053	07/15/21	6.00 %(i)
Elmajo Urban Renewal Associates, LLC / Lincoln Harbor (Bldg A&C) (b)	355	units	7.50%	-	79,266	06/27/16	L+2.10 %(j)
Crystal House Apartments Investors LLC / Crystal House (k)	828	units	25.00%	26,602	165,000	04/01/20	3.17 %
Portside Master Company, L.L.C./ Portside at Pier One - Bldg 7 (b)	176	units	38.25%	2,306	32,693	12/04/15	L+2.50 %(l)
PruRose Port Imperial South 13, LLC / Port Imperial Bldg 13 (b)	280	units	20.00%	1,402	37,355	06/27/16	L+2.15 %(m)
Roseland/Port Imperial Partners, L.P./ Riverwalk C (b) (n)	363	units	20.00%	1,849	-	-	-
RoseGarden Marbella South, L.L.C./ Marbella II	311	units	24.27%	9,612	19,626	03/30/17	L+2.25 %(o)
Estuary Urban Renewal Unit B, LLC / Lincoln Harbor (Bldg B) (b)	227	units	7.50%	-	30,830	01/25/17	L+2.10 %(p)
	141	units	36.00%	4,556	17,446	06/27/16	L+2.35 %(q)

Riverpark at Harrison I, L.L.C./ Riverpark at Harrison							
Capitol Place Mezz LLC / Station Townhouses	377	units	50.00%	48,682	55,414	07/01/33	4.82 %(r)
Harborside Unit A Urban Renewal, L.L.C. / URL Harborside (ab)	763	units	85.00%	28,080	-	08/01/29	5.197 %(aa)
RoseGarden Monaco, L.L.C./ San Remo Land	300	potential units	41.67%	1,269	-	-	-
Grand Jersey Waterfront URA, L.L.C./ Liberty Landing	1,000	potential units	50.00%	337	-	-	-
Office							
Red Bank Corporate Plaza, L.L.C./ Red Bank	92,878	sf	50.00%	3,880	16,054	05/17/16	L+3.00 %(s)
12 Vreeland Associates, L.L.C./ 12 Vreeland Road	139,750	sf	50.00%	5,680	14,124	07/01/23	2.87 %
BNES Associates III / Offices at Crystal Lake	106,345	sf	31.25%	2,026	6,907	11/01/23	4.76 %
Hillsborough 206 Holdings, L.L.C./ Hillsborough 206	160,000	sf	50.00%	1,962	-	-	-
KPG-P 100 IMW JV, LLC / 100 Independence Mall West	339,615	sf	33.33%	339	61,500	09/09/16	L+7.00 %(t)
Keystone-Penn	1,842,820	sf	(u)	-	201,606	(v)	(v)
Keystone-TriState	1,266,384	sf	(w)	5,725	204,548	(x)	(x)
KPG-MCG Curtis JV, L.L.C./ Curtis Center (ac)	885,000	sf	50.00%	60,440	(ae)	(ae)	(ae)
Other							
Plaza VIII & IX Associates, L.L.C./ Vacant land (parking operations)	1,225,000	sf	50.00%	3,922	-	-	-
Roseland/North Retail, L.L.C./ Riverwalk at Port Imperial (b)	30,745	sf	20.00%	1,849	-	-	-
South Pier at Harborside / Hyatt Regency Jersey City on the Hudson	350	rooms	50.00%	-	65,974	(y)	(y)
Stamford SM LLC / Senior Mezzanine Loan (z)	n/a	n/a	80.00%	-	-	-	-
Other (ad)				540	-	-	-
Totals:				$ 239,767	$ 1,607,411		

(a) Company's effective ownership % represents the Company's entitlement to residual distributions after payments of priority returns, where applicable.

(b) The Company's ownership interests in this venture are subordinate to its partner's preferred capital balance and the Company is not expected to meaningfully participate in the venture's cash flows in the near term.

(c) Through the joint venture, the Company also owns a 12.5 percent interest in a 50,973 square feet retail building ("Shops at 40 Park") and a 25 percent interest in a to-be-built 59-unit, five story multi-family rental development property ("Lofts at 40 Park").

(d) The Company's ownership interests in this venture are subordinate to its partner's preferred capital balance and the payment of the outstanding balance remaining on a note ($975 as of September 30, 2014), and is not expected to meaningfully participate in the venture's cash flows in the near term.

(e) Property debt balance consists of: (i) a loan, collateralized by the Metropolitan at 40 Park, with a balance of $38,600 at September 30, 2014, bears interest at 3.25 percent, matures in September 2020 and is interest only through September 2015; (ii) a loan, collateralized by the Shops at 40 Park, with a balance of $6,500 at September 30, 2014, bears interest at 3.63 percent, matures in August 2018 and is interest-only through July 2015; and (iii) a loan, collateralized by the Lofts at 40 Park, with a balance of $1,117, bears interest at LIBOR plus 250 basis points and matures in September 2015. The Shops at 40 Park mortgage loan also provides for additional borrowing proceeds of $1 million based on certain preferred thresholds being achieved.

(f) On August 15, 2014, the Company acquired the equity interests of its joint venture partner in Overlook Ridge JV 2C/3B, L.L.C. for $2.97 million and LR Overlook Phase II, L.L.C., the property-owning entity owned by Overlook Ridge JV, L.L.C., which increased its ownership to 50 percent in two operating multi-family properties. The Company also acquired the equity interests of its joint venture partner in LR Overlook Phase III, L.L.C. and Overlook Ridge, L.L.C. for $0.6 million and $12.99 million respectively, which increased its ownership to 100 percent in developable land (See Note 3: Real Estate Transactions – Acquisitions).

(g) Property debt balance consists of: (i) the senior loan, collateralized by the Quarrystone property, with a balance of $52,580 at September 30, 2014, bears interest at LIBOR plus 200 basis, matures in March 2016 and (ii) the junior loan, with a balance of $17,000, bears interest at LIBOR plus 90 basis points, matures in March 2016 and is collateralized by a $17,000 letter of credit provided by an affiliate of the partner.

(h) The construction loan has a maximum borrowing amount of $55,500 and provides, subject to certain conditions, two one-year extension options with a fee of 25 basis points each. The joint venture has a swap agreement that fixes the all-in rate to 3.0875 percent per annum on an initial notional amount of $1,840, increasing to $52,000, for the period from September 3, 2013 to November 2, 2015.

(i) The construction loan has a maximum borrowing amount of $83,113.

(j) The construction loan has a maximum borrowing amount of $91,000 and provides, subject to certain conditions, a one-year extension option with a fee of 25 basis points.

(k) The Company also owns a 50 percent interest in a vacant land to accommodate the development of approximately 295 additional units of which 252 are currently approved.

(l) The construction loan has a maximum borrowing amount of $42,500 and provides, subject to certain conditions, two two-year extension options with a fee of 12.5 basis points for the first two-year extension and 25 basis points for the second two-year extension.

(m) The construction loan has a maximum borrowing amount of $73,350 and provides, subject to certain conditions, one-year extension option followed by a six-month extension option with a fee of 25 basis points each. The joint venture has a swap agreement that fixes the all-in rate to 2.79 percent per annum on an initial notional amount of $1,620, increasing to $69,500 for the period from July 1, 2013 to January 1, 2016.

(n) The Company also owns a 20 percent residual interest in undeveloped land parcels: parcels 6, I, and J ("Port Imperial North Land") that can accommodate the development of 836 apartment units.

(o) The construction loan has a maximum borrowing amount of $77,400 and provides, subject to certain conditions, two one-year extension options with a fee of 25 basis points for each year.
(p) The construction loan has a maximum borrowing amount of $57,000 and provides, subject to certain conditions, a one-year extension option with a fee of 25 basis points.
(q) The construction loan has a maximum borrowing amount of $23,400 and provides, subject to certain conditions, two one-year extension options with a fee of 20 basis points for each year.
(r) The construction/permanent loan has a maximum borrowing amount of $100,700 with amortization starting in August 2017.
(s) The joint venture has a swap agreement that fixes the all-in rate to 3.99375 percent per annum on an initial notional amount of $13,650 and then adjusting in accordance with an amortization schedule, which is effective from October 17, 2011 through loan maturity.
(t) The mortgage loan has two one-year extension options, subject to certain conditions, and includes a $25 million construction reserve with a balance of $16.8 million at September 30, 2014.
(u) The Company's equity interests in the joint ventures will be subordinated to Keystone Entities receiving a 15 percent internal rate of return ("IRR") after which the Company will receive a 10 percent IRR on its subordinate equity and then all profit will be split equally.
(v) Principal balance of $127,600 bears interest at 5.114 percent and matures in August 27, 2023; principal balance of $63,581 bears interest at rates ranging from LIBOR+5.0 percent to LIBOR+5.75 percent and matures in August 27, 2016; principal balance of $10,425 bears interest at LIBOR+6.0 percent matures in August 27, 2015.
(w) Includes the Company's pari-passu interests of $6.5 million in five properties and Company's subordinated equity interests to Keystone Entities receiving a 15 percent internal rate of return ("IRR") after which the Company will receive a 10 percent IRR on its subordinate equity and then all profit will be split equally (See Note 3: Real Estate Transactions – Sales).
(x) Principal balance of $41,240 bears interest at 4.95 percent and matures on July 1, 2017; principal balance of $70,608 bears interest at rates ranging from 5.65 percent to 6.75 percent and matures on September 9, 2017; principal balance of $14,250 bears interest at 4.88 percent and matures on July 6, 2024; principal balance of $63,400 bears interest at 4.93 percent and matures on July 6, 2044; principal balance of $15,050 bears interest at 4.71 percent and matures on August 6, 2044.
(y) Balance includes: (i) mortgage loan, collateralized by the hotel property, with a balance of $61,850, bears interest at 6.15 percent and matures in November 2016, and (ii) loan with a balance of $4.1 million, bears interest at fixed rates ranging from 6.09 percent to 6.62 percent and matures in August 1, 2020. The Company posted a $4.1 million letter of credit in support of this loan, half of which is indemnified by the partner.
(z) The joint venture collected net proceeds of $47.2 million at maturity, of which the Company received its share of $37.8 million on August 6, 2014.
(aa) The construction/permanent loan has a maximum borrowing amount of $192,000.
(ab) See discussion in Recent Transactions following in this footnote.
(ac) Includes undivided interests in the same manner as investments in noncontrolling partnership, pursuant to ASC 970-323-25-12. See discussion in Recent Transactions following in this footnote.
(ad) The Company owns other interests in various unconsolidated joint ventures, including interests in assets previously owned and interest in ventures whose businesses are related to its core operations. These ventures are not expected to significantly impact the Company's operations in the near term.
(ae) See Note 10: Mortgages, Loans Payable and Other Obligations for debt secured by interests in these assets.

The following is a summary of the financial position of the unconsolidated joint ventures in which the Company had investment interests as of September 30, 2014 and December 31, 2013: (dollars in thousands)

	September 30, 2014	December 31, 2013
Assets:		
Rental property, net	$ 1,404,929	$ 755,049
Loan receivable	-	45,050
Other assets	445,127	582,990
Total assets	$ 1,850,056	$ 1,383,089
Liabilities and partners'/ members' capital:		
Mortgages and loans payable	$ 992,434	$ 637,709
Other liabilities	221,414	87,231
Partners'/members' capital	636,208	658,149
Total liabilities and partners'/members' capital	$ 1,850,056	$ 1,383,089

The following is a summary of the Company's investments in unconsolidated joint ventures as of September 30, 2014 and December 31, 2013: (dollars in thousands)

Entity / Property Name	September 30, 2014	December 31, 2013
Multi-family		
Marbella RoseGarden, L.L.C./ Marbella	$ 15,784	$ 15,797
RoseGarden Monaco Holdings, L.L.C./ Monaco (North and South)	2,438	3,201
Rosewood Lafayette Holdings, L.L.C./ Highlands at Morristown Station	275	857
PruRose Port Imperial South 15, LLC /RiversEdge at Port Imperial	-	-
Rosewood Morristown, L.L.C. / Metropolitan at 40 Park	6,127	6,455
Overlook Ridge JV, L.L.C./ Quarrystone	-	-
Overlook Ridge JV 2C/3B, L.L.C./Overlook Ridge 2C & 3B	2,753	-
PruRose Riverwalk G, L.L.C./ RiverTrace at Port Imperial	1,332	3,117
Elmajo Urban Renewal Associates, LLC / Lincoln Harbor (Bldg A&C)	-	203
Crystal House Apartments Investors LLC / Crystal House	26,602	26,838
Portside Master Company, L.L.C./ Portside at Pier One - Bldg 7	2,306	3,207
PruRose Port Imperial South 13, LLC / Port Imperial Bldg 13	1,402	2,206
Roseland/Port Imperial Partners, L.P./ Riverwalk C	1,849	2,068
RoseGarden Marbella South, L.L.C./ Marbella II	9,612	7,567
Estuary Urban Renewal Unit B, LLC / Lincoln Harbor (Bldg B)	-	24
Riverpark at Harrison I, L.L.C./ Riverpark at Harrison	4,556	3,655
Capitol Place Mezz LLC / Station Townhouses	48,682	46,628
Harborside Unit A Urban Renewal, L.L.C. / URL Harborside	28,080	-
RoseGarden Monaco, L.L.C./ San Remo Land	1,269	1,224
Grand Jersey Waterfront URA, L.L.C./ Liberty Landing	337	337
Office		

Red Bank Corporate Plaza, L.L.C./ Red Bank	3,880	4,046
12 Vreeland Associates, L.L.C./ 12 Vreeland Road	5,680	5,514
BNES Associates III / Offices at Crystal Lake	2,026	1,753
Hillsborough 206 Holdings, L.L.C./ Hillsborough 206	1,962	1,962
KPG-P 100 IMW JV, LLC / 100 Independence Mall West	339	1,887
Keystone-Penn	-	-
Keystone-TriState	5,725	-
KPG-MCG Curtis JV, L.L.C. / Curtis Center	60,440	-
Other		
Plaza VIII & IX Associates, L.L.C./ Vacant land (parking operations)	3,922	3,702
Roseland/North Retail, L.L.C./ Riverwalk at Port Imperial	1,849	1,930
South Pier at Harborside / Hyatt Regency Jersey City on the Hudson (a)	-	-
Stamford SM LLC / Senior Mezzanine Loan	-	36,258
Other	540	693
Company's investment in unconsolidated joint ventures	$ 239,767	$ 181,129

(a) The negative investment balance for this joint venture of $2,582 and $1,706 as of September 30, 2014 and December 31, 2013, respectively, were included in accounts payable, accrued expenses and other liabilities.

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The following is a summary of the results from operations of the unconsolidated joint ventures for the period in which the Company had investment interests during the three and nine months ended September 30, 2014 and 2013: (dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Total revenues	$ 80,711	$ 99,117	$ 224,822	$ 202,810
Operating and other expenses	(58,684)	(48,621)	(173,642)	(137,889)
Depreciation and amortization	(15,134)	(11,556)	(31,715)	(24,730)
Interest expense	(11,296)	(3,934)	(26,423)	(9,256)
Net income (loss)	$ (4,403)	$ 35,006	$ (6,958)	$ 30,935

The following is a summary of the Company's equity in earnings (loss) of unconsolidated joint ventures for the three and nine months ended September 30, 2014 and 2013: (dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
Entity / Property Name	2014	2013	2014	2013
Multi-family				
Marbella RoseGarden, L.L.C./ Marbella	$ 3	$ (170)	$ (13)	$ (446)
RoseGarden Monaco Holdings, L.L.C./ Monaco (North and South)	(249)	(416)	(764)	(1,238)
Rosewood Lafayette Holdings, L.L.C./ Highlands at Morristown Station	(221)	(295)	(639)	(869)
PruRose Port Imperial South 15, LLC /RiversEdge at Port Imperial	-	-	-	(606)
Rosewood Morristown, L.L.C. / Metropolitan at 40 Park	(90)	(152)	(264)	(393)
Overlook Ridge JV, L.L.C./ Quarrystone	-	-	-	-
Overlook Ridge JV 2C/3B, L.L.C./Overlook Ridge 2C & 3B	(217)	53	(155)	204
PruRose Riverwalk G, L.L.C./ RiverTrace at Port Imperial	(615)	(198)	(1,766)	(576)
Elmajo Urban Renewal Associates, LLC / Lincoln Harbor (Bldg A&C)	-	(87)	(203)	(255)
Crystal House Apartments Investors LLC / Crystal House	68	(1,149)	(206)	(2,671)
Portside Master Company, L.L.C./ Portside at Pier One - Bldg 7	(228)	(109)	(661)	(222)
PruRose Port Imperial South 13, LLC / Port Imperial Bldg 13	(220)	(181)	(638)	(459)
Roseland/Port Imperial Partners, L.P./ Riverwalk C	(173)	-	(518)	-
RoseGarden Marbella South, L.L.C./ Marbella II	-	(20)	-	(57)
Estuary Urban Renewal Unit B, LLC / Lincoln Harbor (Bldg B)	-	(44)	(15)	(107)
	-	-	-	-

Riverpark at Harrison I, L.L.C./ Riverpark at Harrison				
Capitol Place Mezz LLC / Station Townhouses	-	-	-	-
Harborside Unit A Urban Renewal, L.L.C. / URL Harborside	-	-	(212)	-
RoseGarden Monaco, L.L.C./ San Remo Land	-	-	-	-
Grand Jersey Waterfront URA, L.L.C./ Liberty Landing	-	-	(54)	-
Office				
Red Bank Corporate Plaza, L.L.C./ Red Bank	101	99	306	306
12 Vreeland Associates, L.L.C./ 12 Vreeland Road	22	(25)	165	(1)
BNES Associates III / Offices at Crystal Lake	127	(37)	273	(108)
Hillsborough 206 Holdings, L.L.C./ Hillsborough 206	-	-	(5)	-
KPG-P 100 IMW JV, LLC / 100 Independence Mall West	(412)	-	(1,548)	-
Keystone-Penn	-	-	-	-
Keystone-TriState	(733)	-	(733)	-
KPG-MCG Curtis JV, L.L.C./ Curtis Center	113	-	364	-
Other				
Plaza VIII & IX Associates, L.L.C./ Vacant land (parking operations)	74	24	220	52
Roseland/North Retail, L.L.C./ Riverwalk at Port Imperial	(34)	(62)	(81)	(194)
South Pier at Harborside / Hyatt Regency Jersey City on the Hudson	583	835	1,874	1,380
Stamford SM LLC / Senior Mezzanine Loan	493	1,023	2,337	2,805
Other	340	682	876	1,396
Company's equity in earnings (loss) of unconsolidated joint ventures	$ (1,268)	$ (229)	$ (2,060)	$ (2,059)

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Recent Transactions

Harborside Unit A Urban Renewal, L.L.C.

Pursuant to a developer agreement entered into in December 2011, on May 21, 2014, the Company entered into a joint venture agreement with Ironstate Harborside-A LLC ("ISA") to form Harborside Unit A Urban Renewal, L.L.C. ("URL-Harborside"), a newly-formed joint venture that will develop, own and operate a high-rise tower of approximately 763 multi-family apartment units above a parking pedestal to be located on land contributed by the Company at its Harborside complex in Jersey City, New Jersey (the "URL Project"). The construction of the URL Project is estimated to cost a total of approximately $320 million and is projected to be ready for occupancy by the fourth quarter of 2016. The URL Project has been awarded up to $33 million in future tax credits ("URL Tax Credits"), subject to certain conditions, from the New Jersey Economic Development Authority. The venture has an agreement to sell these credits, subject to certain conditions. On August 1, 2014, the venture obtained a construction/permanent loan with a maximum borrowing amount of $192 million (with no balance currently outstanding as of September 30, 2014), which bears interest at a rate of 5.197 percent and matures in August 2029. The Company currently expects that it will fund approximately $65.6 million of the remaining development costs of the project, net of the loan financing.

The Company owns an 85 percent interest in URL-Harborside and the remaining interest owned by ISA, with shared control over major decisions such as, approval of budgets, property financings and leasing guidelines. Upon entering into the joint venture, the Company's initial contribution was $30.6 million, which included a capital credit of $30 per approved developable square foot for its contributed land aggregating approximately $20.6 million with the balance consisting of previously incurred development costs, and ISA's initial contribution was approximately $5.4 million. Included in the Company's investment in the unconsolidated joint venture is its land contribution with a carrying amount of $5.5 million. The Company has funded an additional $12.6 million in development costs for the venture through September 30, 2014.

In general, the operating agreement of URL-Harborside provides that net operating cash flows are distributed first, to the members in respect of preferred return, as defined, until each member shall have received payment of the accrued and unpaid preferred return; and, thereafter, 75 percent to the Company and 25 percent to ISA.

Net cash flows from a capital event are distributed first, to the members in respect of preferred return, as defined, until each member shall have received payment of the accrued and unpaid preferred return; second, to the members pro rata based upon the ratio that their respective capital accounts bear to each other until each member shall have received their respective net capital, as defined; third, to the members at the rate of 75 percent to the Company and 25 percent to ISA until the Company shall have received distributions equal to an 18 percent internal rate of return on the Company's capital contributions; and, thereafter, to the members, at the rate of 65 percent to the Company and 35 percent to ISA.

KPG-MCG Curtis JV, LLC / Curtis Center

On June 6, 2014, the Company and an affiliate of Keystone Property Group ("KPG") acquired 50 percent tenants-in-common interests each for $62.5 million in Curtis Center, an 885,000 square foot commercial office property located at 601 Walnut Street in Philadelphia, Pennsylvania (the "Curtis Center Property"), which amounted to a total purchase of approximately $125.0 million for the property. In connection with the transaction, the Company provided short-term loans to KPG affiliates, as follows: a 90-day, $52.3 million loan which bore interest at an annual rate of 3.5 percent payable at maturity, which was collateralized by the KPG affiliates' interest in the Curtis Center Property; and a 90-day, $10 million loan which also bore interest at an annual rate of 3.5 percent payable at maturity. The $10 million loan was repaid in full on September 2, 2014 and the $52.3 million loan was subsequently repaid in full on October 1, 2014. The investments were funded by the Company primarily through borrowing under its revolving credit facility. The venture plans to reposition the property into a mixed-use property by converting a portion of existing office space into multi-family rental apartments.

Simultaneous with the acquisition of the Curtis Center Property, the Company and a KPG affiliate formed a new joint venture named KPG-MCG Curtis JV, LLC (the “Curtis Center JV”), which master leased the Curtis Center Property from the acquisition entities for approximately 29 years at market-based terms. The Company and the KPG affiliate both own a 50 percent interest in the Curtis Center JV, with shared control over major decisions.

In general, the operating agreement of the Curtis Center JV provides that net cash flows from operations and capital events are distributed first, to the members, pro rata in proportion to their unreturned capital contributions, until each member’s unreturned capital contributions have been reduced to zero; and, thereafter, to each member, pro rata, in accordance with their percentage interests.

5. DEFERRED CHARGES, GOODWILL AND OTHER ASSETS

(dollars in thousands)		September 30, 2014		December 31, 2013
Deferred leasing costs	$	226,605	$	258,648
Deferred financing costs		24,689		25,366
		251,294		284,014
Accumulated amortization		(115,620)		(131,669)
Deferred charges, net		135,674		152,345
Notes receivable (1)		73,828		21,986
In-place lease values, related intangibles and other assets, net		7,566		13,659
Goodwill		2,945		2,945
Prepaid expenses and other assets, net (2)		100,383		27,584
Total deferred charges, goodwill and other assets	$	320,396	$	218,519

(1) Includes as of September 30, 2014: a mortgage receivable for $10.4 million which bears interest at LIBOR plus six percent; a note receivable for $7.8 million which bears interest at eight percent; an interest-free note receivable with a net present value of $3.4 million; and a note receivable for $52.3 million which bore interest at 3.5 percent (which was repaid in full on October 1, 2014).

(2) Includes a receivable of $61.9 million related to the completion of the Curtis Center mortgage loan financing on September 30, 2014 for which the Company received its loan proceeds on October 1, 2014. See Note 10: Mortgages, Loans Payable and Other Obligations.

6. RESTRICTED CASH

Restricted cash generally includes tenant and resident security deposits for certain of the Company's properties, and escrow and reserve funds for debt service, real estate taxes, property insurance, capital improvements, tenant improvements, and leasing costs established pursuant to certain mortgage financing arrangements, and is comprised of the following: (dollars in thousands)

		September 30, 2014		December 31, 2013
Security deposits	$	7,594	$	8,534
Escrow and other reserve funds		18,977		11,260
Total restricted cash	$	26,571	$	19,794

7. DISCONTINUED OPERATIONS

On January 1, 2014, the Company early adopted the new discontinued operations accounting standard and as the properties sold in the nine months ended September 30, 2014 will not represent a strategic shift (as the Company is not entirely exiting markets or property types), they have not been reflected as part of discontinued operations. See Note 3: Real Estate Transactions – Sales.

The Company disposed of 24 office properties located in New York, New Jersey, Pennsylvania and Connecticut aggregating 3 million square feet and three developable land parcels for total net sales proceeds of approximately $390.6 million during the year ended December 31, 2013. The Company has presented these properties as discontinued operations in its statements of operations for the three and nine months ended September 30, 2013.

The following table summarizes income from discontinued operations for the three and nine months ended September 30, 2013: (dollars in thousands)

	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2013
Total revenues	$ 6,405	$ 33,610
Operating and other expenses	(2,472)	(13,454)
Depreciation and amortization	(1,769)	(8,196)
Interest expense	-	(118)
Income from discontinued operations	2,164	11,842
Loss from early extinguishment of debt	-	(703)
Impairments (1)	-	(23,851)
Realized gains on disposition of rental property	47,321	84,930
Realized gains (losses) on disposition of rental property and impairments, net	47,321	61,079
Total discontinued operations	$ 49,485	$ 72,218

(1) Represents impairment charges recorded on certain properties prior to their sale.

8. SENIOR UNSECURED NOTES

A summary of the Company's senior unsecured notes as of September 30, 2014 and December 31, 2013 is as follows: (dollars in thousands)

	September 30, 2014	December 31, 2013	Effective Rate (1)
5.125% Senior Unsecured Notes, due February 15, 2014 (2)	-	$ 200,030	5.110%
5.125% Senior Unsecured Notes, due January 15, 2015	$ 149,971	149,902	5.297%
5.800% Senior Unsecured Notes, due January 15, 2016	200,104	200,161	5.806%
2.500% Senior Unsecured Notes, due December 15, 2017	249,077	248,855	2.803%
7.750% Senior Unsecured Notes, due August 15, 2019	248,959	248,799	8.017%
4.500% Senior Unsecured Notes, due April 18, 2022	299,550	299,505	4.612%
3.150% Senior Unsecured Notes, due May 15, 2023	269,778	269,323	3.517%
Total senior unsecured notes	$ 1,417,439	$ 1,616,575	

(1) Includes the cost of terminated treasury lock agreements (if any), offering and other transaction costs and the discount/premium on the notes, as applicable.

(2) On February 17, 2014, the Company repaid these notes at their maturity using available cash and borrowings on the Company's unsecured revolving credit facility.

The terms of the Company's senior unsecured notes include certain restrictions and covenants which require compliance with financial ratios relating to the maximum amount of debt leverage, the maximum amount of secured indebtedness, the minimum amount of debt service coverage and the maximum amount of unsecured debt as a percent of unsecured assets. The Company was in compliance with its debt covenants as of September 30, 2014.

9. UNSECURED REVOLVING CREDIT FACILITY

On July 16, 2013, the Company amended and restated its unsecured revolving credit facility with a group of 17 lenders. The $600 million facility is expandable to $1 billion and matures in July 2017. It has two six-month extension options each requiring the payment of a 7.5 basis point fee. The interest rate on outstanding borrowings (not electing the Company's competitive bid feature) and the facility fee on the current borrowing capacity payable quarterly in arrears are based upon the Operating Partnership's unsecured debt ratings, as follows:

Operating Partnership's Unsecured Debt Ratings: Higher of S&P or Moody's	Interest Rate - Applicable Basis Points Above LIBOR	Facility Fee Basis Points
No ratings or less than BBB-/Baa3	170.0	35.0
BBB- or Baa3	130.0	30.0
BBB or Baa2(current)	110.0	20.0
BBB+ or Baa1	100.0	15.0
A- or A3 or higher	92.5	12.5

The facility has a competitive bid feature, which allows the Company to solicit bids from lenders under the facility to borrow up to $300 million at interest rates less than those above.

The terms of the unsecured facility include certain restrictions and covenants which limit, among other things the incurrence of additional indebtedness, the incurrence of liens and the disposition of real estate properties (to the extent that: (i) such property dispositions cause the Company to default on any of the financial ratios of the facility described below, or (ii) the property dispositions are completed while the Company is under an event of default under the facility, unless, under certain circumstances, such disposition is being carried out to cure such default), and which require compliance with financial ratios relating to the maximum leverage ratio (60 percent), the maximum amount of secured indebtedness (40 percent), the minimum amount of fixed charge coverage (1.5 times), the maximum amount of unsecured indebtedness (60 percent), the minimum amount of unencumbered property interest coverage (2.0 times) and certain investment limitations (generally 15 percent of total capitalization). If an event of default has occurred and is continuing, the Company will not make any excess distributions except to enable the Company to continue to qualify as a REIT under the Code. The Company was in compliance with its debt covenants as of September 30, 2014.

The lending group for the credit facility consists of: JPMorgan Chase Bank, N.A., as administrative agent; Bank of America, N.A., as syndication agent; Deutsche Bank AG New York Branch; U.S. Bank National Association and Wells Fargo Bank, N.A., as documentation agents; Capital One, National Association; Citibank N.A.; Comerica Bank; PNC Bank, National Association; SunTrust Bank; The Bank of Tokyo-Mitsubishi UFJ, LTD.; The Bank of New York Mellon; as managing agents; and Compass Bank; Branch Banking and Trust Company; TD Bank, N.A.; Citizens Bank of Pennsylvania; Mega International Commercial Bank Co., LTD. New York Branch, as participants.

As of September 30, 2014 and December 31, 2013, the Company had no outstanding borrowings under its unsecured revolving credit facility.

Through July 15, 2013, the Company had a $600 million unsecured revolving credit facility, which had an interest rate on outstanding borrowings of LIBOR plus 125 basis points and a facility fee of 25 basis points.

MONEY MARKET LOAN

The Company has an agreement with JPMorgan Chase Bank to participate in a noncommitted money market loan program ("Money Market Loan"). The Money Market Loan is an unsecured borrowing of up to $75 million arranged by

JPMorgan Chase Bank with maturities of 30 days or less. The rate of interest on the Money Market Loan borrowing is set at the time of each borrowing. As of September 30, 2014 and December 31, 2013, the Company had no outstanding borrowings under the Money Market Loan.

10. MORTGAGES, LOANS PAYABLE AND OTHER OBLIGATIONS

The Company has mortgages, loans payable and other obligations which primarily consist of various loans collateralized by certain of the Company's rental properties. As of September 30, 2014, 30 of the Company's properties, with a total book value of approximately $982 million, are encumbered by the Company's mortgages and loans payable. Payments on mortgages, loans payable and other obligations are generally due in monthly installments of principal and interest, or interest only. Except as noted below, the Company was in compliance with its debt covenants as of September 30, 2014.

A summary of the Company's mortgages, loans payable and other obligations as of September 30, 2014 and December 31, 2013 is as follows: (dollars in thousands)

Property Name	Lender	Effective Rate (a)	September 30, 2014	December 31, 2013	Maturity
6301 Ivy Lane (b)	RGA Reinsurance Company	5.520 %	$ -	$ 5,447	-
395 West Passaic (c)	State Farm Life Insurance Co.	6.004 %	-	9,719	-
35 Waterview Boulevard (d)	Wells Fargo CMBS	6.348 %	-	18,417	-
233 Canoe Brook Road (e)	The Provident Bank	4.375 %	-	3,877	-
6 Becker, 85 Livingston, 75 Livingston & 20 Waterview (f)	Wells Fargo CMBS	10.220 %	65,035	64,233	08/11/14(o)
4 Sylvan	Wells Fargo CMBS	10.190 %	14,575	14,538	08/11/14(o)
10 Independence (g)	Wells Fargo CMBS	12.440 %	16,924	16,638	08/11/14(g)
Port Imperial South 4/5	Wells Fargo Bank N.A.	LIBOR+3.50%	36,950	36,950	10/31/14(q)
Overlook - Site IIID,IIIC, IIIA (p)	Wells Fargo Bank N.A.	LIBOR+3.50%	17,100	-	03/02/15
Overlook - Site IIB (Quarrystone I) (p)	Wells Fargo Bank N.A.	LIBOR+2.50%	5,748	-	04/14/15
9200 Edmonston Road (h)	Principal Commercial Funding L.L.C.	5.534 %	3,996	4,115	05/01/15
Port Imperial South	Wells Fargo Bank N.A.	LIBOR+1.75%	43,910	43,278	09/19/15
4 Becker	Wells Fargo CMBS	9.550 %	39,268	38,820	05/11/16
5 Becker (i)	Wells Fargo CMBS	12.830 %	13,666	13,092	05/11/16
210 Clay	Wells Fargo CMBS	13.420 %	13,182	12,767	05/11/16
Curtis Center (j)	CCRE & PREFG	LIBOR+4.55% (m)	64,000	-	10/09/16
Various (k)	Prudential Insurance	6.332 %	146,048	147,477	01/15/17
150 Main St.	Webster Bank	LIBOR+2.35%	218	-	03/30/17
23 Main Street	JPMorgan CMBS	5.587 %	29,373	29,843	09/01/18
Harborside Plaza 5	The Northwestern Mutual Life Insurance Co. & New York Life Insurance Co.	6.842 %	222,480	225,139	11/01/18
100 Walnut Avenue	Guardian Life Insurance Co.	7.311 %	18,606	18,792	02/01/19
One River Center (l)	Guardian Life Insurance Co.	7.311 %	42,623	43,049	02/01/19
Park Square	Wells Fargo Bank N.A.	LIBOR+1.75% (n)	27,500	-	04/10/19
Total mortgages, loans payable and other obligations			$ 821,202	$ 746,191	

(a) Reflects effective rate of debt, including deferred financing costs, comprised of the cost of terminated treasury lock agreements (if any), debt initiation costs, mark-to-market adjustment of acquired debt and other transaction costs, as applicable.

(b) On April 1, 2014, the Company repaid the mortgage loan at par, using available cash.

(c) On May 1, 2014, the Company repaid the mortgage loan at par, using available cash.

(d) On May 12, 2014, the Company repaid the mortgage loan at par, using borrowings on the Company's unsecured revolving credit facility.

(e) On April 30, 2014, the Company repaid the mortgage loan at par, using available cash.

(f) Mortgage is cross collateralized by the four properties.

(g) The Company is negotiating a deed-in-lieu of foreclosure in satisfaction of this mortgage loan.

(h) The mortgage loan originally matured on May 1, 2013. The maturity date was extended until May 1, 2015 with the same interest rate. Excess cash flow, as defined, is being held by the lender for re-leasing costs. The deed for the property was placed in escrow and is available to the lender in the event of default or non-payment at maturity.

(i) The cash flow from this property is insufficient to cover operating costs and debt service. Consequently, the Company notified the lender and suspended debt service payments in August 2013. The Company has begun discussions with the lender regarding a deed-in-lieu of foreclosure and began remitting available cash flow to the lender effective August 2013.

(j) The Company owns a 50 percent tenants-in-common interest in the Curtis Center Property. The Company's $64.0 million loan consists of its 50 percent interest in a $102 million senior loan with a current rate of 3.45 percent at September 30, 2014 and its 50 percent interest in a $26 million mezzanine loan (with a maximum borrowing capacity of $48 million) with a current rate of 9.65 percent at September 30, 2014. The senior loan rate is based on a floating rate of one-month LIBOR plus 329 basis points and the mezzanine loan rate is based on a floating rate of one-month LIBOR plus 950 basis points. Both loans have LIBOR caps for the period. The loans provide for three one-year extension options. As the Curtis Center Property loans closed on September 30, 2014 with the loan proceeds received on October 1, 2014, the Company recorded the loan and a receivable on September 30, 2014. See Note 5: Deferred Charges, Goodwill and Other Assets.

(k) Mortgage is cross collateralized by seven properties. The Operating Partnership has agreed, subject to certain conditions, to guarantee repayment of a portion of the loan.

(l) Mortgage is collateralized by the three properties comprising One River Center.

(m) Amortization of deferred financing costs adds 1.523 percent to the variable interest rate stated above.

(n) Amortization of deferred financing costs adds 0.122 percent to the variable interest rate stated above.

(o) The Company has begun discussions with the lender regarding the past due maturity of the loans.

(p) On August 15, 2014, the Company assumed these loans as a result of its acquisition of interests which increased its ownership to 100 percent in certain previously unconsolidated joint ventures which owned developable land.

(q) The Company is pursuing permanent financing at the maturity of the construction financing in October 2014.

CASH PAID FOR INTEREST AND INTEREST CAPITALIZED
Cash paid for interest for the nine months ended September 30, 2014 and 2013 was $92,096,000 and $97,284,000, respectively. Interest capitalized by the Company for the nine months ended September 30, 2014 and 2013 was $10,650,000 and $10,262,000, respectively (of which these amounts included $3,284,000 and $980,000 for the nine months ended September 30, 2014 and 2013, respectively, for interest capitalized on the Company's investments in unconsolidated joint ventures which were substantially in development).

SUMMARY OF INDEBTEDNESS
As of September 30, 2014, the Company's total indebtedness of $2,238,641,000 (weighted average interest rate of 5.62 percent) was comprised of $195,426,000 of variable rate mortgage debt (weighted average rate of 3.86 percent) and fixed rate debt and other obligations of $2,043,215,000 (weighted average rate of 5.78 percent).

As of December 31, 2013, the Company's total indebtedness of $2,362,766,000 (weighted average interest rate of 5.62 percent) was comprised of $80,228,000 of variable rate mortgage debt (weighted average rate of 2.74 percent) and fixed rate debt and other obligations of $2,282,538,000 (weighted average rate of 5.72 percent).

DERIVATIVE FINANCIAL INSTRUMENTS
The Company does not have any derivative instruments designated as cash flow hedges. The following table summarizes the notional and fair value of the Company's derivative financial instruments, designated as fair value hedges, as of September 30, 2014 (dollars in thousands):

		Notional Value (a)	Strike Rate	Effective Date	Expiration Date		Fair Value
LIBOR Cap	$	51,000	1.5%	September 2014	October 2015	$	4
LIBOR Cap		24,000	1.5%	September 2014	October 2015		2
LIBOR Cap		51,000	1.75%	October 2015	October 2016		115
LIBOR Cap		24,000	1.75%	October 2015	October 2016		53
						$	174

(a) The notional value is an indication of the extent of our involvement in these instruments at that time, but does not represent exposure to credit, interest rate or market risks.

The Company includes these derivative financial instruments in deferred charges, goodwill and other assets.

11. EMPLOYEE BENEFIT 401(k) PLANS AND DEFERRED RETIREMENT COMPENSATION AGREEMENTS

Employees of the Company, who meet certain minimum age and service requirements, are eligible to participate in the Mack-Cali Realty Corporation 401(k) Savings/Retirement Plan (the "401(k) Plan"). Eligible employees may elect to defer from one percent up to 60 percent of their annual compensation on a pre-tax basis to the 401(k) Plan, subject to certain limitations imposed by federal law. The amounts contributed by employees are immediately vested and non-forfeitable. The Company may make discretionary matching or profit sharing contributions to the 401(k) Plan on behalf of eligible participants in any plan year. Participants are always 100 percent vested in their pre-tax contributions and will begin vesting in any matching or profit sharing contributions made on their behalf after two years of service with the Company at a rate of 20 percent per year, becoming 100 percent vested after a total of six years of service with the Company. All contributions are allocated as a percentage of compensation of the eligible participants for the Plan year. The assets of the 401(k) Plan are held in trust and a separate account is established for each participant. A participant may receive a distribution of his or her vested account balance in the 401(k) Plan in a single sum or in installment payments upon his or her termination of service with the Company. Total expense recognized by the Company for the 401(k) Plan for the three months ended September 30, 2014 and 2013 was $24,000 and $24,000, respectively and $77,000 and $91,000 for the nine months ended September 30, 2014 and 2013, respectively.

On September 12, 2012, the Board of Directors of the Company approved multi-year deferred retirement compensation agreements for those executive officers in place on such date (the “Deferred Retirement Compensation Agreements”). Pursuant to the Deferred Retirement Compensation Agreements, the Company was to make annual contributions of stock units (“Stock Units”) representing shares of the Company’s common stock on January 1 of each year from 2013 through 2017 into a deferred compensation account maintained on behalf of each Messrs. Hersh, Lefkowitz and Thomas. In connection with Messrs. Lefkowitz and Thomas’ separation from service to the Company effective March 31, 2014, the Company agreed to make cash payments totaling $1.2 million for all vested and unvested Stock Units and future cash contributions pursuant to their respective Deferred Retirement Compensation Agreements (see Note 13: Commitments and Contingencies – Departure of Executive Vice Presidents). The annual contribution for Mr. Hersh will be in an amount of Stock Units equal to $500,000. Vesting of each annual contribution of Stock Units will occur on December 31 of each year, subject to continued employment. Upon the payment of dividends on the Company’s common stock, Mr. Hersh shall be entitled to dividend equivalent payments in respect of both vested and unvested Stock Units payable in the form of additional Stock Units. The Stock Units shall become payable to Mr. Hersh within 30 days after the earliest of any of the following triggering events: (a) Mr. Hersh’s death or disability; (b) the date of Mr. Hersh’s separation from service to the Company; and (c) the effective date of a change in control, in each case as such terms are defined in Mr. Hersh’s employment agreement. Upon the occurrence of a triggering event, the Stock Units shall be paid in cash based on the closing price of the Company’s common stock on the date of such triggering event. The Company granted 36,347 Stock Units, including 966 additional Stock Units on accrued dividends, in the nine months ended September 30, 2014. Total expense recognized by the Company under the Deferred Retirement Compensation Agreements for the three months ended September 30, 2014 and 2013 was $47,000 and $114,000, respectively, and $1.3 million (see Note 13: Commitments and Contingencies – Departure of Executive Vice Presidents) and $455,000 for the nine months ended September 30, 2014 and 2013, respectively.

12. DISCLOSURE OF FAIR VALUE OF FINANCIAL INSTRUMENTS

The following disclosure of estimated fair value was determined by management using available market information and appropriate valuation methodologies. However, considerable judgment is necessary to interpret market data and develop estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize on disposition of the financial instruments at September 30, 2014 and December 31, 2013. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Cash equivalents, receivables, notes receivables, accounts payable, and accrued expenses and other liabilities are carried at amounts which reasonably approximate their fair values as of September 30, 2014 and December 31, 2013.

The fair value of the Company’s long-term debt, consisting of senior unsecured notes, an unsecured revolving credit facility and mortgages, loans payable and other obligations aggregated approximately $2,283,232,000 and $2,407,802,000 as compared to the book value of approximately $2,238,641,000 and $2,362,766,000 as of September 30, 2014 and December 31, 2013, respectively. The fair value of the Company’s long-term debt is categorized as a level 3 basis (as provided by ASC 820, Fair Value Measurements and Disclosures). The fair value is estimated using a discounted cash flow analysis valuation based on the borrowing rates currently available to the Company for loans with similar terms and maturities. The fair value of the mortgage debt and the unsecured notes was determined by discounting the future contractual interest and principal payments by a market rate. Although the Company has determined that the majority of the inputs used to value its derivative financial instruments fall within level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivative financial instruments utilize level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. The Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivative financial instruments. As a result, the Company has determined that its derivative financial instruments valuations in their entirety are classified in level 2 of the fair value hierarchy.

Disclosure about fair value of financial instruments is based on pertinent information available to management as of September 30, 2014 and December 31, 2013. Although management is not aware of any factors that would significantly affect the fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since September 30, 2014 and current estimates of fair value may differ significantly from the amounts presented herein.

13. COMMITMENTS AND CONTINGENCIES

TAX ABATEMENT AGREEMENTS

Pursuant to agreements with certain municipalities, the Company is required to make payments in lieu of property taxes (“PILOT”) on certain of its properties and has tax abatement agreements on other properties, as follows:

The Harborside Plaza 4-A agreement with the City of Jersey City, as amended, which commenced in 2002, is for a term of 20 years. The annual PILOT is equal to two percent of Total Project Costs, as defined. Total Project Costs are $49.5 million. The PILOT totaled $247,000 and $247,000 for the three months ended September 30, 2014 and 2013, respectively, and $742,000 and $742,000 for the nine months ended September 30, 2014 and 2013, respectively.

The Harborside Plaza 5 agreement, also with the City of Jersey City, as amended, which commenced in 2002, is for a term of 20 years. The annual PILOT is equal to two percent of Total Project Costs, as defined. Total Project Costs are \$170.9 million. The PILOT totaled \$854,000 and \$854,000 for the three months ended September 30, 2014 and 2013, respectively, and \$2.6 million and \$2.6 million for the nine months ended September 30, 2014 and 2013, respectively.

The agreement with the City of Weehawken for its Port Imperial 4/5 garage development project (acquired in the Roseland Transaction) was executed in March 2011 and has a term of five years beginning when the project is substantially complete, which occurred in the third quarter 2013. The agreement provides that real estate taxes be paid initially on the land value of the project only and allows for a phase in of real estate taxes on the value of the improvements over a five year period.

The agreement with the City of Rahway for its Park Square multi-family rental property executed in 2009 provides that real estate taxes will be partially abated, on a declining scale, for four years from 2011 through 2015.

At the conclusion of the above-referenced agreements, it is expected that the properties will be assessed by the municipality and be subject to real estate taxes at the then prevailing rates.

LITIGATION

The Company is a defendant in litigation arising in the normal course of its business activities. Management does not believe that the ultimate resolution of these matters will have a materially adverse effect upon the Company's financial condition taken as whole.

GROUND LEASE AGREEMENTS

Future minimum rental payments under the terms of all non-cancelable ground leases under which the Company is the lessee, as of September 30, 2014, are as follows: (dollars in thousands)

Year		Amount
October 1 through December 31, 2014	$	92
2015		371
2016		371
2017		267
2018		232
2019 through 2084		15,818
Total	$	17,151

Ground lease expense incurred by the Company during the three months ended September 30, 2014 and 2013 amounted to $102,000 and $102,000, respectively, and $305,000 and $305,000 for the nine months ended September 30, 2014 and 2013, respectively.

ROSELAND CONTINGENT CONSIDERATION

The purchase price for the Roseland Transaction included the fair value of contingent consideration pursuant to an earn-out ("Earn Out") agreement of approximately $10 million. The Earn Out largely represents contingent consideration and requires the Company to pay Roseland Partners up to an aggregate maximum of $15.6 million. The Earn Out is based on defined criteria, as follows: (i) the Roseland Assets component of up to $8.6 million for the completion of certain developments ($2.8 million), and the start of construction on others ($2.8 million), obtaining tax credits/grants on others ($3.0 million), all of which are payable over various periods of up to three years; and (ii) total return to shareholders for up to an additional $7 million, based on a total return to shareholders measured on a three year cumulative basis and on discrete years, both on an absolute basis and in comparison to a peer group. Each of the Earn Out elements were separately valued as of the acquisition date with an aggregate fair value of contingent consideration of approximately $10 million (representing $6.3 million for the Roseland Assets and $3.7 million for the total return to shareholders component). During the three and nine months ended September 30, 2014, the Company recognized benefits of zero and $380,000 related to a decline in fair value in the Earn Out liability, which is included in Interest and other investment income for the period. Prospectively, the Earn Out liability will be remeasured at fair value quarterly until the contingency has been resolved, with any changes in fair value representing a charge or benefit directly to earnings (with no adjustment to purchase accounting). The measures of the Earn Out are based on significant inputs that are not observable in the market, which ASC 820 refers to as level 3 inputs. In addition to an appropriate discount rate, the key assumption affecting the valuation for the Roseland Assets component was the probability of occurrence of the payment events under the relevant provisions (management assumed between 92 and 99 percent for completion/start criteria and 50 percent for the tax credit/grant criteria in its initial valuation). The valuation of the TRS component includes assumptions for the risk-free rate and various other factors (i.e., stock price, dividend levels and volatility) for the Company and the relevant peer group, as defined in the Earn Out agreement. As a result of the achievement of certain of the defined criteria, the Company paid Roseland Partners $2.8 million on January 25, 2013, $1.4 million on March 21, 2014 and $1.4 million on September 17, 2014 related to the Roseland Assets component of the Earn Out. On July 18, 2014, the Company agreed to pay $1 million of the $3 million Earn Out related to certain tax credits/grants. The $1 million payment had previously been at the chief executive officer's discretion and was being accrued over the three-year period as compensation expense, and not as contingent consideration of the purchase price. As of September 30, 2014, the balance of the Earn Out liabilities amounted to $2.4 million. See Roseland Transaction Modifications following in this Note. The Company previously recorded the $2.8 million payment of contingent consideration described above in the nine-month period ended September 30, 2013 as a cash out flow from investing activity. Management subsequently concluded that the payment should be appropriately classified as a cash out flow from financing activity and had reflected it as such in the annual financial statements for 2013. The cash flow statement for the nine month period ended September 30, 2013 presented herein has been revised to reflect this change in classification. The Company has determined that the impact to the 2013 quarterly financial statements is not material.

The purchase consideration for the Roseland Transaction is subject to the return of a portion of the purchase price of up to $2.0 million upon the failure to achieve a certain level of fee revenue from the Roseland Business during the 33-month period following the closing date. Because the fee target was highly probable, no discount was ascribed to this contingently returnable consideration. Also, at the closing, approximately $34 million in cash of the purchase price was deposited in escrow to secure certain of the indemnification obligations of Roseland Partners and its affiliates. In April 2013, $6.7 million of the escrow was released to Roseland Partners and on July 18, 2014, the Company agreed to release all remaining escrow funds to Roseland Partners. See Roseland Transaction Modifications following in this Note.

DEPARTURE OF EXECUTIVE VICE PRESIDENTS
On March 3, 2014, the Company announced that Barry Lefkowitz was leaving his position as Executive Vice President and Chief Financial Officer of the Company effective March 31, 2014. In connection with Mr. Lefkowitz's departure, he received severance benefits payable pursuant to his employment agreement and outstanding equity compensation awards, including an aggregate cash payment of approximately $3.4 million, vesting of 11,457 newly issued shares of common stock of the Company, and vesting of 68,667 unvested shares of Restricted Stock Awards. The Company also will pay the premiums for the continuation of Mr. Lefkowitz's existing health insurance for a period up to 48 months following March 31, 2014.

Also on March 3, 2014, the Company announced that Roger W. Thomas was leaving his position as Executive Vice President, General Counsel and Secretary of the Company effective March 31, 2014. In connection with Mr. Thomas' departure, he received severance benefits payable pursuant to his employment agreement and outstanding equity compensation awards, including an aggregate cash payment of approximately $3.1 million, acceleration and discretionary full vesting of 33,605 newly issued shares of common stock of the Company, and vesting of 41,000 unvested shares of Restricted Stock Awards. The Company also will pay the premiums for the continuation of Mr. Thomas' existing health insurance for a period of up to 48 months following September 30, 2014. Mr. Thomas served as a consultant to the Company from April 1, 2014 through September 30, 2014 for an aggregate cash compensation of $300,000.

The Company's total estimated costs for the departure of the two executive vice presidents of approximately $11 million during the nine months ended September 30, 2014 was included in general and administration expense (approximately $8 million was included in accounts payable, accrued expenses and other liabilities as of September 30, 2014).

ROSELAND TRANSACTION MODIFICATIONS
On July 18, 2014, the Company entered into separation agreements (the "Separation Agreements") with each of Bradford R. Klatt and Carl Goldberg, formerly principals of Roseland Partners who have served as co-presidents of Roseland Management since the Company acquired the Roseland Business in October 2012. The Separation Agreements provide that the employment agreements of Messrs. Klatt and Goldberg terminate and that they shall resign as co-presidents of Roseland Management effective October 23, 2014 (the "Separation Date"). Also on July 18, 2014, the Company amended its purchase agreement with the sellers of the Roseland Business (the "Roseland Amendment") to modify certain terms of the Roseland Transaction in connection with the departures of Messrs. Klatt and Goldberg. In addition, Mr. Goldberg entered into a consulting agreement with Roseland Management (the "Consulting Agreement") pursuant to which he shall provide consulting services for a period of one year following the Separation Date for $400,000 payable in four, equal quarterly installments.

Pursuant to the Separation Agreements, each of Messrs. Klatt and Goldberg shall receive a separation payment of $750,000 within five days following the Separation Date, and an additional payment of $500,000 in full satisfaction of any and all bonus payments under their respective employment agreements, which amount shall be paid six months after the date of their "separation from service" as defined in Section 409A of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations and other guidance promulgated thereunder. The Separation Agreements also contain customary mutual releases of claims and non-disparagement provisions, and Mr. Goldberg's Consulting Agreement contains customary non-compete, confidentiality and indemnification covenants. Mr. Goldberg's Separation Agreement also provides that Roseland Management shall pay the premiums for the continuation of his existing health insurance for a period of one year from the Separation Date or until any earlier termination of his Consulting Agreement.

The Roseland Amendment provides for the following material modifications to the Roseland Transaction:

1. The non-competition covenants as they apply to Messrs. Klatt and Goldberg shall terminate on the Separation Date, and the non-competition covenants as they apply to Marshall Tycher shall be amended to permit Mr. Tycher to invest in certain future, family-controlled business ventures, subject to a right of first offer by the Company to make an investment of at least 50 percent in multi-family properties or projects covered by the right of first offer;

2. The release to the sellers of the Roseland Business of all remaining funds held in the indemnity escrow account and the acceleration of the effectiveness of certain indemnity covenants to the Separation Date; and

3. The payment of $1 million of the $3 million Earn Out related to certain tax credits/grants.

The Company's total estimated costs related to the Separation Agreements and Roseland Amendment of approximately $1.1 million in the three and nine months ended September 30, 2014 was included in general and administration expense. Included in accounts payable, accrued expense and other liabilities as of September 30, 2014 was $2.6 million related to the Separation Agreements and Roseland Amendment.

OTHER

The Company may not dispose of or distribute certain of its properties, currently comprised of seven properties with an aggregate net book value of approximately $125.2 million, which were originally contributed by certain unrelated common unitholders, without the express written consent of such common unitholders, as applicable, except in a manner which does not result in recognition of any built-in-gain (which may result in an income tax liability) or which reimburses the appropriate specific common unitholders for the tax consequences of the recognition of such built-in-gains (collectively, the "Property Lock-Ups"). The aforementioned restrictions do not apply in the event that the Company sells all of its properties or in connection with a sale transaction which the Company's Board of Directors determines is reasonably necessary to satisfy a material monetary default on any unsecured debt, judgment or liability of the Company or to cure any material monetary default on any mortgage secured by a property. The Property Lock-Ups expire periodically through 2016. Upon the expiration of the Property Lock-Ups, the Company is generally required to use commercially reasonable efforts to prevent any sale, transfer or other disposition of the subject properties from resulting in the recognition of built-in gain to the specific common unitholders, which include members of the Mack Group (which includes William L. Mack, Chairman of the Company's Board of Directors; David S. Mack, director; Earle I. Mack, a former director; and Mitchell E. Hersh, president, chief executive officer and director), the Robert Martin Group (which includes Robert F. Weinberg, a former director and current member of its Advisory Board), and the Cali Group (which includes John R. Cali, a former director and current member of its Advisory Board). 110 of the Company's properties, with an aggregate net book value of approximately $1.3 billion, have lapsed restrictions and are subject to these conditions.

In July 2012, the Company entered into a ground lease with Wegmans Food Markets, Inc. ("Wegmans") at the Company's undeveloped site located at Sylvan Way and Ridgedale Avenue in Hanover Township, New Jersey. Subject to receiving all necessary governmental approvals, Wegmans intends to construct a store of approximately 140,000 square feet on a finished pad to be delivered by the Company in the third quarter of 2015. The Company expects to incur costs of approximately $15.7 million for the development of the site through the fourth quarter of 2016 (of which the Company has incurred $7.0 million through September 30, 2014).

14. TENANT LEASES

The Properties are leased to tenants under operating leases with various expiration dates through 2035. Substantially all of the commercial leases provide for annual base rents plus recoveries and escalation charges based upon the tenant's proportionate share of and/or increases in real estate taxes and certain operating costs, as defined, and the pass-through of charges for electrical usage.

Future minimum rentals to be received under non-cancelable commercial operating leases at September 30, 2014 are as follows (dollars in thousands):

Year		Amount
October 1 through December 31, 2014	$	118,687
2015		445,922
2016		408,691
2017		357,819
2018		276,297
2019 and thereafter		1,067,223
Total	$	2,674,639

Multi-family rental property residential leases are excluded from the above table as they generally expire within one year.

15. MACK-CALI REALTY CORPORATION STOCKHOLDERS' EQUITY

To maintain its qualification as a REIT, not more than 50 percent in value of the outstanding shares of the Company may be owned, directly or indirectly, by five or fewer individuals at any time during the last half of any taxable year of the Company, other than its initial taxable year (defined to include certain entities), applying certain constructive ownership rules. To help ensure that the Company will not fail this test, the Company's Charter provides, among other things, certain restrictions on the transfer of common stock to prevent further concentration of stock ownership. Moreover, to evidence compliance with these requirements, the Company must maintain records that disclose the actual ownership of its outstanding common stock and demands written statements each year from the holders of record of designated percentages of its common stock requesting the disclosure of the beneficial owners of such common stock.

SHARE REPURCHASE PROGRAM

In September 2012, the Board of Directors renewed and authorized an increase to the Company's repurchase program ("Repurchase Program"). The Company has authorization to repurchase up to $150 million of its outstanding common stock under the renewed Repurchase Program, which it may repurchase from time to time in open market transactions at prevailing prices or through privately negotiated transactions. The Company has purchased and retired 394,625 shares of its outstanding common stock for an aggregate cost of approximately $11 million through September 30, 2014 (none of which occurred in the nine months ended September 30, 2014 and the year ended December 31, 2013) , with a remaining authorization under the Repurchase Program of $139 million.

DIVIDEND REINVESTMENT AND STOCK PURCHASE PLAN

The Company has a Dividend Reinvestment and Stock Purchase Plan (the "DRIP") which commenced in March 1999 under which approximately 5.5 million shares of the Company's common stock have been reserved for future issuance. The DRIP provides for automatic reinvestment of all or a portion of a participant's dividends from the Company's shares of common stock. The DRIP also permits participants to make optional cash investments up to $5,000 a month without restriction and, if the Company waives this limit, for additional amounts subject to certain restrictions and other conditions set forth in the DRIP prospectus filed as part of the Company's effective registration statement on Form S-3 filed with the SEC for the approximately 5.5 million shares of the Company's common stock reserved for issuance under the DRIP.

STOCK OPTION PLANS

In May 2013, the Company established the 2013 Incentive Stock Plan (the "2013 Plan") under which a total of 4,600,000 shares have been reserved for issuance. In May 2004, the Company established the 2004 Incentive Stock Plan (the "2004 Plan") under which a total of 2,500,000 shares had been reserved for issuance. The 2004 Plan was terminated upon establishment of the 2013 Plan. No options were granted under the 2004 Plan. In September 2000, the Company established the 2000 Employee Stock Option Plan ("2000 Employee Plan") and the Amended and Restated 2000 Director Stock Option Plan ("2000 Director Plan" and together with the 2000 Employee Plan, the "2000 Plans"). In May 2002, shareholders of the Company approved amendments to both of the 2000 Plans to increase the total shares reserved for issuance under both of the 2000 Plans from 2,700,000 to 4,350,000 shares of the Company's common stock (from 2,500,000 to 4,000,000 shares under the 2000 Employee Plan and from 200,000 to 350,000 shares under the 2000 Director Plan). As the 2000 Plans expired in 2010, stock options may no longer be issued under those plans. Stock options granted under the 2000 Employee Plan became exercisable over a five-year period. All stock options granted under the 2000 Director Plan became exercisable in one year. All options were granted at the fair market value at the dates of grant and have terms of 10 years. As of September 30, 2014 and December 31, 2013, the stock options outstanding had a weighted average remaining contractual life of approximately 5.2 and 0.7 years, respectively.

Information regarding the Company's stock option plans is summarized below:

	Shares Under Options	Weighted Average Exercise Price	Aggregate Intrinsic Value $(000's)
Outstanding at January 1, 2014	15,000	$ 40.54	$ -
Granted	5,000	21.25	
Lapsed or Cancelled	(10,000)	38.07	
Outstanding at September 30, 2014 ($21.25 – $45.47)	10,000	$ 33.36	$ -
Options exercisable at September 30, 2014	5,000		
Available for grant at September 30, 2014	4,466,143		

The weighted average fair value of options granted during the nine months ended September 30, 2014 was $1.71 per option. The fair value of each option grant is estimated on the date of grant using the Black-Scholes model. The following weighted average assumptions are included in the Company's fair value calculations of stock options granted during the nine months ended September 30, 2014:

Expected life (in years)	6
Risk-free interest rate	1.50 %
Volatility	20.26 %
Dividend yield	5.65 %

No cash was received from options exercised under all stock option plans for the three and nine months ended September 30, 2014 and 2013, respectively. The total intrinsic value of options exercised during each of the three and nine months ended September 30, 2014 and 2013 was zero. The Company has a policy of issuing new shares to satisfy stock option exercises.

The Company recognized stock options expense of $1,000 and zero for the three months ended September 30, 2014 and 2013, respectively, and $3,000 and zero for the nine months ended September 30, 2014 and 2013, respectively.

RESTRICTED STOCK AWARDS

The Company has issued stock awards ("Restricted Stock Awards") to officers, certain other employees, and nonemployee members of the Board of Directors of the Company, which allow the holders to each receive a certain amount of shares of the Company's common stock generally over a one to seven-year vesting period, of which 304,816 unvested shares were legally outstanding at September 30, 2014. Of the Restricted Stock Awards issued to executive officers and senior management, 210,000 are contingent upon the Company meeting certain performance goals to be set by the Executive Compensation and Option Committee of the Board of Directors of the Company each year ("Performance Shares"), with the remaining based on time and service. These Performance Shares are not considered granted until the performance goals are set. All currently outstanding and unvested Restricted Stock Awards provided to the officers and certain other employees were issued under the 2013 Plan and 2004 Plan. Currently outstanding and unvested Restricted Stock Awards provided to directors were issued under the 2013 Plan.

On September 12, 2012, the Board of Directors of the Company approved the recommendations and ratified the determinations of the Executive Compensation and Option Committee of the Board of Directors (the "Committee") with respect to new Restricted Stock Awards totaling 319,667 shares for those executive officers in place on such date. The new Restricted Stock Awards may vest commencing January 1, 2014 and with the number of Restricted Stock Awards scheduled to be vested and earned on each vesting date on an annual basis over a five to seven year vesting schedule, with each annual vesting of each tranche of Restricted Stock Awards being subject to the attainment of annual performance targets to be set by the Committee for each year. As the Committee determined that the performance targets for the year ended December 31, 2013 were not satisfied, 63,933 shares due to vest on January 1, 2014 did not vest. Such shares may vest on any subsequent vesting date provided that the performance targets for the subsequent calendar year are met. Amounts recorded as compensation expense pertaining to these shares during the year ended December 31, 2013 were reversed. In connection with the departure of two executive officers effective March 31, 2014, the Company agreed to grant and accelerate vesting of 109,667 shares of Restricted Stock Awards on April 1, 2014.

Information regarding the Restricted Stock Awards grant activity is summarized below:

	Shares		Weighted-Average Grant – Date Fair Value
Outstanding at January 1, 2014 (a)	153,560	$	25.20
Granted (b)	208,589		20.83
Vested	(183,214)		22.37
Forfeited	(119)		26.36
Outstanding at September 30, 2014	178,816	$	23.00

(a) Includes 63,933 Performance Shares which were legally granted in 2013 for which the 2013 performance goals were not met, which may be earned if subsequent years' performance goals are met.

(b)

Includes 42,000 Performance Shares which were legally granted in 2013 for which the 2014 performance goals were set by the Committee on March 31, 2014. Also includes 87,734 shares which were additionally granted to two executive officers in connection with their departure effective March 31, 2014, which vested on April 1, 2014.

TSR-BASED AWARDS

Also on September 12, 2012, the Board of Directors of the Company approved the recommendations and ratified the determinations of the Committee with respect to new multi-year total stockholder return ("TSR") based awards (the "TSR-Based Awards") totaling 5,160 performance shares (the "TSR Performance Shares") for those executive officers in place on such date, each TSR Performance Share evidencing the right to receive $1,000 in the Company's common stock upon vesting. In accordance with the amended and restated TSR-Based Awards agreements entered into between the Company and those executive officers in June 2013, the TSR Performance Shares may vest commencing December 31, 2014, with the number of TSR Performance Shares scheduled to be granted annually over the next four years. The vesting of each tranche of TSR Performance Shares is subject to the attainment at each performance period end of a minimum stock price and either an absolute TSR target or a relative TSR target (the "TSR Performance Targets") in comparison to a selection of Peer Group REITs, in each case as shall be fixed by the Committee for each performance period. TSR, for purposes of the TSR-Based Performance Agreements, shall be equal to the share appreciation in the relevant period. The Company granted 1,032 TSR Performance Shares in the year ended December 31, 2013, which were valued in accordance with ASC 718, Compensation - Stock Compensation, at their fair value, utilizing a Monte-Carlo simulation to estimate the probability of the vesting conditions being satisfied. The Company has reserved shares of common stock under the 2004 Plan for issuance upon vesting of the TSR Performance Shares in accordance with the terms and conditions of the TSR-Based Awards. In connection with the departure of two executive vice presidents effective March 31, 2014, the Company agreed to vest 357 TSR Performance Shares and to grant and accelerate the vesting of 528 TSR Performance Shares, for which the Company issued 45,062 shares of Common Stock on April 2, 2014. See Note 13: Commitments and Contingencies – Departure of Executive Vice Presidents.

As of September 30, 2014, the Company had $1.6 million of total unrecognized compensation cost related to unvested stock compensation granted under the Company's stock compensation plans. That cost is expected to be recognized over a weighted average period of 1.3 years.

DEFERRED STOCK COMPENSATION PLAN FOR DIRECTORS

The Amended and Restated Deferred Compensation Plan for Directors, which commenced January 1, 1999, allows non-employee directors of the Company to elect to defer up to 100 percent of their annual retainer fee into deferred stock units. The deferred stock units are convertible into an equal number of shares of common stock upon the directors' termination of service from the Board of Directors or a change in control of the Company, as defined in the plan. Deferred stock units are credited to each director quarterly using the closing price of the Company's common stock on the applicable dividend record date for the respective quarter. Each participating director's account is also credited for an equivalent amount of deferred stock units based on the dividend rate for each quarter.

During the nine months ended September 30, 2014 and 2013, 15,230 and 16,332 deferred stock units were earned, respectively. As of September 30, 2014 and December 31, 2013, there were 152,745 and 136,440 deferred stock units outstanding, respectively.

EARNINGS PER SHARE

Basic EPS excludes dilution and is computed by dividing net income available to common shareholders by the weighted average number of shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

The following information presents the Company's results for the three and nine months ended September 30, 2014 and 2013 in accordance with ASC 260, Earning Per Share: (dollars in thousands, except per share amounts)

Computation of Basic EPS	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Income (loss) from continuing operations	$ 2,085	$ (46,046)	$ 41,804	$ (29,506)
Add: Noncontrolling interest in consolidated joint ventures	145	1,838	757	1,962
Add (deduct): Noncontrolling interest in Operating Partnership	(248)	5,314	(4,754)	3,295
Income (loss) from continuing operations available to common shareholders	1,982	(38,894)	37,807	(24,249)
Income from discontinued operations available to common shareholders	-	43,537	-	63,519
Net income available to common shareholders	$ 1,982	$ 4,643	$ 37,807	$ 39,270
Weighted average common shares	88,875	87,793	88,621	87,724
Basic EPS:				
Income (loss) from continuing operations available to common shareholders	$ 0.02	$ (0.44)	$ 0.43	$ (0.28)
Income from discontinued operations available to common shareholders	-	0.49	-	0.73
Net income available to common shareholders	$ 0.02	$ 0.05	$ 0.43	$ 0.45

	Three Months Ended September 30,		Nine Months Ended September 30,	
Computation of Diluted EPS	2014	2013	2014	2013
Income (loss) from continuing operations available to common shareholders	$ 1,982	$ (38,894)	$ 37,807	$ (24,249)
(Deduct) add: Noncontrolling interest in Operating Partnership	248	(5,314)	4,754	(3,295)
Income (loss) from continuing operations for diluted earnings per share	2,230	(44,208)	42,561	(27,544)
Income from discontinued operations for diluted earnings per share	-	49,485	-	72,218
Net income available to common shareholders	$ 2,230	$ 5,277	$ 42,561	$ 44,674
Weighted average common shares	100,052	99,787	100,014	99,778
Diluted EPS:				
Income (loss) from continuing operations available to common shareholders	$ 0.02	$ (0.44)	$ 0.43	$ (0.28)
Income from discontinued operations available to common shareholders	-	0.49	-	0.73
Net income available to common shareholders	$ 0.02	$ 0.05	$ 0.43	$ 0.45

The following schedule reconciles the shares used in the basic EPS calculation to the shares used in the diluted EPS calculation: (in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Basic EPS shares	88,875	87,793	88,621	87,724
Add: Operating Partnership – common units	11,120	11,994	11,334	12,054
Restricted Stock Awards	57	-	59	-
Diluted EPS Shares	100,052	99,787	100,014	99,778

Contingently issuable shares under the TSR Award plan were excluded from the denominator in 2014 and 2013 because the criteria had not been met for the periods ended September 30, 2014 and September 30, 2013. Not included in the computations of diluted EPS were 10,000 and 15,000 stock options as such securities were anti-dilutive during the periods ended September 30, 2014 and 2013, respectively. Unvested restricted stock outstanding as of September 30, 2014 and 2013 were 304,816 and 351,592 shares, respectively.

Dividends declared per common share for the three month periods ended September 30, 2014 and 2013 was $0.15 and $0.30 per share, respectively. Dividends declared per common share for the nine month periods ended September 30, 2014 and 2013 was $0.60 and $1.05 per share, respectively.

16. NONCONTROLLING INTERESTS IN SUBSIDIARIES

Noncontrolling interests in subsidiaries in the accompanying consolidated financial statements relate to (i) common units in the Operating Partnership, held by parties other than the Company, and (ii) interests in consolidated joint ventures for the portion of such ventures not owned by the Company.

OPERATING PARTNERSHIP

Common Units

Certain individuals and entities own common units in the Operating Partnership. A common unit and a share of Common Stock of the Company have substantially the same economic characteristics in as much as they effectively share equally in the net income or loss of the Operating Partnership. Common unitholders have the right to redeem their common units, subject to certain restrictions. The redemption is required to be satisfied in shares of Common Stock, cash, or a combination thereof, calculated as follows: one share of the Company's Common Stock, or cash equal to the fair market value of a share of the Company's Common Stock at the time of redemption, for each common unit. The Company, in its sole discretion, determines the form of redemption of common units (i.e., whether a common unitholder receives Common Stock, cash, or any combination thereof). If the Company elects to satisfy the redemption with shares of Common Stock as opposed to cash, it is obligated to issue shares of its Common Stock to the redeeming unitholder. Regardless of the rights described above, the common unitholders may not put their units for cash to the Company or the Operating Partnership under any circumstances. When a unitholder redeems a common unit, noncontrolling interest in the Operating Partnership is reduced and Mack-Cali Realty Corporation Stockholders' equity is increased.

Unit Transactions

The following table sets forth the changes in noncontrolling interests in subsidiaries which relate to the common units in the Operating Partnership for the nine months ended September 30, 2014:

	Common Units
Balance at January 1, 2014	11,864,775
Redemption of common units for shares of common stock	(772,731)
Balance at September 30, 2014	11,092,044

The following table reflects the activity of noncontrolling interests for the nine months ended September 30, 2014 and 2013, respectively (dollars in thousands):

	Nine Months Ended September 30,			
		2014		2013
Balance at January 1	$	276,096	$	301,533
Net income		3,997		3,442
Common unit distributions		(6,793)		(12,634)
Increase in noncontrolling interests in consolidated joint ventures		487		1,570
Redemption of common units for common stock		(14,211)		(3,086)
Rebalancing of ownership percentage between parent and subsidiaries		257		(493)
Balance at September 30	$	259,833	$	290,332

Pursuant to ASC 810, Consolidation, on the accounting and reporting for noncontrolling interests and changes in ownership interests of a subsidiary, changes in a parent's ownership interest (and transactions with noncontrolling interest unitholders in the subsidiary) while the parent retains its controlling interest in its subsidiary should be accounted for as equity transactions. The carrying amount of the noncontrolling interest shall be adjusted to reflect the change in its ownership interest in the subsidiary, with the offset to equity attributable to the parent. Accordingly, as a result of equity transactions which caused changes in ownership percentages between Mack-Cali Realty Corporation stockholders' equity and noncontrolling interests in the Operating Partnership that occurred during the nine months ended September 30, 2014, the Company has increased noncontrolling interests in the Operating Partnership and decreased additional paid-in capital in Mack-Cali Realty Corporation stockholders' equity by approximately $0.3 million as of September 30, 2014.

Noncontrolling Interest Ownership

As of September 30, 2014 and December 31, 2013, the noncontrolling interest common unitholders owned 11.1 percent and 11.9 percent of the Operating Partnership, respectively.

CONSOLIDATED JOINT VENTURES

The Company consolidates certain joint ventures in which it has ownership interests. Various entities and/or individuals hold noncontrolling interests in these ventures.

PARTICIPATION RIGHTS

The Company’s interests in certain real estate projects (three properties and a future development) each provide for the initial distributions of net cash flow solely to the Company, and thereafter, other parties have participation rights (“Participation Rights”) in 50 percent of the excess net cash flow remaining after the distribution to the Company of the aggregate amount equal to the sum of: (a) the Company’s capital contributions, plus (b) an IRR of 10 percent per annum.

17. SEGMENT REPORTING

The Company operates in three business segments: (i) commercial and other real estate, (ii) multi-family real estate, and (iii) multi-family services. The Company provides leasing, property management, acquisition, development, construction and tenant-related services for its commercial and other real estate and multi-family real estate portfolio. The Company's multi-family services business also provides similar services for third parties. The Company no longer considers construction services as a reportable segment as it has significantly reduced its operations. The Company had no revenues from foreign countries recorded for the nine months ended September 30, 2014 and 2013. The Company had no long lived assets in foreign locations as of September 30, 2014 and December 31, 2013. The accounting policies of the segments are the same as those described in Note 2: Significant Accounting Policies, excluding depreciation and amortization.

The Company evaluates performance based upon net operating income from the combined properties in each of its real estate segments (commercial and other, and multi-family) and from its multi-family services segment.

Selected results of operations for the three and nine months ended September 30, 2014 and 2013 and selected asset information as of September 30, 2014 and December 31, 2013 regarding the Company's operating segments are as follows. Amounts for prior periods have been restated to conform to the current period segment reporting presentation: (dollars in thousands)

	Real Estate Commercial & Other	Multi-family	Multi-family Services	Corporate & Other (d)	Total Company
Total revenues:					
Three months ended:					
September 30, 2014	$ 142,486	$ 6,459	$ 8,300(e)	$ (1,756)	$ 155,489
September 30, 2013	155,129	3,736	6,867(f)	(3,227)	162,505
Nine months ended:					
September 30, 2014	447,779	18,593	22,650(g)	(3,637)	485,385
September 30, 2013	469,026	8,673	18,745(h)	5,320	501,764
Total operating and interest expenses (a):					
Three months ended:					
September 30, 2014	$ 69,315	$ 3,271	$ 10,249	$ 27,582	$ 110,417
September 30, 2013	71,356	1,960	8,214	31,998	113,528
Nine months ended:					
September 30, 2014	226,798	8,976	28,790	100,126	364,690
September 30, 2013	207,637	4,066	23,345	110,341	345,389
Equity in earnings (loss) of unconsolidated joint ventures:					
Three months ended:					
September 30, 2014	$ 328	$ (2,088)	$ 492	$ -	$ (1,268)
September 30, 2013	1,919	(2,830)	682	-	(229)
Nine months ended:					
September 30, 2014	3,145	(6,566)	1,361	-	(2,060)
September 30, 2013	5,149	(7,890)	682	-	(2,059)
Net operating income (loss) (b):					
Three months ended:					
September 30, 2014	$ 73,499	$ 1,100	$ (1,457)	$ (29,338)	$ 43,804
September 30, 2013	85,692	(1,054)	(665)	(35,225)	48,748
Nine months ended:					
September 30, 2014	224,126	3,051	(4,779)	(103,763)	118,635
September 30, 2013	266,538	(3,283)	(3,918)	(105,021)	154,316
Total assets:					
September 30, 2014	$ 3,861,779	$ 460,998	$ 10,648	$ 23,772	$ 4,357,197
December 31, 2013	3,886,574	377,237	10,488	241,029	4,515,328

Total long-lived assets (c):					
September 30, 2014	$ 3,333,851	$ 315,841	$ 3,909	$ 3,438	$ 3,657,039
December 31, 2013	3,620,494	240,501	3,468	3,730	3,868,193
Total investments in unconsolidated joint ventures:					
September 30, 2014	$ 82,012	$ 157,215	$ 540	$ -	$ 239,767
December 31, 2013	53,160	127,276	693	-	181,129

(a) Total operating and interest expenses represent the sum of: real estate taxes; utilities; operating services; direct construction costs; real estate services expenses; general and administrative and interest expense (net of interest income). All interest expense, net of interest income, (including for property-level mortgages) is excluded from segment amounts and classified in Corporate & Other for all periods.

(b) Net operating income represents total revenues less total operating and interest expenses (as defined in Note "a"), plus equity in earnings (loss) of unconsolidated joint ventures, for the period.

(c) Long-lived assets are comprised of net investment in rental property, unbilled rents receivable and goodwill.

(d) Corporate & Other represents all corporate-level items (including interest and other investment income, interest expense, non-property general and administrative expense, construction services revenue and direct construction costs) as well as intercompany eliminations necessary to reconcile to consolidated Company totals.

(e) Includes $1,199 of fees earned for this period from the multi-family real estate segment, which are eliminated in consolidation.

(f) Includes $665 of fees earned for this period from the multi-family real estate segment, which are eliminated in consolidation.

(g) Includes $2,962 of fees earned for this period from the multi-family real estate segment, which are eliminated in consolidation.

(h) Includes $1,432 of fees earned for this period from the multi-family real estate segment, which are eliminated in consolidation.

The following schedule reconciles net operating income to net income available to common shareholders: (dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net operating income	$ 43,804	$ 48,748	$ 118,635	$ 154,316
Less:				
Depreciation and amortization	(41,983)	(46,094)	(131,679)	(135,122)
Realized gains on disposition of rental property, net	264	-	54,848	-
Impairments	-	(48,700)	-	(48,700)
Income (loss) from continuing operations	2,085	(46,046)	41,804	(29,506)
Discontinued operations:				
Income from discontinued operations	-	2,164	-	11,842
Loss from early extinguishment of debt	-	-	-	(703)
Realized gains on disposition of rental property, net	-	47,321	-	61,079
Total discontinued operations	-	49,485	-	72,218
Net income	2,085	3,439	41,804	42,712
Noncontrolling interest in consolidated joint ventures	145	1,838	757	1,962
Noncontrolling interest in Operating Partnership	(248)	5,314	(4,754)	3,295
Noncontrolling interest in discontinued operations	-	(5,948)	-	(8,699)
Net income available to common shareholders	$ 1,982	$ 4,643	$ 37,807	$ 39,270

18. IMPACT OF RECENTLY-ISSUED ACCOUNTING STANDARDS

FASB Accounting Standards Update No. 2014-2015, Presentation of Financial Statements – Going Concern (Subtopic 205-40) – Disclosure about an Entity's Ability to Continue as a Going Concern

In August 2014, the FASB issued ASU 2014-15, which requires management to evaluate whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern, and to provide certain disclosures when it is probable that the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued. ASU 2014-15 is effective for the annual period ended December 31, 2016 and for annual periods and interim periods thereafter with early adoption permitted. The adoption of ASU 2014-15 is not expected to materially impact the Company's consolidated financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Consolidated Financial Statements of Mack-Cali Realty Corporation and the notes thereto (collectively, the "Financial Statements"). Certain defined terms used herein have the meaning ascribed to them in the Financial Statements.

Executive Overview

Mack-Cali Realty Corporation together with its subsidiaries, (the "Company") is one of the largest real estate investment trusts (REITs) in the United States. The Company has been involved in all aspects of commercial real estate development, management and ownership for over 60 years and has been a publicly-traded REIT since 1994. As of September 30, 2014, the Company owns or has interests in 282 properties (collectively, the "Properties"), consisting of 266 commercial properties, primarily class A office and office/flex buildings, totaling approximately 31.5 million square feet, leased to approximately 2,000 commercial tenants and 16 multi-family rental properties containing approximately 4,940 residential units. The Properties are located primarily in suburban markets of the Northeast, some with adjacent, Company-controlled developable land sites able to accommodate up to 5.7 million square feet of additional commercial space and up to 8,355 apartment units.

The Company's historical strategy has been to focus its operations, acquisition and development of office properties in high-barrier-to-entry markets and sub-markets where it believes it is, or can become, a significant and preferred owner and operator. With changing work force demographics and reduced demand for suburban office properties in its current markets, the Company intends to continue to leverage its experience and expertise in its core Northeast markets to pursue multi-family rental investments in those markets, both through acquisitions and developments, both wholly owned and through joint ventures. This strategy includes selectively disposing of office and office/flex assets and re-deploying proceeds to multi-family rental properties, as well as the repositioning of a portion of its office properties and land held for development to multi-family rental properties.

As an owner of real estate, almost all of the Company's earnings and cash flow is derived from rental revenue received pursuant to leased space at the Properties. Key factors that affect the Company's business and financial results include the following:

- the general economic climate;
- the occupancy rates of the Properties;
- rental rates on new or renewed leases;
- tenant improvement and leasing costs incurred to obtain and retain tenants;
- the extent of early lease terminations;
- the value of our office properties and the cash flow from the sale of such properties;
- operating expenses;
- anticipated acquisition and development costs for multi-family rental properties and the revenues and earnings from these properties;
- cost of capital; and
- the extent of acquisitions, development and sales of real estate.

Any negative effects of the above key factors could potentially cause a deterioration in the Company's revenue and/or earnings. Such negative effects could include: (1) failure to renew or execute new leases as current leases expire; (2) failure to renew or execute new leases with rental terms at or above the terms of in-place leases; and (3) tenant defaults.

A failure to renew or execute new leases as current leases expire or to execute new leases with rental terms at or above the terms of in-place leases may be affected by several factors such as: (1) the local economic climate, which may be adversely impacted by business layoffs or downsizing, industry slowdowns, changing demographics and other factors; and (2) local real estate conditions, such as oversupply of the Company's product types or competition within the market.

The Company's core office markets continue to be weak. The percentage leased in the Company's consolidated portfolio of stabilized operating commercial properties aggregating 25 million, 26 million and 28 million square feet at September 30, 2014, June 30, 2014 and September 30, 2013, respectively was 83.7 percent leased at September 30, 2014 as compared to 83.7 percent leased at June 30, 2014 and 86.1 percent leased at September 30, 2013. Percentage leased includes all leases in effect as of the period end date, some of which have commencement dates in the future and leases that expire at the period end date. Leases that expired as of September 30, 2014, June 30, 2014 and September 30, 2013 aggregate 160,152, 101,880 and 62,054 square feet, respectively, or 0.6, 0.4 and 0.2 percentage of the net rentable square footage, respectively. Rental rates (including escalations) on the Company's commercial space that was renewed (based on first rents payable) during the three months ended September 30, 2014 (on 268,576 square feet of renewals) decreased an average of 4.8 percent compared to rates that were in effect under the prior leases, as compared to an 11.3 percent decrease during the three months ended September 30, 2013 (on 643,490 square feet of renewals). Estimated lease costs for the renewed leases during the three months ended September 30, 2014 averaged $2.45 per square foot per year for a weighted average lease term of 3.4 years and estimated lease costs for the renewed leases during the three months ended September 30, 2013 averaged $2.01 per square foot per year for a weighted average lease term of 3.6 years. The Company believes that commercial vacancy rates may continue to increase and commercial rental rates may continue to decline in some of its markets in 2014 and possibly beyond. For example, a significant tenant aggregating 474,801 square feet and approximately $8.6 million in annualized base rent, whose lease expires in the near-term and is not renewing its lease. As of September 30, 2014, commercial leases which comprise approximately 10.7 percent of the Company's annualized base rent are scheduled to expire during the year ended December 31, 2015. With the decline of rental rates in the Company's office markets over the past few years, as leases expire in 2015, assuming no further changes in current market rental rates, the Company expects that the rental rates it is likely to achieve on new leases will generally be lower than the rates currently being paid, thereby resulting in less revenue from the same space. As a result of the above factors, the Company's future earnings and cash flow may continue to be negatively impacted by current market conditions affecting its commercial portfolio.

The Company expects that the continued impact of the current state of the economy, including historically weak employment in certain of its markets will continue to have a negative effect on the fundamentals of its business, including in particular lower occupancy and reduced effective rents, in respect of the Company's commercial properties. These conditions would negatively affect the Company's future net income and cash flows and could have a material adverse effect on the Company's financial condition.

As a result of the continued weakness in the Company's core office markets, the Company intends to expand its holdings in the multi-family rental sector, which it believes has traditionally been a more stable product type. The Company believes that the opportunity to invest in multi-family development properties at higher returns on cost will position the Company to potentially produce higher levels of net operating income than if the Company were to only purchase stabilized multi-family rental properties at market returns. The Company anticipates that it will be several years before many of its multi-family development projects are income-producing. The long-term nature of the Company's multi-family strategy coupled with the continued weakness in the Company's core office markets and the disposition of income producing non-core office properties, to fund the Company's multi-family rental acquisitions and development will likely result in declining net operating income and cash flows relative to historical returns. As the Company continues to execute its multi-family residential strategy, the Company believes that over the long-term its net operating income and cash flows will stabilize at levels less than historical or current returns.

Extended winter freeze conditions in early 2014 resulted in record electricity demand, as well as reduced natural gas production and distributions disruptions in the Company's northeast markets. This in turn resulted in significant increases in the utility costs at most of the Company's properties (including both gas and electricity prices – the latter now being heavily dependent on gas fired power plants). The pricing situation has since stabilized and is not expected to occur for the remainder of the year but could recur in future winters. The Company expects to recover a portion of these additional costs pursuant to the terms of most of its leases with tenants.

The remaining portion of this Management's Discussion and Analysis of Financial Condition and Results of Operations should help the reader understand our:

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- recent transactions;
- critical accounting policies and estimates;
- results of operations for the three and nine months ended September 30, 2014 as compared to the three and nine months ended September 30, 2013 and
- liquidity and capital resources.

Recent Transactions

Acquisitions

On April 10, 2014, the Company acquired Andover Place, a 220-unit multi-family rental property located in Andover, Massachusetts, for approximately $37.7 million in cash. The purchase price for the property was funded primarily through borrowings under the Company's unsecured revolving credit facility.

Sales
The Company sold the following office properties during the nine months ended September 30, 2014 (dollars in thousands):

Sale Date	Property/Address	Location	# of Bldgs.	Rentable Square Feet	Net Sales Proceeds	Net Book Value	Realized Gain
04/23/14	22 Sylvan Way	Parsippany, New Jersey	1	249,409	$ 94,897	$ 60,244	$ 34,653
06/23/14	30 Knightsbridge Road (a)	Piscataway, New Jersey	4	680,350	54,641	52,361	2,280
06/23/14	470 Chestnut Ridge Road (a) (b)	Woodcliff Lake, New Jersey	1	52,500	7,195	7,109	86
06/23/14	530 Chestnut Ridge Road (a) (b)	Woodcliff Lake, New Jersey	1	57,204	6,299	6,235	64
06/27/14	400 Rella Boulevard	Suffern, New York	1	180,000	27,539	10,938	16,601
06/30/14	412 Mount Kemble Avenue (a)	Morris Township, New Jersey	1	475,100	44,751	43,851	900
07/29/14	17-17 Route 208 North (a) (b)	Fair Lawn, New Jersey	1	143,000	11,835	11,731	104
08/20/14	555, 565, 570 Taxter Road (a)	Elmsford, New York	3	416,108	41,057	41,057	-
08/20/14	200, 220 White Plains Road (a)	Tarrytown, New York	2	178,000	12,619	12,619	-
08/20/14	1266 East Main Street (a) (b)	Stamford, Connecticut	1	179,260	18,406	18,246	160
Totals:			16	2,610,931	$ 319,239	$ 264,391	$ 54,848

(a) The Company completed the sale of these properties for approximately $221 million, comprised of: $192.5 million in cash from a combination of affiliates of Keystone Property Group's ("Keystone Entities") senior and pari-passu equity and mortgage financing; Company subordinated equity interests in each of the properties sold with capital accounts aggregating $21.2 million; and Company pari-passu equity interests in five of the properties sold aggregating $7.3 million. Net sale proceeds from the sale aggregated $196.8 million which was comprised of the $221 million gross sales price less the subordinated equity interests of $21.2 million and $3 million in closing costs. The purchasers of these properties are unconsolidated joint ventures formed between the Company and the Keystone Entities. The senior and pari-passu equity will receive a 15 percent internal rate of return ("IRR") after which the subordinated equity will receive a 10 percent IRR and then all distributable cash flow will be split equally between the Keystone Entities and the Company. See Note 4: Investments in Unconsolidated Joint Ventures. In connection with certain of these partial sale transactions, because the buyer received a preferential return on certain of the ventures for which the Company received subordinated equity interests, the Company only recognized profit to the extent that they received net proceeds in excess of their entire carrying value of the properties, effectively reflecting their retained subordinated equity interest at zero.

(b) The Company recorded an impairment charge of $20.7 million on these properties at December 31, 2013 as it estimated that the carrying value of the properties may not be recoverable over their anticipated holding periods.

On January 1, 2014, the Company early adopted the new discontinued operations accounting standard and as the properties sold in the nine months ended September 30, 2014 will not represent a strategic shift (as the Company is not entirely exiting markets or property types), they have not been reflected as part of discontinued operations.

Unconsolidated Joint Venture Activity

Pursuant to a developer agreement entered into in December 2011, on May 21, 2014, the Company entered into a joint venture agreement with Ironstate Harborside-A LLC ("ISA") to form Harborside Unit A Urban Renewal, L.L.C. ("URL-Harborside"), a newly-formed joint venture that will develop, own and operate a high-rise tower of approximately 763 multi-family apartment units above a parking pedestal to be located on land contributed by the Company at its Harborside complex in Jersey City, New Jersey (the "URL Project"). The construction of the URL Project is estimated to cost a total of approximately $320 million and is projected to be ready for occupancy by the fourth quarter of 2016. The URL Project has been awarded up to $33 million in future tax credits ("URL Tax Credits"), subject to certain conditions, from the New Jersey Economic Development Authority. The venture has an agreement to sell these credits, subject to certain conditions. On August 1, 2014, the venture obtained a construction/permanent loan with a maximum borrowing amount of $192 million (with no balance currently outstanding as of September 30, 2014), which bears interest at a rate of 5.197 percent and matures in August 2029. The Company currently expects that it will fund approximately $65.6 million of the remaining development costs of the project, net of the loan financing.

The Company owns an 85 percent interest in URL-Harborside and the remaining interest owned by ISA, with shared control over major decisions such as, approval of budgets, property financings and leasing guidelines. Upon entering into the joint venture, the Company's initial contribution was $30.6 million, which included a capital credit of $30 per approved developable square foot for its contributed land aggregating approximately $20.6 million with the balance consisting of previously incurred development costs, and ISA's initial contribution was approximately $5.4 million. Included in the Company's investment in the unconsolidated joint venture is its land contribution with a carrying amount of $5.5 million. The Company has funded an additional $12.6 million in development costs for the venture through September 30, 2014.

On June 6, 2014, the Company and an affiliate of Keystone Property Group ("KPG") acquired 50 percent tenants-in-common interests each for $62.5 million in Curtis Center, an 885,000 square foot commercial office property located at 601 Walnut Street in Philadelphia, Pennsylvania (the "Curtis Center Property"), which amounted to a total purchase of approximately $125.0 million for the property. In connection with the transaction, the Company provided short-term loans to KPG affiliates, as follows: a 90-day, $52.3 million loan which bore interest at an annual rate of 3.5 percent payable at maturity, which was collateralized by the KPG affiliates' interest in the Curtis Center Property; and a 90-day, $10 million loan which also bore interest at an annual rate of 3.5 percent payable at maturity. The $10 million loan was repaid in full on September 2, 2014 and the $52.3 million loan was subsequently repaid in full on October 1, 2014. The investments were funded by the Company primarily through borrowing under its revolving credit facility. The venture plans to reposition the property into a mixed-use property by converting a portion of existing office space into multi-family rental apartments.

Simultaneous with the acquisition of the Curtis Center Property, the Company and a KPG affiliate formed a new joint venture named KPG-MCG Curtis JV, LLC (the "Curtis Center JV"), which master leased the Curtis Center Property from the acquisition entities for approximately 29 years at market-based terms. The Company and the KPG affiliate both own a 50 percent interest in the Curtis Center JV, with shared control over major decisions.

On August 15, 2014, the Company acquired the equity interests of its joint venture partner in Overlook Ridge, L.L.C, Overlook Ridge JV, L.L.C. and Overlook Ridge JV 2C/3B, L.L.C. for $16.6 million, which was funded primarily through borrowing under the Company's unsecured revolving credit facility. As a result, the Company increased its ownership to 100 percent of the developable land and now consolidates these entities, which were previously accounted for through unconsolidated joint ventures (collectively, the "Consolidated Land"); and acquired an additional 25 percent, for a total of 50 percent of its subordinated, unconsolidated interests in two operating multi-family properties owned by those entities. See Note 4: Investments in Unconsolidated Joint Ventures. In conjunction with the Company's acquisition of the Consolidated Land, the Company assumed loans with a total principal balance of $22.8 million, which bear interest in the range of LIBOR plus 2.50 to 3.50 percent. See Note 10: Mortgages, Loans Payable and Other Obligations.

For the nine months ended September 30, 2014, included in general and administrative expense was an aggregate of approximately $1.9 million in transactions costs related to the Company's property and joint venture acquisitions.

Critical Accounting Policies and Estimates

The accompanying consolidated financial statements include all accounts of the Company, its majority-owned and/or controlled subsidiaries, which consist principally of Mack-Cali Realty, L.P. (the "Operating Partnership"), and variable interest entities for which the Company has determined itself to be the primary beneficiary, if any. See Note 2: Significant Accounting Policies – Investments in Unconsolidated Joint Ventures – to the Financial Statements, for the Company's treatment of unconsolidated joint venture interests. Intercompany accounts and transactions have been eliminated.

Accounting Standards Codification ("ASC") 810, Consolidation, provides guidance on the identification of entities for which control is achieved through means other than voting rights ("variable interest entities" or "VIEs") and the determination of which business enterprise, if any, should consolidate the VIEs. Generally, the consideration of whether an entity is a VIE applies when either: (1) the equity investors (if any) lack one or more of the essential characteristics of a controlling financial interest; (2) the equity investment at risk is insufficient to finance that entity's activities without additional subordinated financial support; or (3) the equity investors have voting rights that are not proportionate to their economic interests and the activities of the entity involve or are conducted on behalf of an investor with a disproportionately small voting interest. The Company consolidates VIEs in which it is considered to be the primary beneficiary. The primary beneficiary is defined by the entity having both of the following characteristics: (1) the power to direct the activities that, when taken together, most significantly impact the variable interest entity's performance: and (2) the obligation to absorb losses and right to receive the returns from the VIE that would be significant to the VIE.

The Financial Statements have been prepared in conformity with generally accepted accounting principles. The preparation of the Financial Statements requires management 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 Financial Statements, and the reported amounts of revenues and expenses during the reported period. These estimates and assumptions are based on management's historical experience that are believed to be reasonable at the time. However, because future events and their effects cannot be determined with certainty, the determination of estimates requires the exercise of judgment. The Company's critical accounting policies are those which require assumptions to be made about matters that are highly uncertain. Different estimates could have a material effect on the Company's financial results. Judgments and uncertainties affecting the application of these policies and estimates may result in materially different amounts being reported under different conditions and circumstances.

Rental Property:
Rental properties are stated at cost less accumulated depreciation and amortization. Costs directly related to the acquisition, development and construction of rental properties are capitalized. Acquisition-related costs are expensed as incurred. Capitalized development and construction costs include pre-construction costs essential to the development of the property, development and construction costs, interest, property taxes, insurance, salaries and other project costs incurred during the period of development. Interest capitalized by the Company for the nine months ended September 30, 2014 and 2013 was $10.7 million and $10.3 million, respectively. Ordinary repairs and maintenance are expensed as incurred; major replacements and betterments, which improve or extend the life of the asset, are capitalized and depreciated over their estimated useful lives. Fully-depreciated assets are removed from the accounts.

The Company considers a construction project as substantially completed and held available for occupancy upon the substantial completion of tenant improvements, but no later than one year from cessation of major construction activity (as distinguished from activities such as routine maintenance and cleanup). If portions of a rental project are substantially completed and occupied by tenants, or held available for occupancy, and other portions have not yet reached that stage, the substantially completed portions are accounted for as a separate project. The Company allocates costs incurred between the portions under construction and the portions substantially completed and held available for occupancy, primarily based on a percentage of the relative square footage of each portion, and capitalizes only those costs associated with the portion under construction.

Properties are depreciated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Leasehold interests	Remaining lease term
Buildings and improvements	5 to 40 years
Tenant improvements	The shorter of the term of the related lease or useful life
Furniture, fixtures and equipment	5 to 10 years

Upon acquisition of rental property, the Company estimates the fair value of acquired tangible assets, consisting of land, building and improvements, and identified intangible assets and liabilities assumed, generally consisting of the fair value of (i) above and below market leases, (ii) in-place leases and (iii) tenant relationships. The Company allocates the purchase price to the assets acquired and liabilities assumed based on their fair values. The Company records goodwill or a gain on bargain purchase (if any) if the net assets acquired/liabilities assumed exceed the purchase consideration of a transaction. In estimating the fair value of the tangible and intangible assets acquired, the Company considers information obtained about each property as a result of its due diligence and marketing and leasing activities, and utilizes various valuation methods, such as estimated cash flow projections utilizing appropriate discount and capitalization rates, estimates of replacement costs net of depreciation, and available market information. The fair value of the tangible assets of an acquired property considers the value of the property as if it were vacant.

Above-market and below-market lease values for acquired properties are initially recorded based on the present value (using a discount rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to each in-place lease and (ii) management's estimate of fair market lease rates for each corresponding in-place lease, measured over a period equal to the remaining term of the lease for above-market leases and the remaining initial term plus the term of any below-market fixed rate renewal options for below-market leases. The capitalized above-market lease values are amortized as a reduction of base rental revenue over the remaining terms of the respective leases, and the capitalized below-market lease values are amortized as an increase to base rental revenue over the remaining initial terms plus the terms of any below-market fixed rate renewal options of the respective leases.

Other intangible assets acquired include amounts for in-place lease values and tenant relationship values, which are based on management's evaluation of the specific characteristics of each tenant's lease and the Company's overall relationship with the respective tenant. Factors to be considered by management in its analysis of in-place lease values include an estimate of carrying costs during hypothetical expected lease-up periods considering current market conditions, and costs to execute similar leases. In estimating carrying costs, management includes real estate taxes, insurance and other operating expenses and estimates of lost rentals at market rates during the expected lease-up periods, depending on local market conditions. In estimating costs to execute similar leases, management considers leasing commissions, legal and other related expenses. Characteristics considered by management in valuing tenant relationships include the nature and extent of the Company's existing business relationships with the tenant, growth prospects for developing new business with the tenant, the tenant's credit quality and expectations of lease renewals. The value of in-place leases are amortized to expense over the remaining initial terms of the respective leases. The value of tenant relationship intangibles are amortized to expense over the anticipated life of the relationships.

On a periodic basis, management assesses whether there are any indicators that the value of the Company's rental properties held for use may be impaired. In addition to identifying any specific circumstances which may affect a property or properties, management considers other criteria for determining which properties may require assessment for potential impairment. The criteria considered by management include reviewing low leased percentages, significant near-term lease expirations, recently acquired properties, current and historical operating and/or cash flow losses, near-term mortgage debt maturities or other factors that might impact the Company's intent and ability to hold the property. A property's value is impaired only if management's estimate of the aggregate future cash flows (undiscounted and without interest charges) to be generated by the property is less than the carrying value of the property. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying amount of the property over the fair value of the property. The Company's estimates of aggregate future cash flows expected to be generated by each property are based on a number of assumptions. These assumptions are generally based on management's experience in its local real estate markets and the effects of current market conditions. The assumptions are subject to economic and market uncertainties including, among others, demand for space, competition for tenants, changes in market rental rates, and costs to operate each property. As these factors are difficult to predict and are subject to future events that may alter management's assumptions, the future cash flows estimated by management in its impairment analyses may not be achieved, and actual losses or impairments may be realized in the future.

Rental Property Held for Sale:
When assets are identified by management as held for sale, the Company discontinues depreciating the assets and estimates the sales price, net of selling costs, of such assets. If, in management's opinion, the estimated net sales price of the assets which have been identified as held for sale is less than the net book value of the assets, a valuation allowance is established.

If circumstances arise that previously were considered unlikely and, as a result, the Company decides not to sell a property previously classified as held for sale, the property is reclassified as held and used. A property that is reclassified is measured and recorded individually at the lower of (a) its carrying amount before the property was classified as held for sale, adjusted for any depreciation (amortization) expense that would have been recognized had the property been continuously classified as held and used, or (b) the fair value at the date of the subsequent decision not to sell.

Investments in Unconsolidated Joint Ventures:
The Company accounts for its investments in unconsolidated joint ventures under the equity method of accounting. The Company applies the equity method by initially recording these investments at cost, as Investments in Unconsolidated Joint Ventures, subsequently adjusted for equity in earnings and cash contributions and distributions. The outside basis portion of the Company's joint ventures is amortized over the anticipated useful lives of the underlying ventures' tangible and intangible assets acquired and liabilities assumed. Generally, the Company would discontinue applying the equity method when the investment (and any advances) is reduced to zero and would not provide for additional losses unless the Company has guaranteed obligations of the venture or is otherwise committed to providing further financial support for the investee. If the venture subsequently generates income, the Company only recognizes its share of such income to the extent it exceeds its share of previously unrecognized losses.

On a periodic basis, management assesses whether there are any indicators that the value of the Company's investments in unconsolidated joint ventures may be impaired. An investment is impaired only if management's estimate of the value of the investment is less than the carrying value of the investment, and such decline in value is deemed to be other than temporary. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying amount of the investment over the value of the investment. The Company's estimates of value for each investment (particularly in real estate joint ventures) are based on a number of assumptions that are subject to economic and market uncertainties including, among others, demand for space, competition for tenants, changes in market rental rates, and operating costs. As these factors are difficult to predict and are subject to future events that may alter management's assumptions, the values estimated by management in its impairment analyses may not be realized, and actual losses or impairment may be realized in the future. See Note 4: Investments in Unconsolidated Joint Ventures – to the Financial Statements.

Goodwill:
Goodwill represents the excess of the purchase price over the fair value of net tangible and intangible assets acquired in a business combination. Goodwill is allocated to various reporting units, as applicable. Each of the Company's segments consists of a reporting unit. Goodwill is not amortized. Management performs an annual impairment test for goodwill during the fourth quarter and between annual tests, management evaluates the recoverability of goodwill whenever events or changes in circumstances indicate that the carrying amount of goodwill may not be fully recoverable. In its impairment tests of goodwill, management first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If based on this assessment, management determines that the fair value of the reporting unit is not less than its carrying amount, then performing the additional two-step impairment test is unnecessary. If the carrying amount of goodwill exceeds its fair value, an impairment charge is recognized.

Derivative Instruments:
The Company measures derivative instruments, including certain derivative instruments embedded in other contracts, at fair value and records them as an asset or liability, depending on the Company's rights or obligations under the applicable derivative contract. For derivatives designated and qualifying as fair value hedges, the changes in the fair value of both the derivative instrument and the hedged item are recorded in earnings. For derivatives designated as cash flow hedges, the effective portions of the derivative are reported in other comprehensive income ("OCI") and are subsequently reclassified into earnings when the hedged item affects earnings. Changes in fair value of derivative instruments not designated as hedging and ineffective portions of hedges are recognized in earnings in the affected period.

Revenue Recognition:
Base rental revenue is recognized on a straight-line basis over the terms of the respective leases. Unbilled rents receivable represents the cumulative amount by which straight-line rental revenue exceeds rents currently billed in accordance with the lease agreements.

Above-market and below-market lease values for acquired properties are initially recorded based on the present value (using a discount rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to each in-place lease and (ii) management's estimate of fair market lease rates for each corresponding in-place lease, measured over a period equal to the remaining term of the lease for above-market leases and the remaining initial term plus the term of any below-market fixed-rate renewal options for below-market leases. The capitalized above-market lease values for acquired properties are amortized as a reduction of base rental revenue over the remaining terms of the respective leases, and the capitalized below-market lease values are amortized as an increase to base rental revenue over the remaining initial terms plus the terms of any below-market fixed-rate renewal options of the respective leases.

Escalations and recoveries from tenants are received from tenants for certain costs as provided in the lease agreements. These costs generally include real estate taxes, utilities, insurance, common area maintenance and other recoverable costs.

Construction services revenue includes fees earned and reimbursements received by the Company for providing construction management and general contractor services to clients. Construction services revenue is recognized on the percentage of completion method. Using this method, profits are recorded on the basis of our estimates of the overall profit and percentage of completion of individual contracts. A portion of the estimated profits is accrued based upon estimates of the percentage of completion of the construction contract. This revenue recognition method involves inherent risks relating to profit and cost estimates.

Real estate services revenue includes property management, development and leasing commission fees and other services, and payroll and related costs reimbursed from clients. Fee income derived from the Company's unconsolidated joint ventures (which are capitalized by such ventures) are recognized to the extent attributable to the unaffiliated ownership interests.

Parking income includes income from parking spaces leased to tenants and others.

Other income includes income from tenants for additional services arranged for by the Company and income from tenants for early lease terminations.

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09 Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"). ASU 2014-09 is a comprehensive new revenue recognition model requiring a company to recognize revenue to depict the transfer of goods or services to a customer at an amount reflecting the consideration it expects to receive in exchange for those goods or services. In adopting ASU 2014-09, companies may use either a full retrospective or a modified retrospective approach. Additionally, this guidance requires improved disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. ASU 2014-09 is effective for the first interim period within annual reporting periods beginning after December 15, 2016, and early adoption is not permitted. The Company is currently in the process of evaluating the impact the adoption of ASU 2014-09 will have on the Company's financial position or results of operations.

Allowance for Doubtful Accounts:

Management performs a detailed review of amounts due from tenants to determine if an allowance for doubtful accounts is required based on factors affecting the collectability of the accounts receivable balances. The factors considered by management in determining which individual tenant receivable balances, or aggregate receivable balances, require a collectability allowance include the age of the receivable, the tenant's payment history, the nature of the charges, any communications regarding the charges and other related information. Management's estimate of the allowance for doubtful accounts requires management to exercise significant judgment about the timing, frequency and severity of collection losses, which affects the allowance and net income.

Discontinued Operations:
In April 2014, the FASB issued guidance related to the reporting of discontinued operation and disclosures of disposals of components of an entity. This guidance defines a discontinued operation as a component or group of components disposed or classified as held for sale and represents a strategic shift that has (or will have) a major effect on an entity's operations and final result; the guidance states that a strategic shift could include a disposal of a major geographical area of operations, a major line of business, a major equity method investment or other major parts of an entity. The guidance also provides for additional disclosure requirements in connection with both discontinued operations and other dispositions not qualifying as discontinued operations. The guidance will be effective for annual and interim periods beginning on or after December 15, 2014. The guidance applies prospectively to new disposals and new classifications of disposal groups as held for sale after the effective date. All entities may early adopt the guidance for new disposals (or new classifications as held for sale) that have not been reported in financial statements previously issued or available for issuance. The Company has elected to early adopt this standard effective with the interim period beginning January 1, 2014. Prior to January 1, 2014, properties identified as held for sale and/or disposed of were presented in discontinued operations for all periods presented. See Note 7: Discontinued Operations – to the Financial Statements.

Results From Operations

The following comparisons for the three and nine months ended September 30, 2014 (“2014”), as compared to the three and nine months ended September 30, 2013 (“2013”), make reference to the following: (i) the effect of the “Same-Store Properties,” which represent all in-service properties owned by the Company at June 30, 2013, (for the three-month period comparisons), and which represent all in-service properties owned by the Company at December 31, 2012 (for the nine-month period comparisons), excluding properties sold through September 30, 2014; (ii) the effect of the “Acquired Properties,” which represent all properties acquired by the Company or commencing initial operation from July 1, 2013 through September 30, 2014 (for the three-month period comparisons), and which represents all properties acquired by the Company or commencing initial operations from January 1, 2013 through September 30, 2014 (for the nine-month period comparisons), and (iii) the effect of “Properties Sold in 2014,” which represent properties sold by the Company during the nine months ended September 30, 2014.

Three Months Ended September 30, 2014 Compared to Three Months Ended September 30, 2013

(dollars in thousands)	Three Months Ended September 30, 2014	2013	Dollar Change	Percent Change
Revenue from rental operations and other:				
Base rents	$ 125,793	$ 134,882	$ (9,089)	(6.7) %
Escalations and recoveries from tenants	19,172	17,173	1,999	11.6
Parking income	2,255	1,642	613	37.3
Other income	647	1,127	(480)	(42.6)
Total revenues from rental operations	147,867	154,824	(6,957)	(4.5)
Property expenses:				
Real estate taxes	22,154	20,572	1,582	7.7
Utilities	15,701	18,043	(2,342)	(13.0)
Operating services	26,519	25,852	667	2.6
Total property expenses	64,374	64,467	(93)	(0.1)
Non-property revenues:				
Construction services	-	678	(678)	(100.0)
Real estate services	7,622	7,003	619	8.8
Total non-property revenues	7,622	7,681	(59)	(0.8)
Non-property expenses:				
Direct construction costs	-	609	(609)	(100.0)
Real estate services expenses	6,933	5,552	1,381	24.9
General and administrative	12,665	12,151	514	4.2
Depreciation and amortization	41,983	46,094	(4,111)	(8.9)
Impairments	-	48,700	(48,700)	(100.0)
Total non-property expenses	61,581	113,106	(51,525)	(45.6)
Operating income (loss)	29,534	(15,068)	44,602	296.0
Other (expense) income:				
Interest expense	(27,353)	(30,936)	3,583	11.6
Interest and other investment income	908	187	721	385.6
Equity in earnings (loss) of unconsolidated joint ventures	(1,268)	(229)	(1,039)	(453.7)
Realized gains (losses) on disposition of rental property, net	264	-	264	-
Total other (expense) income	(27,449)	(30,978)	3,529	11.4
Income (loss) from continuing operations	2,085	(46,046)	48,131	104.5
Discontinued operations:				
Income from discontinued operations	-	2,164	(2,164)	(100.0)
Realized gains (losses) on disposition of rental property, net	-	47,321	(47,321)	(100.0)
Total discontinued operations, net	-	49,485	(49,485)	(100.0)
Net income	2,085	3,439	(1,354)	(39.4)
Noncontrolling interest in consolidated joint ventures	145	1,838	(1,693)	(92.1)
Noncontrolling interest in Operating Partnership	(248)	5,314	(5,562)	(104.7)

Noncontrolling interest in discontinued operations		-		(5,948)		5,948	100.0	
Net income available to common shareholders	$	1,982	$	4,643	$	(2,661)	(57.3)	%

The following is a summary of the changes in revenue from rental operations and property expenses in 2014 as compared to 2013 divided into Same-Store Properties and Acquired Properties (dollars in thousands):

	Total Company		Same-Store Properties		Acquired Properties		Properties Sold in 2014	
(dollars in thousands)	Dollar Change	Percent Change	Dollar Change	Percent Change	Dollar Change	Percent Change	Dollar Change	Percent Change
Revenue from rental operations and other:								
Base rents	$ (9,089)	(6.7) %	$ (2,757)	(2.0) %	$ 2,615	1.9 %	$ (8,947)	(6.6) %
Escalations and recoveries from tenants	1,999							