MACK CALI REALTY CORP
Form 10-Q
August 02, 2017
Table of Contents

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 June 30, 2017

or

o 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

Commission File Number: 333-57103 Mack-Cali Realty, L.P.

Mack-Cali Realty Corporation

Mack-Cali Realty, L.P.

(Exact name of registrant as specified in its charter)

Maryland (Mack-Cali Realty Corporation) **Delaware (Mack-Cali Realty, L.P.)** (State or other jurisdiction of incorporation or organization)	**22-3305147 (Mack-Cali Realty Corporation)** **22-3315804 (Mack-Cali Realty, L.P.)** (I.R.S. Employer Identification No.)
Harborside 3, 210 Hudson St., Ste. 400, Jersey City, New Jersey (Address of principal executive offices)	**07311** (Zip Code)

(732) 590-1010

(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.

Mack-Cali Realty Corporation	YES x NO o
Mack-Cali Realty, L.P.	YES x NO o

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

Mack-Cali Realty Corporation	YES x NO ¨
Mack-Cali Realty, L.P.	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.

Mack-Cali Realty Corporation:

Large accelerated filer x	Accelerated filer ¨	Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company o	Emerging Growth Company ¨

Mack-Cali Realty, L.P.:

Large accelerated filer x	Accelerated filer ¨	Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company o	Emerging Growth Company ¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Mack-Cali Realty Corporation ¨
Mack-Cali Realty, L.P. ¨

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

Mack-Cali Realty Corporation	YES ¨ NO x
Mack-Cali Realty, L.P.	YES ¨ NO x

As of July 31, 2017, there were 89,913,345 shares of Mack-Cali Realty Corporation s Common Stock, par value $0.01 per share, outstanding.

Mack-Cali Realty, L.P. does not have any class of common equity that is registered pursuant to Section 12 of the Exchange Act.

Table of Contents

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the period ended June 30, 2017 of Mack-Cali Realty Corporation and Mack-Cali Realty, L.P. Unless stated otherwise or the context otherwise requires, references to the Operating Partnership mean Mack-Cali Realty, L.P., a Delaware limited partnership, and references to the General Partner mean Mack-Cali Realty Corporation, a Maryland corporation and real estate investment trust (REIT), and its subsidiaries, including the Operating Partnership. References to the Company, we, us and our mean collecti the General Partner, the Operating Partnership and those entities/subsidiaries consolidated by the General Partner.

The Operating Partnership conducts the business of providing leasing, management, acquisition, development, construction and tenant-related services for its General Partner. The Operating Partnership, through its operating divisions and subsidiaries, including the Mack-Cali property-owning partnerships and limited liability companies is the entity through which all of the General Partner s operations are conducted. The General Partner is the sole general partner of the Operating Partnership and has exclusive control of the Operating Partnership s day-to-day management.

As of June 30, 2017, the General Partner owned an approximate 89.6 percent common unit interest in the Operating Partnership. The remaining approximate 10.4 percent common unit interest is owned by limited partners. The limited partners of the Operating Partnership are (1) persons who contributed their interests in properties to the Operating Partnership in exchange for common units (each, a Common Unit) or preferred units of limited partnership interest in the Operating Partnership or (2) recipients of long term incentive plan units of the Operating Partnership pursuant to the General Partner s executive compensation plans.

A Common Unit of the Operating Partnership and a share of common stock of the General Partner (the Common Stock) have substantially the same economic characteristics in as much as they effectively share equally in the net income or loss of the Company. The General Partner owns a number of common units of the Operating Partnership equal to the number of issued and outstanding shares of the General Partner s common stock. Common unitholders (other than the General Partner) have the right to redeem their Common Units, subject to certain restrictions under the Second Amended and Restated Agreement of Limited Partnership of the Operating Partnership, as amended (the Partnership Agreement) and agreed upon at the time of issuance of the units that may restrict such right for a period of time, generally one year from issuance. The redemption is required to be satisfied in shares of Common Stock of the General Partner, cash, or a combination thereof, calculated as follows: one share of the General Partner s Common Stock, or cash equal to the fair market value of a share of the General Partner s Common Stock at the time of redemption, for each Common Unit. The General Partner, in its sole discretion, determines the form of redemption of Common Units (i.e., whether a common unitholder receives Common Stock of the General Partner, cash, or any combination thereof). If the General Partner elects to satisfy the redemption with shares of Common Stock of the General Partner as opposed to cash, the General Partner 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 General Partner under any circumstances. With each such redemption, the General Partner s percentage ownership in the Operating Partnership will increase. In addition, whenever the General Partner issues shares of its Common Stock other than to acquire Common Units, the General Partner must contribute any net proceeds it receives to the Operating Partnership and the Operating Partnership must issue to the General Partner an equivalent number of Common Units. This structure is commonly referred to as an umbrella partnership REIT, or UPREIT.

The Company believes that combining the quarterly reports on Form 10-Q of the General Partner and the Operating Partnership into this single report provides the following benefits:

- enhance investors understanding of the General Partner and the Operating Partnership by enabling investors to view the business as a whole in the same manner as management views and operates the business of the Company;

- eliminate duplicative disclosure and provide a more streamlined and readable presentation because a substantial portion of the disclosure applies to both the General Partner and the Operating Partnership; and

- create time and cost efficiencies through the preparation of one combined report instead of two separate reports.

The Company believes it is important to understand the few differences between the General Partner and the Operating Partnership in the context of how they operate as a consolidated company. The financial results of the Operating Partnership are consolidated into the financial statements of the General Partner. The General Partner does not have any other significant assets, liabilities or operations, other than its interests in the Operating Partnership, nor does the Operating Partnership have employees of its own. The Operating Partnership, not the General Partner, generally executes all significant business relationships other than

Table of Contents

transactions involving the securities of the General Partner. The Operating Partnership holds substantially all of the assets of the General Partner, including ownership interests in joint ventures. The Operating Partnership conducts the operations of the business and is structured as a partnership with no publicly traded equity. Except for the net proceeds from equity offerings by the General Partner, which are contributed to the capital of the Operating Partnership in consideration of common or preferred units in the Operating Partnership, as applicable, the Operating Partnership generates all remaining capital required by the Company s business. These sources include working capital, net cash provided by operating activities, borrowings under the Company s unsecured revolving credit facility and unsecured term loan facilities, the issuance of secured and unsecured debt and equity securities and proceeds received from the disposition of properties and joint ventures.

Shareholders equity, partners capital and noncontrolling interests are the main areas of difference between the consolidated financial statements of the General Partner and the Operating Partnership. The limited partners of the Operating Partnership are accounted for as partners capital in the Operating Partnership s financial statements as is the General Partner s interest in the Operating Partnership. The noncontrolling interests in the Operating Partnership s financial statements comprise the interests of unaffiliated partners in various consolidated partnerships and development joint venture partners. The noncontrolling interests in the General Partner s financial statements are the same noncontrolling interests at the Operating Partnership s level and include limited partners of the Operating Partnership. The differences between shareholders equity and partners capital result from differences in the equity issued at the General Partner and Operating Partnership levels.

To help investors better understand the key differences between the General Partner and the Operating Partnership, certain information for the General Partner and the Operating Partnership in this report has been separated, as set forth below:

- Item 1. Financial Statements (unaudited), which includes the following specific disclosures for the General Partner and the Operating Partnership:

- Note 2. Significant Accounting Policies, where applicable;

- Note 14. Redeemable Noncontrolling Interests;

- Note 15. Mack-Cali Realty Corporation s Stockholders Equity and Mack-Cali Realty, L.P. s Partners Capital;

- Note 16. Noncontrolling Interests in Subsidiaries; and

- Note 17. Segment Reporting, where applicable.

- Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations includes information specific to each entity, where applicable.

This report also includes separate Part I, Item 4. Controls and Procedures sections and separate Exhibits 31 and 32 certifications for each of the General Partner and the Operating Partnership in order to establish that the requisite certifications have been made and that the General Partner and Operating Partnership are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934 and 18 U.S.C. §1350.

Table of Contents

MACK-CALI REALTY CORPORATION

MACK-CALI REALTY, L.P.

FORM 10-Q

INDEX

Part II Other Information

Table of Contents

MACK-CALI REALTY CORPORATION

MACK-CALI REALTY, L.P.

Part I Financial Information

Item 1. Financial Statements

The accompanying unaudited consolidated balance sheets, statements of operations, of comprehensive income, 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 statement 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 and Mack-Cali Realty, L.P. s Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

The results of operations for the three and six-month periods ended June 30, 2017 are not necessarily indicative of the results to be expected for the entire fiscal year or any other period.

Table of Contents

MACK-CALI REALTY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS *(in thousands, except per share amounts) (unaudited)*

		June 30, 2017		December 31, 2016
ASSETS				
Rental property				
Land and leasehold interests	$	721,753	$	661,335
Buildings and improvements		3,998,971		3,758,210
Tenant improvements		344,108		364,092
Furniture, fixtures and equipment		27,985		21,230
		5,092,817		4,804,867
Less accumulated depreciation and amortization		(1,131,799)		(1,332,073)
		3,961,018		3,472,794
Rental property held for sale, net		292,243		39,743
Net investment in rental property		4,253,261		3,512,537
Cash and cash equivalents		21,719		31,611
Investments in unconsolidated joint ventures		315,110		320,047
Unbilled rents receivable, net		105,547		101,052
Deferred charges, goodwill and other assets, net		316,984		267,950
Restricted cash		56,167		53,952
Accounts receivable, net of allowance for doubtful accounts of $1,145 and $1,335		7,706		9,617
Total assets	$	5,076,494	$	4,296,766
LIABILITIES AND EQUITY				
Senior unsecured notes, net	$	818,294	$	817,355
Unsecured revolving credit facility and term loans		770,388		634,069
Mortgages, loans payable and other obligations, net		1,361,537		888,585
Dividends and distributions payable		20,684		15,327
Accounts payable, accrued expenses and other liabilities		177,801		159,874
Rents received in advance and security deposits		53,939		46,442
Accrued interest payable		9,199		8,427
Total liabilities		3,211,842		2,570,079
Commitments and contingencies				
Redeemable noncontrolling interests		206,026		
Equity:				
Mack-Cali Realty Corporation stockholders equity:				
Common stock, $0.01 par value, 190,000,000 shares authorized, 89,913,919 and 89,696,713 shares outstanding		899		897
Additional paid-in capital		2,566,997		2,576,473
Dividends in excess of net earnings		(1,101,099)		(1,052,184)
Accumulated other comprehensive income		1,872		1,985
Total Mack-Cali Realty Corporation stockholders equity		1,468,669		1,527,171
Noncontrolling interests in subsidiaries:				
Operating Partnership		170,510		178,570
Consolidated joint ventures		19,447		20,946
Total noncontrolling interests in subsidiaries		189,957		199,516

Total equity		1,658,626		1,726,687
Total liabilities and equity	$	5,076,494	$	4,296,766

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

Table of Contents

MACK-CALI REALTY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS *(in thousands, except per share amounts) (unaudited)*

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
REVENUES				
Base rents	$ 133,017	$ 124,223	$ 254,272	$ 250,610
Escalations and recoveries from tenants	15,951	14,110	31,070	29,071
Real estate services	5,767	6,469	12,232	13,281
Parking income	5,052	3,532	9,281	6,688
Other income	2,979	893	5,798	2,500
Total revenues	162,766	149,227	312,653	302,150
EXPENSES				
Real estate taxes	21,217	22,418	42,309	45,644
Utilities	10,357	10,953	21,771	24,531
Operating services	27,092	24,024	54,183	50,756
Real estate services expenses	5,899	6,211	12,169	13,057
General and administrative	12,491	12,755	24,083	25,004
Acquisition-related costs		2,039		2,039
Depreciation and amortization	57,762	43,459	105,393	86,522
Total expenses	134,818	121,859	259,908	247,553
Operating income	27,948	27,368	52,745	54,597
OTHER (EXPENSE) INCOME				
Interest expense	(24,943)	(22,932)	(45,264)	(47,925)
Interest and other investment income (loss)	122	146	596	(523)
Equity in earnings (loss) of unconsolidated joint ventures	(3,298)	(614)	(3,349)	(2,168)
Gain on change of control of interests		5,191		15,347
Realized gains (losses) and unrealized losses on disposition of rental property, net	(38,954)	27,117	(33,448)	85,717
Gain on sale of investment in unconsolidated joint venture		5,670	12,563	5,670
Gain (loss) from extinguishment of debt, net		12,420	(239)	12,420
Total other income (expense)	(67,073)	26,998	(69,141)	68,538
Net income (loss)	(39,125)	54,366	(16,396)	123,135
Noncontrolling interest in consolidated joint ventures	181	(311)	418	395
Noncontrolling interest in Operating Partnership	4,296	(5,662)	2,001	(12,946)
Redeemable noncontrolling interest	(2,682)		(3,474)	
Net income (loss) available to common shareholders	$ (37,330)	$ 48,393	$ (17,451)	$ 110,584
Basic earnings per common share:				
Net income (loss) available to common shareholders	$ (0.44)	$ 0.54	$ (0.33)	$ 1.23
Diluted earnings per common share:				
Net income (loss) available to common shareholders	$ (0.44)	$ 0.54	$ (0.33)	$ 1.23

Basic weighted average shares outstanding	90,011	89,740	89,983	89,731
Diluted weighted average shares outstanding	100,370	100,401	100,354	100,359

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

Table of Contents

MACK-CALI REALTY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) *(in thousands) (unaudited)*

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	**2016**	**2017**	**2016**
Net income (loss)	$ (39,125)	$ 54,366	$ (16,396)	$ 123,135
Other comprehensive income:				
Net unrealized gain (loss) on derivative instruments for interest rate swaps	(1,353)	(2,913)	(126)	(9,253)
Comprehensive income (loss)	$ (40,478)	$ 51,453	$ (16,522)	$ 113,882
Comprehensive (income) loss attributable to noncontrolling interest in consolidated joint ventures	181	(311)	418	395
Comprehensive (income) loss attributable to redeemable noncontrolling interest	(2,682)		(3,474)	
Comprehensive (income) loss attributable to noncontrolling interest in Operating Partnership	4,436	(5,357)	2,014	(11,976)
Comprehensive income (loss) attributable to common shareholders	$ (38,543)	$ 45,785	$ (17,564)	$ 102,301

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

Table of Contents

MACK-CALI REALTY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(in thousands) (unaudited)*

	Common Stock Shares	Common Stock Par Value	Additional Paid-In Capital	Dividends in Excess of Net Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests in Subsidiaries	Total Equity
Balance at January 1, 2017	89,697	$ 897	$ 2,576,473	$ (1,052,184)	$ 1,985	$ 199,516	$ 1,726,687
Net income (loss)				(17,451)		1,055	(16,396)
Common stock dividends				(31,464)			(31,464)
Common unit distributions						(3,961)	(3,961)
Issuance of limited partner common units						2,793	2,793
Redeemable noncontrolling interest			(12,411)			(4,906)	(17,317)
Decrease in noncontrolling interest in consolidated joint ventures			(3,740)			(1,081)	(4,821)
Redemption of common units for common stock	149	1	2,530			(2,531)	
Shares issued under Dividend Reinvestment and Stock Purchase Plan	1		42				42
Directors deferred compensation plan			236				236
Stock compensation	70	1	1,125			1,973	3,099
Cancellation of restricted shares	(3)		(146)				(146)
Other comprehensive income (loss)					(113)	(13)	(126)
Rebalancing of ownership percentage between parent and subsidiaries			2,888			(2,888)	
Balance at June 30, 2017	89,914	$ 899	$ 2,566,997	$ (1,101,099)	$ 1,872	$ 189,957	$ 1,658,626

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

9

Table of Contents

MACK-CALI REALTY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS *(in thousands) (unaudited)*

	Six Months Ended June 30, 2017		Six Months Ended June 30, 2016	
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss)	$	(16,396)	$	123,135
Adjustments to reconcile net income to net cash provided by				
Operating activities:				
Depreciation and amortization, including related intangible assets		102,389		87,168
Amortization of directors deferred compensation stock units		236		198
Amortization of stock compensation		3,099		2,253
Amortization of deferred financing costs		2,278		2,349
Amortization of debt discount and mark-to-market		78		1,126
Equity in (earnings) loss of unconsolidated joint ventures		3,349		2,168
Distributions of cumulative earnings from unconsolidated joint ventures		3,822		2,415
Gain on change of control of interests				(15,347)
Realized (gains) losses and unrealized losses on disposition of rental property, net		33,448		(85,717)
Gain on sale of investments in unconsolidated joint ventures		(12,563)		(5,670)
Loss (gain) from extinguishment of debt		239		(12,420)
Changes in operating assets and liabilities:				
Increase in unbilled rents receivable, net		(5,927)		(6,745)
Increase in deferred charges, goodwill and other assets		(9,028)		(25,470)
Decrease in accounts receivable, net		1,911		4,580
Increase (decrease) in accounts payable, accrued expenses and other liabilities		(9,544)		(5,433)
Increase (decrease) in rents received in advance and security deposits		5,599		(559)
Increase (decrease) in accrued interest payable		772		(3,196)
Net cash provided by operating activities	$	103,762	$	64,835
CASH FLOWS FROM INVESTING ACTIVITIES				
Rental property acquisitions and related intangibles	$	(536,224)	$	(217,006)
Rental property additions and improvements		(46,103)		(51,638)
Development of rental property and other related costs		(133,685)		(77,386)
Proceeds from the sales of rental property		47,569		326,899
Proceeds from the sale of investments in unconsolidated joint ventures		14,849		6,420
Investments in notes receivable		(2,254)		
Repayment of notes receivable		9,341		250
Investment in unconsolidated joint ventures		(11,422)		(23,657)
Distributions in excess of cumulative earnings from unconsolidated joint ventures		3,169		3,189
Proceeds from investment receivable		3,625		
Decrease in restricted cash		3,300		452
Net cash used in investing activities	$	(647,835)	$	(32,477)
CASH FLOW FROM FINANCING ACTIVITIES				
Borrowings from revolving credit facility	$	334,000	$	355,000
Repayment of revolving credit facility		(521,000)		(435,000)
Repayment of senior unsecured notes				(200,000)
Borrowings from unsecured term loan		325,000		350,000
Proceeds from mortgages and loans payable		303,117		106,906
Repayment of mortgages, loans payable and other obligations		(3,109)		(143,322)

Acquisition of noncontrolling interests		(2,011)		(37,946)
Issuance of redeemable noncontrolling interests, net		139,002		
Payment of financing costs		(8,485)		(6,656)
(Distribution to) contributions from noncontrolling interests		(18)		1,065
Payment of dividends and distributions		(32,315)		(30,025)
Net cash provided by (used in) financing activities	$	534,181	$	(39,978)
Net decrease in cash and cash equivalents	$	(9,892)	$	(7,620)
Cash and cash equivalents, beginning of period		31,611		37,077
Cash and cash equivalents, end of period	$	21,719	$	29,457

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

Table of Contents

MACK-CALI REALTY, L.P. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS *(in thousands, except per unit amounts) (unaudited)*

	June 30, 2017	December 31, 2016
ASSETS		
Rental property		
Land and leasehold interests	$ 721,753	$ 661,335
Buildings and improvements	3,998,971	3,758,210
Tenant improvements	344,108	364,092
Furniture, fixtures and equipment	27,985	21,230
	5,092,817	4,804,867
Less accumulated depreciation and amortization	(1,131,799)	(1,332,073)
	3,961,018	3,472,794
Rental property held for sale, net	292,243	39,743
Net investment in rental property	4,253,261	3,512,537
Cash and cash equivalents	21,719	31,611
Investments in unconsolidated joint ventures	315,110	320,047
Unbilled rents receivable, net	105,547	101,052
Deferred charges, goodwill and other assets, net	316,984	267,950
Restricted cash	56,167	53,952
Accounts receivable, net of allowance for doubtful accounts of $1,145 and $1,335	7,706	9,617
Total assets	$ 5,076,494	$ 4,296,766
LIABILITIES AND EQUITY		
Senior unsecured notes, net	$ 818,294	$ 817,355
Unsecured revolving credit facility and term loans	770,388	634,069
Mortgages, loans payable and other obligations, net	1,361,537	888,585
Distributions payable	20,684	15,327
Accounts payable, accrued expenses and other liabilities	177,801	159,874
Rents received in advance and security deposits	53,939	46,442
Accrued interest payable	9,199	8,427
Total liabilities	3,211,842	2,570,079
Commitments and contingencies		
Redeemable noncontrolling interests	206,026	
Partners Capital:		
General Partner, 89,913,919 and 89,696,713 common units outstanding	1,406,292	1,467,569
Limited partners, 10,438,855 and 10,488,105 common units outstanding	231,015	236,187
Accumulated other comprehensive income	1,872	1,985
Total Mack-Cali Realty, L.P. partners capital	1,639,179	1,705,741
Noncontrolling interests in consolidated joint ventures	19,447	20,946
Total equity	1,658,626	1,726,687
Total liabilities and equity	$ 5,076,494	$ 4,296,766

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

Table of Contents

MACK-CALI REALTY, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS *(in thousands, except per unit amounts) (unaudited)*

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
REVENUES				
Base rents	$ 133,017	$ 124,223	$ 254,272	$ 250,610
Escalations and recoveries from tenants	15,951	14,110	31,070	29,071
Real estate services	5,767	6,469	12,232	13,281
Parking income	5,052	3,532	9,281	6,688
Other income	2,979	893	5,798	2,500
Total revenues	162,766	149,227	312,653	302,150
EXPENSES				
Real estate taxes	21,217	22,418	42,309	45,644
Utilities	10,357	10,953	21,771	24,531
Operating services	27,092	24,024	54,183	50,756
Real estate services expenses	5,899	6,211	12,169	13,057
General and administrative	12,491	12,755	24,083	25,004
Acquisition-related costs		2,039		2,039
Depreciation and amortization	57,762	43,459	105,393	86,522
Total expenses	134,818	121,859	259,908	247,553
Operating income	27,948	27,368	52,745	54,597
OTHER (EXPENSE) INCOME				
Interest expense	(24,943)	(22,932)	(45,264)	(47,925)
Interest and other investment income (loss)	122	146	596	(523)
Equity in earnings (loss) of unconsolidated joint ventures	(3,298)	(614)	(3,349)	(2,168)
Gain on change of control of interests		5,191		15,347
Realized gains (losses) and unrealized losses on disposition of rental property, net	(38,954)	27,117	(33,448)	85,717
Gain on sale of investment in unconsolidated joint venture		5,670	12,563	5,670
Gain (loss) from extinguishment of debt, net		12,420	(239)	12,420
Total other income (expense)	(67,073)	26,998	(69,141)	68,538
Net income (loss)	(39,125)	54,366	(16,396)	123,135
Noncontrolling interest in consolidated joint ventures	181	(311)	418	395
Redeemable noncontrolling interest	(2,682)		(3,474)	
Net income (loss) available to common unitholders	$ (41,626)	$ 54,055	$ (19,452)	$ 123,530
Basic earnings per common unit:				
Net income (loss) available to common unitholders	$ (0.44)	$ 0.54	$ (0.33)	$ 1.23
Diluted earnings per common unit:				
Net income (loss) available to common unitholders	$ (0.44)	$ 0.54	$ (0.33)	$ 1.23
Basic weighted average units outstanding	100,370	100,239	100,354	100,235

Diluted weighted average units outstanding	100,370	100,401	100,354	100,359

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

Table of Contents

MACK-CALI REALTY, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) *(in thousands) (unaudited)*

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Net income (loss)	$ (39,125)	$ 54,366	$ (16,396)	$ 123,135
Other comprehensive income:				
Net unrealized gain (loss) on derivative instruments for interest rate swaps	(1,353)	(2,913)	(126)	(9,253)
Comprehensive income (loss)	$ (40,478)	$ 51,453	$ (16,522)	$ 113,882
Comprehensive (income) loss attributable to noncontrolling interest in consolidated joint ventures	181	(311)	418	395
Comprehensive (income) loss attributable to redeemable noncontrolling interest	(2,682)		(3,474)	
Comprehensive income (loss) attributable to common unitholders	$ (42,979)	$ 51,142	$ (19,578)	$ 114,277

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

Table of Contents

MACK-CALI REALTY, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(in thousands) (unaudited)*

	General Partner Common Units	Limited Partner Common Units	General Partner Common Unitholders	Limited Partner Common Unitholders	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest in Consolidated Joint Ventures	Total Equity
Balance at January 1, 2017	89,697	10,488	$ 1,467,569	$ 236,187	$ 1,985	$ 20,946	$ 1,726,687
Net income (loss)			(17,451)	(2,001)		3,056	(16,396)
Distributions			(31,464)	(3,961)			(35,425)
Issuance of limited partner common units		99		2,793			2,793
Redeemable noncontrolling interest			(12,411)	(1,432)		(3,474)	(17,317)
Decrease in noncontrolling interest			(3,740)			(1,081)	(4,821)
Redemption of limited partner common units for shares of general partner common units	149	(149)	2,531	(2,531)			
Shares issued under Dividend Reinvestment and Stock Purchase Plan	1		42				42
Directors deferred compensation plan			236				236
Other comprehensive income				(13)	(113)		(126)
Stock compensation	70		1,126	1,973			3,099
Cancellation of restricted shares	(3)		(146)				(146)
Balance at June 30, 2017	89,914	10,438	$ 1,406,292	$ 231,015	$ 1,872	$ 19,447	$ 1,658,626

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

Table of Contents

MACK-CALI REALTY, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS *(in thousands) (unaudited)*

	Six Months Ended June 30,			
		2017		2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss)	$	(16,396)	$	123,135
Adjustments to reconcile net income to net cash provided by				
Operating activities:				
Depreciation and amortization, including related intangible assets		102,389		87,168
Amortization of directors deferred compensation stock units		236		198
Amortization of stock compensation		3,099		2,253
Amortization of deferred financing costs		2,278		2,349
Amortization of debt discount and mark-to-market		78		1,126
Equity in (earnings) loss of unconsolidated joint ventures		3,349		2,168
Distributions of cumulative earnings from unconsolidated joint ventures		3,822		2,415
Gain on change of control of interests				(15,347)
Realized (gains) losses and unrealized losses on disposition of rental property, net		33,448		(85,717)
Gain on sale of investments in unconsolidated joint ventures		(12,563)		(5,670)
Loss (gain) from extinguishment of debt		239		(12,420)
Changes in operating assets and liabilities:				
Increase in unbilled rents receivable, net		(5,927)		(6,745)
Increase in deferred charges, goodwill and other assets		(9,028)		(25,470)
Decrease in accounts receivable, net		1,911		4,580
Increase (decrease) in accounts payable, accrued expenses and other liabilities		(9,544)		(5,433)
Increase (decrease) in rents received in advance and security deposits		5,599		(559)
Increase (decrease) in accrued interest payable		772		(3,196)
Net cash provided by operating activities	$	103,762	$	64,835
CASH FLOWS FROM INVESTING ACTIVITIES				
Rental property acquisitions and related intangibles	$	(536,224)	$	(217,006)
Rental property additions and improvements		(46,103)		(51,638)
Development of rental property and other related costs		(133,685)		(77,386)
Proceeds from the sales of rental property		47,569		326,899
Proceeds from the sale of investments in unconsolidated joint ventures		14,849		6,420
Investments in notes receivable		(2,254)		
Repayment of notes receivable		9,341		250
Investment in unconsolidated joint ventures		(11,422)		(23,657)
Distributions in excess of cumulative earnings from unconsolidated joint ventures		3,169		3,189
Proceeds from investment receivable		3,625		
Decrease in restricted cash		3,300		452
Net cash used in investing activities	$	(647,835)	$	(32,477)
CASH FLOW FROM FINANCING ACTIVITIES				
Borrowings from revolving credit facility	$	334,000	$	355,000
Repayment of revolving credit facility		(521,000)		(435,000)
Repayment of senior unsecured notes				(200,000)
Borrowings from unsecured term loan		325,000		350,000
Proceeds from mortgages and loans payable		303,117		106,906
Repayment of mortgages, loans payable and other obligations		(3,109)		(143,322)

Acquisition of noncontrolling interests		(2,011)		(37,946)
Issuance of redeemable noncontrolling interests, net		139,002		
Payment of financing costs		(8,485)		(6,656)
(Distribution to) contributions from noncontrolling interests		(18)		1,065
Payment of distributions		(32,315)		(30,025)
Net cash provided by (used in) financing activities	$	534,181	$	(39,978)
Net decrease in cash and cash equivalents	$	(9,892)	$	(7,620)
Cash and cash equivalents, beginning of period		31,611		37,077
Cash and cash equivalents, end of period	$	21,719	$	29,457

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

Table of Contents

MACK-CALI REALTY CORPORATION, MACK-CALI REALTY, L.P. 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 General Partner) is a fully-integrated self-administered, self-managed real estate investment trust (REIT). The General Partner controls Mack-Cali Realty, L.P., a Delaware limited partnership, together with its subsidiaries (collectively, the Operating Partnership), as its sole general partner and owned an 89.6 and 89.5 percent common unit interest in the Operating Partnership as of June 30, 2017 and December 31, 2016, respectively. The General Partner s business is the ownership of interests in and operation of the Operating Partnership and all of the General Partner s expenses are incurred for the benefit of the Operating Partnership. The General Partner is reimbursed by the Operating Partnership for all expenses it incurs relating to the ownership and operation of the Operating Partnership.

The Operating Partnership conducts the business of providing leasing, management, acquisition, development and tenant-related services for its General Partner. The Operating Partnership, through its operating divisions and subsidiaries, including the Mack-Cali property-owning partnerships and limited liability companies, is the entity through which all of the General Partner s operations are conducted. Unless stated otherwise or the context requires, the Company refers to the General Partner and its subsidiaries, including the Operating Partnership and its subsidiaries.

As of June 30, 2017, the Company owned or had interests in 214 properties, consisting of 86 office and 110 flex properties, totaling approximately 22.8 million square feet, leased to approximately 1,100 commercial tenants, and 18 multi-family rental properties containing 5,825 residential units, plus developable land (collectively, the Properties). The Properties are comprised of 86 office buildings totaling approximately 17.5 million square feet (which include five buildings, aggregating approximately 1.4 million square feet owned by unconsolidated joint ventures in which the Company has investment interests), 94 office/flex buildings totaling approximately 4.8 million square feet, six industrial/warehouse buildings totaling approximately 387,400 square feet, 18 multi-family properties totaling 5,825 apartments (which include eight properties aggregating 3,275 apartments owned by unconsolidated joint ventures in which the Company has investment interests), six parking/retail properties totaling approximately 137,100 square feet (which include two buildings aggregating 81,700 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 six 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 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 (i) the ability to make decisions about the entity s activities through voting or similar rights, (ii) the obligation to absorb the expected losses of the entity, or (iii) the right to receive the expected residual returns of the entity; (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 substantially all of 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.

On January 1, 2016, the Company adopted accounting guidance under ASC 810, Consolidation, modifying the analysis it must perform to determine whether it should consolidate certain types of legal entities. The guidance does not amend the existing disclosure requirements for variable interest entities or voting interest model entities. The guidance, however, modified the requirements to qualify under the voting interest model. Under the revised guidance, the Operating Partnership will be a variable interest entity of the parent company, Mack-Cali Realty Corporation. As the Operating Partnership is already consolidated in the balance sheets of Mack-Cali Realty Corporation, the identification of this entity as a variable interest entity has no impact on the

Table of Contents

consolidated financial statements of Mack-Cali Realty Corporation. There were no other legal entities qualifying under the scope of the revised guidance that were consolidated as a result of the adoption.

As of June 30, 2017 and December 31, 2016, the Company s investments in consolidated real estate joint ventures, which are variable interest entities in which the Company is deemed to be the primary beneficiary, other than Roseland Residential, L.P. (See Note 3: Rockpoint Transaction), have total real estate assets of $162.4 million and $201.9 million, respectively, mortgages of $62 million and $78.4 million, respectively, and other liabilities of $17.4 million and $19.2 million, respectively.

The financial statements have been prepared in conformity with GAAP. 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. 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. 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 were expensed as incurred through December 31, 2016. The Company early adopted the recently issued FASB guidance Accounting Standards Update (ASU) 2017-01 on January 1, 2017 which revises the definition of a business and is expected to result in more transactions to be accounted for as asset acquisitions and significantly limit transactions that would be accounted for as business combinations. Where an acquisition has been determined to be an asset acquisition, acquisition-related costs are capitalized. 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 $0.6 million and $0.8 million for the three months ended June 30, 2017 and 2016, respectively, and $1.2 million and $1.3 million for the six months ended June 30, 2017 and 2016, respectively. Included in total rental property is construction, tenant improvement and development in-progress of $390.7 million and $361.1 million as of June 30, 2017 and December 31, 2016, 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

Table of Contents

their fair values. The Company records goodwill or a gain on bargain purchase (if any) if the net assets acquired/liabilities assumed differ from 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, current and historical operating and/or cash flow losses, near-term mortgage debt maturities and/or other factors, including those 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 value 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. The Company generally considers assets to be held for sale when the transaction has received appropriate corporate authority, and there are no significant contingencies relating to the sale. If, in management s opinion, the estimated net sales price, net of selling costs, of the assets which have been identified as held for sale is less than the carrying value of the assets, a valuation allowance is established.

Table of Contents

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 value 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.

If the venture subsequently makes distributions and the Company does not have an implied or actual commitment to support the operations of the venture, including a general partner interest in the investee, the Company will not record a basis less than zero, rather such amounts will be recorded as equity in earnings of unconsolidated joint ventures.

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 value 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 an original 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. Deferred financing costs are presented in the balance sheet as a direct deduction from the carrying value of the debt liability to which they relate, except deferred financing costs related to the revolving credit facility, which are presented in deferred charges, goodwill and other assets. In all cases, amortization of such costs is included in interest expense and was $1,175,000 and $1,180,000 for the three months ended June 30, 2017 and 2016, respectively, and $2,278,000 and $2,349,000 for the six months ended June 30, 2017 and 2016, respectively. If a financing obligation is extinguished early, any unamortized deferred financing costs are written off and included in gains (losses) from extinguishment of debt. Included in gain (loss) from extinguishment of debt, net for the six months ended June 30, 2017 were unamortized deferred financing costs which were written off of $239,000. No such unamortized costs were written off for the three months ended June 30, 2017, and the three and six month periods ended June 30, 2016.

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, and included in deferred charges, goodwill

Table of Contents

and other assets, net, was approximately $946,000 and $870,000 for the three months ended June 30, 2017 and 2016, respectively, and $1,988,000 and $1,650,000 for the six months ended June 30, 2017 and 2016, 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 value 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 value. If, based on this assessment, management determines that the fair value of the reporting unit is not less than its carrying value, then performing the additional two-step impairment test is unnecessary. If the carrying value 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 13: Tenant Leases.

Real estate services revenue includes property management, development, construction 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.

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.

Table of Contents

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 General Partner has elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the IRS Code). As a REIT, the General Partner 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 General Partner 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 General Partner retains and does not distribute any net capital gains, the General Partner will be required to pay federal, state and local taxes, as applicable, on such net capital gains at the rate applicable to capital gains of a corporation.

The Operating Partnership is a partnership, and, as a result, all income and losses of the partnership are allocated to the partners for inclusion in their respective tax returns. Accordingly, no provision or benefit for income taxes has been made in the accompanying financial statements.

The General Partner has elected to treat certain of its corporate subsidiaries as taxable REIT subsidiaries (each a TRS). In general, a TRS of the General Partner 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 General Partner 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 June 30, 2017, the Company had a deferred tax asset related to its TRS activity with a balance of approximately $16.6 million which has been fully reserved for through a valuation allowance. If the General Partner 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 June 30, 2017, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are generally from the year 2012 forward.

Earnings

Per Share

or Unit The Company presents both basic and diluted earnings per share or unit (EPS or EPU). Basic EPS or EPU excludes dilution and is computed by dividing net income available to common shareholders or unitholders by the weighted average number of shares or units outstanding for the period. Diluted EPS or EPU 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 or EPU from continuing operations amount. Shares or Units whose issuance is contingent upon the satisfaction of certain conditions shall be considered outstanding and included in the computation of diluted EPS or EPU as follows (i) if all necessary conditions have been satisfied by the end of the period (the events have occurred), those shares or units 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 or units included in diluted EPS or EPU shall be based on the number of shares or units, 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 or units 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 or units shall be

Table of Contents

included in the denominator of diluted EPS or EPU 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 June 30, 2017 represents dividends payable to common shareholders (89,913,978 shares) and distributions payable to noncontrolling interest unitholders of the Operating Partnership (10,438,855 common units and 1,230,877 LTIP units), for all such holders of record as of July 6, 2017 with respect to the second quarter 2017. The second quarter 2017 common stock dividends and unit distributions of $0.20 per common share, common unit and LTIP unit were approved by the General Partner s Board of Directors on June 9, 2017 and paid on July 14, 2017.

The dividends and distributions payable at December 31, 2016 represents dividends payable to common shareholders (89,696,824 shares) and distributions payable to noncontrolling interest unitholders of the Operating Partnership (10,488,105 common units and 657,373 LTIP units) for all such holders of record as of January 5, 2017 with respect to the fourth quarter 2016. The fourth quarter 2016 common stock dividends and unit distributions of $0.15 per common share, common unit and LTIP unit were approved by the General Partner s Board of Directors on December 13, 2016 and paid on January 13, 2017.

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), performance share units, long-term incentive plan awards and stock options at the grant date be amortized ratably into expense over the appropriate vesting period. The Company recorded stock compensation expense of $2,046,000 and $1,469,000 for the three months ended June 30, 2017 and 2016, respectively, and $3,099,000 and $2,253,000 for the six months ended June 30, 2017 and 2016, respectively.

Other Comprehensive

Income (Loss) Other comprehensive income (loss) includes items that are recorded in equity, such as effective portions of derivatives designated as cash flow hedges or unrealized holding gains or losses on marketable securities available for sale.

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 in active 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.

Table of Contents

Impact Of

Recently-Issued

Accounting

Standards In May 2014, the FASB issued 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, 2017, and early adoption is permitted for periods beginning after December 15, 2016. While lease contracts with customers, which constitute the majority of the Company s revenues, are a specific scope exception of ASU 2014-09, certain of the Company s revenue streams may be impacted by ASU 2014-09. The Company is currently in the process of evaluating the impact the adoption of ASU 2014-09 will have on the Company s consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, modifying the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for in the same manner as operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The guidance is expected to impact the consolidated financial statements as the Company has certain operating and land lease arrangements for which it is the lessee. The guidance supersedes previously issued guidance under ASC Topic 840 Leases. The guidance is effective on January 1, 2019, with early adoption permitted. The Company is currently in the process of evaluating the impact the adoption of ASU 2016-02 will have on the Company s consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments. ASU 2016-15 addresses eight specific cash flow issues and intends to reduce the diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. This guidance is effective for annual periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is permitted. The Company is currently in the process of evaluating the impact the adoption of ASU 2016-15 will have on the Company s consolidated statement of cash flows.

3. RECENT TRANSACTIONS

Management Changes

On April 5, 2017, the Company announced that president Michael J. DeMarco would be assuming the title of chief executive officer of the Company and Mitchell Rudin, formerly the chief executive officer, was being named the vice chairman at the Company effective April 4, 2017. Mr. DeMarco had joined the Company in 2015 as the president and chief operating officer.

Acquisitions

The Company acquired the following office properties (which were determined to be asset acquisitions in accordance with ASU 2017-01) during the six months ended June 30, 2017 *(dollars in thousands)*:

Acquisition Date	Property Address	Location	# of Bldgs.	Rentable Square Feet		Acquisition Cost
01/11/17	Red Bank portfolio (a)	Red Bank, New Jersey	3	279,472	$	27,228
03/06/17	Short Hills/Madison portfolio (b)	Short Hills & Madison, New Jersey	6	1,113,028		367,361
Total Acquisitions			9	1,392,500	$	394,589

(a) This acquisition was funded through borrowings under the Company s unsecured revolving credit facility.

(b) This acquisition was funded through borrowings under the Company s unsecured revolving credit facility and a new $124.5 million loan secured by three of the properties.

Table of Contents

The purchase prices were allocated to the net assets acquired, as follows *(in thousands)*:

	Red Bank Portfolio	Short Hills/Madison Portfolio
Land and leasehold interest	$ 7,914	$ 30,336
Buildings and improvements and other assets	16,047	295,299
Above market leases (a)	118	6,367
In-place lease values (a)	3,171	45,604
	27,250	377,606
Less: Below market lease values (a)	(22)	(10,245)
Net assets recorded upon acquisition	$ 27,228	$ 367,361

(a) Above market, in-place and below market leases are being amortized over a weighted-average term of 5.4 years.

Consolidation

On February 3, 2017, the Operating Partnership issued 42,800 shares of a new class of 3.5 percent Series A Preferred Limited Partnership Units of the Operating Partnership (the Series A Units) valued at $42.8 million. The Series A Units were issued to the Company s partners in the Plaza VIII & IX Associates L.L.C. joint venture that owns a development site adjacent to the Company s Harborside property in Jersey City, New Jersey as non-cash consideration for their approximate 37.5 percent interest in the joint venture. Concurrent with the issuance of the Series A Units, the Company purchased from other partners in the Plaza VIII & IX Associates L.L.C. joint venture their approximate 12.5 percent interest for approximately $14.3 million in cash. The results of these transactions increased the Company s interests in the joint venture from 50 percent to 100 percent. Upon these acquisitions, the Company consolidated Plaza VIII & IX Associates L.L.C., a voting interest entity, substantially all of which is comprised of land for development. As an acquisition of the additional 50 percent of the land, the Company accounted for the transaction under a cost accumulation model, resulting in total consolidated assets of $60.6 million, substantially all of which is classified as land on the Balance Sheet.

On February 28, 2017, the Operating Partnership authorized the issuance of 9,213 shares of a new class of 3.5 percent Series A-1 Preferred Limited Partnership Units of the Operating Partnership (the Series A-1 Units). 9,122 Series A-1 Units were issued on February 28, 2017, valued at $9.1 million, to the Company s partner in a joint venture with the Operating Partnership, which owns Monaco Towers in Jersey City, New Jersey that includes 523 apartment homes in two fifty-story towers with 558 parking spaces and 12,300 square feet of ground floor retail space. The Series A-1 Units were issued as non-cash consideration for the partner s approximate 13.8 percent ownership interest in the joint venture to increase the Company s unconsolidated investment to 29 percent. In April 2017, an additional 91 Series A-1 Units were issued by the Operating Partnership to purchase from other partners in the same joint venture their approximate 71.2 percent ownership interest for approximately $130.9 million in cash and $171.2 million in assumed debt in transactions which closed in April 2017. The results of these transactions increased the Company s interests in the joint venture to 100 percent. Upon these acquisitions, the Company consolidated RoseGarden Monaco Holdings, L.L.C., a voting interest entity.

As an acquisition of the remaining interests in the venture which owns the Monaco Towers, the Company accounted for the transaction under a cost accumulation model, resulting in total consolidated net assets of $139.9 million which is allocated, as follows *(in thousands):*

	Monaco North	Monaco South	Total Consolidation
Land and leasehold interest	$ 27,300	$ 31,461	$ 58,761
Buildings and improvements and other assets	112,841	129,895	242,736
Above market leases (a)	350		350
In-place lease values (a)	4,585	4,913	9,498
Less: Below market lease values (a)	(141)	(118)	(259)
	144,935	166,151	311,086
Less: Debt assumed at fair value	(79,544)	(91,656)	(171,200)
Net assets recorded upon consolidation	$ 65,391	$ 74,495	$ 139,886

(a) Above market, in-place and below market leases are being amortized over a weighted-average term of 8 months.

Table of Contents

Dispositions/Rental Property Held for Sale

The Company disposed of the following office properties during the six months ended June 30, 2017 *(dollars in thousands)*:

Disposition Date	Property/Address	Location	# of Bldgs.	Rentable Square Feet	Net Sales Proceeds	Net Carrying Value	Realized Gains (losses)/ Unrealized Losses, net
01/30/17	Cranford portfolio	Cranford, New Jersey	6	435,976	$ 26,598	$ 22,736	$ 3,862
01/31/17	440 Route 22 East (a)	Bridgewater, New Jersey	1	198,376	10,074	10,069	5
02/07/17	3 Independence Way	Princeton, New Jersey	1	111,300	11,549	9,910	1,639
05/15/17	103 Carnegie Center	Princeton, New Jersey	1	96,000	15,063(b)	8,271	6,792
Sub-total					63,284	50,986	12,298
Unrealized losses on rental property held for sale							(45,746)
Totals			9	841,652	$ 63,284	$ 50,986	$ (33,448)

(a) The Company recorded a valuation allowance of $7.7 million on this property during the year ended December 31, 2016.

(b) $15.1 million of the net sales proceeds from this sale were held by a qualified intermediary.

Rental Property Held for Sale, Net

The Company identified as held for sale 50 office and office/flex properties totaling approximately four million square feet as of June 30, 2017. The properties are located in East Brunswick, Totowa, Moorestown, Woodcliff Lake, Paramus, Rochelle Park and Burlington, New Jersey. The total estimated sales proceeds from the sales are expected to be approximately $372 million. The Company determined that the carrying value of nine of the office properties was not expected to be recovered from estimated net sales proceeds and accordingly recognized an unrealized loss allowance of $45.7 million at June 30, 2017.

The following table summarizes the rental property held for sale, net, as of June 30, 2017: *(dollars in thousands)*

	June 30, 2017
Land	$ 88,012
Buildings and improvements	482,601
Less: Accumulated depreciation	(232,624)
Less: Unrealized losses on properties held for sale	(45,746)
Rental property held for sale, net	$ 292,243

Other assets and liabilities related to the rental property held for sale, as of June 30, 2017, include $13.8 million in deferred charges, and other assets, $10.9 million in unbilled rents receivable and $4.2 million in accounts payable, accrued expenses and other liabilities. Approximately $23.4 million of these assets and $0.6 million of these liabilities are expected to be written off with the completion of the sales.

Rockpoint Transaction

On February 27, 2017, the Company, Roseland Residential Trust (RRT), the Company s wholly-owned subsidiary through which the Company conducts its multi-family residential real estate operations, Roseland Residential, L.P. (RRLP), the operating partnership through which RRT conducts all of its operations, and certain other affiliates of the Company entered into an equity investment agreement (the Investment Agreement) with Rockpoint Group, L.L.C. and certain of its affiliates (collectively, Rockpoint). The Investment Agreement provides for multiple equity investments by Rockpoint in RRLP from time to time for up to an aggregate of $300 million of equity units of limited partnership interests of RRLP (the Rockpoint Units). The initial closing under the Investment Agreement occurred on March 10, 2017 for $150 million of Rockpoint Units. Additional closings of Rockpoint Units to be issued and sold to Rockpoint pursuant to the Investment Agreement may occur from time to time in increments of not less than $10 million per closing, with the balance of the full $300 million by March 1, 2019. See Note 14: Redeemable Noncontrolling Interests.

RRLP has been identified as a variable interest entity in which the Company is deemed to be the primary beneficiary. As of June 30, 2017 and December 31, 2016, the Company s consolidated RRLP entity had total assets of $1.8 billion and $1.3 billion, respectively, total mortgages & loan payable of $635.4 million and $480.7 million, respectively, and other liabilities of $79.7 million and $40.1 million, respectively.

Unconsolidated Joint Venture Activity

On January 31, 2017, the Company sold its interest in KPG-P 100 IMW JV, LLC, Keystone-Penn and Keystone-Tristate joint ventures that own operating properties, located in Philadelphia, Pennsylvania for an aggregate sales price of $9.7 million and realized a gain on the sale of the unconsolidated joint venture of $7.4 million.

Table of Contents

On February 15, 2017, the Company sold its 7.5 percent interest in Elmajo Urban Renewal Associates, LLC and Estuary Urban Renewal Unit B, LLC joint ventures that own operating multi-family properties located in Weehawken, New Jersey for a sales price of $5.1 million and realized a gain on the sale of the unconsolidated joint venture of $5.1 million.

4. INVESTMENTS IN UNCONSOLIDATED JOINT VENTURES

As of June 30, 2017, the Company had an aggregate investment of approximately $315.1 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 June 30, 2017, the unconsolidated joint ventures owned: five office properties aggregating approximately 1.4 million square feet, eight multi-family properties totaling 3,275 apartments, and two retail properties aggregating approximately 81,700 square feet, a 350-room hotel, a development project for up to approximately 59 apartments; and interests and/or rights to developable land parcels able to accommodate up to 4,348 apartments. The Company s unconsolidated interests range from 12.5 percent to 85 percent subject to specified priority allocations in certain of the 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 June 30, 2017, such debt had a total facility amount of $206 million of which the Company agreed to guarantee up to $24.8 million. As of June 30, 2017, the outstanding balance of such debt totaled $189.5 million of which $22.7 million was guaranteed by the Company. The Company performed management, leasing, development and other services for the properties owned by the unconsolidated joint ventures and recognized $0.7 million and $3.7 million for such services in the three months ended June 30, 2017 and 2016, respectively. The Company had $0.7 million and $0.7 million in accounts receivable due from its unconsolidated joint ventures as of June 30, 2017 and December 31, 2016, respectively.

Included in the Company s investments in unconsolidated joint ventures as of June 30, 2017 are four 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 $187.9 million as of June 30, 2017. The Company s maximum exposure to loss as a result of its involvement with these VIEs is estimated to be approximately $212.7 million, which includes the Company s current investment and estimated future funding commitments/guarantees of approximately $24.8 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 parties will be funded with capital contributions from the Company and its outside partners in accordance with their respective ownership percentages.

26

Table of Contents

The following is a summary of the Company s unconsolidated joint ventures as of June 30, 2017 and December 31, 2016: *(dollars in thousands)*

Entity / Property Name	Number of Apartment Units or Rentable Square Feet (sf)	Company s Effective Ownership % (a)	Carrying Value June 30, 2017	Carrying Value December 31, 2016	Property Debt As of June 30, 2017 Balance	Maturity Date	Interest Rate
Multi-family							
Marbella RoseGarden, L.L.C./ Marbella (b)	412 units	24.27%	$ 14,925	$ 15,150	$ 95,000	05/01/18	4.99%
RoseGarden Monaco Holdings, L.L.C./ Monaco (b)	523 units	% 28.76(e)					
Rosewood Morristown, L.L.C. / Metropolitan at 40 Park (b) (c)	130 units	12.50%	6,992	7,145	46,835	(d)	(d)
Riverwalk G Urban Renewal, L.L.C./ RiverTrace at Port Imperial	316 units	22.50%	9,321	9,707	82,000	11/10/26	3.21%
Elmajo Urban Renewal Associates, LLC / Lincoln Harbor (Bldg A&C) (b) (o)	355 units	7.50%					
Crystal House Apartments Investors LLC / Crystal House (f)	825 units	25.00%	31,025	30,565	165,000	04/01/20	3.17%
Roseland/Port Imperial Partners, L.P./ Riverwalk C (b) (g)	360 units	20.00%	1,922	1,678			
RoseGarden Marbella South, L.L.C./ Marbella II	311 units	24.27%	17,211	18,050	74,062	03/30/18	L+2.25%(h)
Estuary Urban Renewal Unit B, LLC / Lincoln Harbor (Bldg B) (b) (o)	227 units	7.50%					
Riverpark at Harrison I, L.L.C./ Riverpark at Harrison	141 units	45.00%	1,872	2,085	30,000	08/01/25	3.70%
Capitol Place Mezz LLC / Station Townhouses	378 units	50.00%	41,617	43,073	100,700	07/01/33	4.82%
Harborside Unit A Urban Renewal, L.L.C. / URL Harborside	762 units	85.00%	97,665	100,188	186,128	08/01/29	5.197%(i)
RoseGarden Monaco, L.L.C./ San Remo Land	250 potential units	41.67%	1,430	1,400			
Grand Jersey Waterfront URA, L.L.C./ Liberty Landing	850 potential units	50.00%	337	337			
Hillsborough 206 Holdings, L.L.C./ Hillsborough 206	160,000 sf	50.00%	1,962	1,962			
Plaza VIII & IX Associates, L.L.C./ Vacant land (parking operations) (n)	1,225,000 sf	50.00%		4,448			
Office							
Red Bank Corporate Plaza, L.L.C./ Red Bank	92,878 sf	50.00%	4,572	4,339	14,176	05/17/18	L+3.00%
12 Vreeland Associates, L.L.C./ 12 Vreeland Road	139,750 sf	50.00%	6,368	6,237	10,273	07/01/23	2.87%
BNES Associates III / Offices at Crystal Lake	106,345 sf	31.25%	3,169	3,124	5,141	11/01/23	4.76%
KPG-P 100 IMW JV, LLC / 100 Independence Mall West	339,615 sf	(m)					
Keystone-Penn	1,842,820 sf	(m)					
Keystone-TriState	1,266,384 sf	(m)		2,285			

KPG-MCG Curtis JV, L.L.C./ Curtis Center (j)	885,000 sf	50.00%	71,258	65,400	(k)	(k)	(k)
Other							
Roseland/North Retail, L.L.C./ Riverwalk at Port Imperial	30,745 sf	20.00%	1,669	1,706			
South Pier at Harborside / Hyatt Regency Jersey City on the Hudson	350 rooms	50.00%		163	99,089	10/01/26	3.668%
Other (l)			1,795	1,005			
Totals:			$ 315,110	$ 320,047	$ 908,404		

(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) Property debt balance consists of: (i) an amortizable loan, collateralized by the Metropolitan at 40 Park, with a balance of $37,242, bears interest at 3.25 percent, matures in September 2020; (ii) an amortizable loan, collateralized by the Shops at 40 Park, with a balance of $6,248, bears interest at 3.63 percent, matures in August 2018. On February 3, 2017, the venture obtained a construction loan for the Lofts at 40 Park with a balance of $3,345, which bears interest at LIBOR plus 250 basis points and matures in February 2020.

(e) On February 28, 2017, 9,122 Series A-1 Units were issued to the joint venture partner as non-cash consideration for the partner s approximate 13.8 percent ownership interest in the joint venture. In April 2017, the Company acquired the remaining joint venture interests and increased its ownership interest to 100 percent. See Note 3: Recent Transactions Consolidation.

(f) 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.

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

(h) The construction loan had a maximum borrowing amount of $77,400 and provided, subject to certain conditions, two one-year extension options with a fee of 25 basis points for each year. On March 31, 2017, the Company exercised its first one-year extension option and concurrently the maximum borrowing amount was reduced to $75,000.

(i) The construction/permanent loan has a maximum borrowing amount of $192,000. The Company owns an 85 percent interest with shared control over major decisions such as, approval of budgets, property financings and leasing guidelines. The development project was placed in service in second quarter 2017.

(j) Includes undivided interests in the same manner as investments in noncontrolling partnership, pursuant to ASC 970-323-25-12.

(k) See Note 9: Mortgages, Loans Payable and Other Obligations for debt secured by interests in these assets.

(l) 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.

(m) On January 31, 2017, the Company sold its equity interest in the joint venture. See Note 3: Recent Transactions - Unconsolidated Joint Venture Activity.

(n) On February 3, 2017, the Company acquired the equity interest of its partner. See Note 3: Recent Transactions - Consolidation.

(o) On February 15, 2017, the Company sold its 7.5 percent interest in Elmajo Urban Renewal Associates, LLC and Estuary Urban Renewal Unit B, LLC joint ventures that own operating multi-family properties, located in Weehawken, New Jersey for a combined sales price of $5.1 million.

Table of Contents

The following is a summary of the Company s equity in earnings (loss) of unconsolidated joint ventures for the three and six months ended June 30, 2017 and 2016: *(dollars in thousands)*

Entity / Property Name	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Multi-family				
Marbella RoseGarden, L.L.C./ Marbella	$ 100	$ 47	$ 209	$ 132
RoseGarden Monaco Holdings, L.L.C./ Monaco		(300)	(266)	(592)
Rosewood Morristown, L.L.C. / Metropolitan at 40 Park	(68)	(82)	(153)	(163)
Riverwalk G Urban Renewal, L.L.C./ RiverTrace at Port Imperial	42	(595)	91	(595)
Crystal House Apartments Investors LLC / Crystal House	(289)	(110)	(581)	(222)
Roseland/Port Imperial Partners, L.P./ Riverwalk C	(283)		(414)	
RoseGarden Marbella South, L.L.C./ Marbella II	34	(307)	61	(307)
Riverpark at Harrison I, L.L.C./ Riverpark at Harrison	(66)	(102)	(77)	(130)
Capitol Place Mezz LLC / Station Townhouses	(449)	(727)	(825)	(1,495)
Harborside Unit A Urban Renewal, L.L.C. / URL Harborside	(2,976)		(3,121)	(17)
Grand Jersey Waterfront URA, L.L.C./ Liberty Landing			(15)	(60)
Hillsborough 206 Holdings, L.L.C./ Hillsborough 206		(13)	(25)	(32)
Plaza VIII & IX Associates, L.L.C./ Vacant land (parking operations)		98	385	175
Office				
Red Bank Corporate Plaza, L.L.C./ Red Bank	109	108	216	210
12 Vreeland Associates, L.L.C./ 12 Vreeland Road	54	108	131	192
BNES Associates III / Offices at Crystal Lake	39	17	45	(177)
Keystone-TriState		(191)		(668)
KPG-MCG Curtis JV, L.L.C./ Curtis Center	(543)	226	(584)	405
Other				
Roseland/North Retail, L.L.C./ Riverwalk at Port Imperial	(26)	(9)	(37)	(25)
South Pier at Harborside / Hyatt Regency Jersey City on the Hudson	750	987	1,337	820
Other	274	231	274	381
Company s equity in earnings (loss) of unconsolidated joint ventures	$ (3,298)	$ (614)	$ (3,349)	$ (2,168)

5. DEFERRED CHARGES, GOODWILL AND OTHER ASSETS, NET

(dollars in thousands)	June 30, 2017	December 31, 2016
Deferred leasing costs	$ 210,797	$ 220,947
Deferred financing costs - unsecured revolving credit facility (a)	4,945	5,400

		215,742		226,347
Accumulated amortization		(98,205)		(107,359)
Deferred charges, net		117,537		118,988
Notes receivable (b)		4,805		13,251
In-place lease values, related intangibles and other assets, net		120,440		72,046
Goodwill (c)		2,945		2,945
Prepaid expenses and other assets, net (d)		71,257		60,720
Total deferred charges, goodwill and other assets, net	$	316,984	$	267,950

(a) Pursuant to recently issued accounting standards, deferred financing costs related to all other debt liabilities (other than for the unsecured revolving credit facility) are netted against those debt liabilities for all periods presented. See Note 2: Significant Accounting Policies Deferred Financing Costs.

(b) Includes as of June 30, 2017, an interest-free note receivable with a net present value of $2.7 million which matures in April 2023. The Company believes this balance is fully collectible.

(c) All goodwill is attributable to the Company s Multi-family Services segment.

(d) Includes $15.1 million of proceeds from property sales held by a qualified intermediary as of June 30, 2017.

DERIVATIVE FINANCIAL INSTRUMENTS

Cash Flow Hedges of Interest Rate Risk

The Company s objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. As of June 30, 2017, the Company had outstanding interest rate swaps with a combined notional value of $675 million that were designated as cash flow hedges of interest rate risk. During the six months ending June 30, 2017, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt.

Table of Contents

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive income and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. During the three months ended June 30, 2017 and 2016, respectively, the company recorded ineffectiveness gain(loss) of $11,000 and $(99,000) and during the six months ended June 30, 2017 and 2016, respectively, the Company recorded ineffectiveness gain(loss) of $(32,000) and $(1,012,000), respectively, which is included in interest and other investment income (loss) in the consolidated statements of operations, attributable to a floor mismatch in the underlying indices of the derivatives and the hedged interest payments made on its variable-rate debt. Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on the Company s variable-rate debt. During the next 12 months, the Company estimates that an additional $1.2 million will be reclassified as an increase to interest expense.

Undesignated Cash Flow Hedges of Interest Rate Risk

Interest rate caps not designated as hedges are not speculative and are used to manage the Company s exposure to interest rate movements but do not meet the strict hedge accounting requirements. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings. The Company recognized expenses of zero and $1,000 for the three months ended June 30, 2017 and 2016, respectively, and zero and $2,000 for the six months ended June 30, 2017 and 2016, respectively, which is included in interest and other investment income (loss) in the consolidated statements of operations.

The table below presents the fair value of the Company s derivative financial instruments as well as their classification on the Balance Sheet as of June 30, 2017 and December 31, 2016. *(dollars in thousands)*

	Fair Value		
	June 30, 2017	December 31, 2016	Balance sheet location
Asset Derivatives designated as hedging instruments			
Interest rate swaps	$ 3,102	$ 2,847	Deferred charges, goodwill and other assets
Liability Derivatives designated as hedging instruments			
Interest rate swaps	$ 413	$	Accounts payable, accrued expenses and other liabilities

The table below presents the effect of the Company s derivative financial instruments on the Income Statement for the three and six months ending June 30, 2017 and 2016. *(dollars in thousands)*

Derivatives in Cash Flow Hedging	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)	Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion, Reclassification for Forecasted Transactions

Relationships	2017	2016	Portion)	2017	2016	Effectiveness Testing)	No Longer Probable of Occurring and Amount Excluded from Effectiveness Testing) 2017	2016
Three months ended June 30,								
Interest rate swaps	$ (2,129)	$ (3,807)	Interest expense	$ (776)	$ (893)	Interest and other investment income (loss)	$ 11	$ (99)
Six months ended June 30,								
Interest rate swaps	$ (1,494)	$ (10,994)	Interest expense	$ (1,368)	$ (1,740)	Interest and other investment income (loss)	$ (32)	$ (1,012)

Credit-risk-related Contingent Features

The Company has agreements with each of its derivative counterparties that contain a provision where the Company could be declared in default on its derivative obligations if repayment of the underlying indebtedness is accelerated by the lender due to the Company s default on the indebtedness. As of June 30, 2017, the fair value of derivatives in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements was $0.4 million. As of June 30, 2017, the Company has not posted any collateral related to these agreements. If the Company had breached any of these provisions at June 30, 2017, it could have been required to settle its obligations under the agreements at their termination value of $0.4 million.

Table of Contents

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)*

	June 30, 2017	December 31, 2016
Security deposits	$ 9,639	$ 8,778
Escrow and other reserve funds	46,528	45,174
Total restricted cash	$ 56,167	$ 53,952

7. SENIOR UNSECURED NOTES

A summary of the Company s senior unsecured notes as of June 30, 2017 and December 31, 2016 is as follows: *(dollars in thousands)*

	June 30, 2017	December 31, 2016	Effective Rate (1)
2.500% Senior Unsecured Notes, due December 15, 2017	$ 250,000	$ 250,000	2.803%
4.500% Senior Unsecured Notes, due April 18, 2022	300,000	300,000	4.612%
3.150% Senior Unsecured Notes, due May 15, 2023	275,000	275,000	3.517%
Principal balance outstanding	825,000	825,000	
Adjustment for unamortized debt discount	(3,949)	(4,430)	
Unamortized deferred financing costs	(2,757)	(3,215)	
Total senior unsecured notes, net	$ 818,294	$ 817,355	

(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.

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 under the indenture relating to its senior unsecured notes as of June 30, 2017.

8. UNSECURED REVOLVING CREDIT FACILITY AND TERM LOANS

On January 25, 2017, the Company entered into an amended revolving credit facility and new term loan agreement (2017 Credit Agreement) with a group of 13 lenders. Pursuant to the 2017 Credit Agreement, the Company refinanced its existing $600 million unsecured revolving credit facility (2017 Credit Facility) and entered into a new $325 million unsecured, delayed-draw term loan facility (2017 Term Loan).

The terms of the 2017 Credit Facility include: (1) a four-year term ending in January 2021, with two six-month extension options; (2) revolving credit loans may be made to the Company in an aggregate principal amount of up to $600 million (subject to increase as discussed below), with a sublimit under the 2017 Credit Facility for the issuance of letters of credit in an amount not to exceed $60 million (subject to increase as discussed below); (3) an interest rate based on the Operating Partnership s unsecured debt ratings from Moody s or S&P, currently the London Inter-Bank Offered Rate (LIBOR) plus 120 basis points, or, at the Operating Partnership s option, if it no longer maintains a debt rating from Moody s or S&P or such debt ratings fall below Baa3 and BBB-, based on a defined leverage ratio; and (4) a facility fee payable quarterly based on the Operating Partnership s unsecured debt ratings from Moody s or S&P, currently 25 basis points, or, at the Operating Partnership s option, if it no longer maintains a debt rating from Moody s or S&P or such debt ratings fall below Baa3 and BBB-, based on a defined leverage ratio.

Table of Contents

The interest rates on outstanding borrowings, alternate base rate loans and the facility fee on the current borrowing capacity payable quarterly in arrears on the 2017 Credit Facility 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	Interest Rate - Applicable Basis Points Above LIBOR for Alternate Base Rate Loans	Facility Fee Basis Points
No ratings or less than BBB-/Baa3	155.0	55.0	30.0
BBB- or Baa3 (current interest rate based on Company s election)	120.0	20.0	25.0
BBB or Baa2	100.0	0.0	20.0
BBB+ or Baa1	90.0	0.0	15.0
A- or A3 or higher	87.5	0.0	12.5

If the Company elected to use the defined leverage ratio, the interest rate under the 2017 Credit Facility would be based on the following total leverage ratio grid:

Total Leverage Ratio	Interest Rate - Applicable Basis Points above LIBOR	Interest Rate - Applicable Basis Points Above LIBOR for Alternate Base Rate Loans	Facility Fee Basis Points
<45%	125.0	25.0	20.0
≥45% and <50% (current ratio)	130.0	30.0	25.0
≥50% and <55%	135.0	35.0	30.0
≥55%	160.0	60.0	35.0

The terms of the 2017 Term Loan include: (1) a three-year term ending in January 2020, with two one-year extension options; (2) multiple draws of the term loan commitments may be made within 12 months of the effective date of the 2017 Credit Agreement up to an aggregate principal amount of $325 million (subject to increase as discussed below), with no requirement to be drawn in full; provided, that, if the Company does not borrow at least 50 percent of the initial term commitment from the term lenders (i.e. 50 percent of $325 million) on or before July 25, 2017, the amount of unused term loan commitments shall be reduced on such date so that, after giving effect to such reduction, the amount of unused term loan commitments is not greater than the outstanding term loans on such date; (3) an interest rate based on the Operating Partnership s unsecured debt ratings from Moody s or S&P, currently the LIBOR plus 140 basis points, or, at the Operating Partnership s option if it no longer maintains a debt rating from Moody s or S&P or such debt ratings fall below Baa3 and BBB-, based on a defined leverage ratio; and (4) a term commitment fee on any unused term loan commitment during the first 12 months after the effective date of the 2017 Credit Agreement at a rate of 0.25 percent per annum on the sum of the average daily unused portion of the aggregate term loan commitments.

On March 22, 2017, the Company drew the full $325 million available under the 2017 Term Loan. On March 29, 2017, the Company executed interest rate swap arrangements to fix LIBOR with an aggregate average rate of 1.6473% for the swaps and a current aggregate fixed rate of 3.0473% on borrowings under the 2017 Term Loan.

On up to four occasions at any time after the effective date of the 2017 Credit Agreement, the Company may elect to request (1) an increase to the existing revolving credit commitments (any such increase, the New Revolving Credit Commitments) and/or (2) the establishment of one or more new term loan commitments (the New Term Commitments , together with the 2017 Credit Commitments, the Incremental Commitments), by up to an aggregate amount not to exceed $350 million for all Incremental Commitments. The Company may also request that the sublimit for letters of credit available under the 2017 Credit Facility be increased to $100 million (without arranging any New Revolving Credit Commitments). No lender or letter of credit issued has any obligation to accept any Incremental Commitment or any increase to the letter of credit subfacility. There is no premium or penalty associated with full or partial prepayment of borrowings under the 2017 Credit Agreement.

The 2017 Credit Agreement, which applies to both the 2017 Credit Facility and 2017 Term Loan, includes 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 2017 Credit Agreement (described below), or (ii) the property dispositions are completed while the Company is under an event of default under the 2017 Credit Agreement, 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

Table of Contents

investment limitations (generally 15 percent of total capitalization). If an event of default has occurred and is continuing, the entire outstanding balance under the 2017 Credit Agreement may (or, in the case of any bankruptcy event of default, shall) become immediately due and payable, and the Company will not make any excess distributions except to enable the General Partner to continue to qualify as a REIT under the IRS Code.

Before it amended and restated its unsecured revolving credit facility in January 2017, the Company had a $600 million unsecured revolving credit facility with a group of 17 lenders that was scheduled to mature in July 2017. 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 was based upon the Operating Partnership s unsecured debt ratings at the time, 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 (current through January 2017 amendment)	130.0	30.0
BBB or Baa2	110.0	20.0
BBB+ or Baa1	100.0	15.0
A- or A3 or higher	92.5	12.5

In January 2016, the Company obtained a $350 million unsecured term loan (2016 Term Loan), which matures in January 2019 with two one-year extension options. The interest rate for the term loan is currently 140 basis points over LIBOR, subject to adjustment on a sliding scale based on the Operating Partnership s unsecured debt ratings, or, at the Company s option, a defined leverage ratio. The Company entered into interest rate swap arrangements to fix LIBOR for the duration of the term loan. Including costs, the current all-in fixed rate is 3.13 percent. The proceeds from the loan were used primarily to repay outstanding borrowings on the Company s then existing unsecured revolving credit facility and to repay $200 million senior unsecured notes that matured on January 15, 2016.

The interest rate on the 2016 Term Loan is 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
No ratings or less than BBB-/Baa3	185.0
BBB- or Baa3 (current interest rate based on Company s election)	140.0
BBB or Baa2	115.0
BBB+ or Baa1	100.0
A- or A3 or higher	90.0

If the Company elected to use the defined leverage ratio, the interest rate under the 2016 Term Loan would be based on the following total leverage ratio grid:

Interest Rate -
Applicable Basis

Total Leverage Ratio	**Points above LIBOR**
<45%	145.0
≥45% and <50% (current ratio)	155.0
≥50% and <55%	165.0
≥55%	195.0

The terms of the 2016 Term Loan 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 term loan described below, or (ii) the property dispositions are completed while the Company is under an event of default under the term loan, 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 General Partner to continue to qualify as a REIT under the IRS Code.

The Company was in compliance with its debt covenants under its unsecured revolving credit facility and term loans as of June 30, 2017.

Table of Contents

As of June 30, 2017 and December 31, 2016, the Company s unsecured credit facility and term loans totaled $770.4 million and $634.1 million, respectively, comprised of: $99 million of outstanding borrowings under its unsecured revolving credit facility, $348.6 million from the 2016 Term Loan (net of unamortized deferred financing costs of $1.4 million) and $322.8 million from the 2017 Term Loan (net of unamortized deferred financing costs of $2.2 million) as of June 30, 2017; and $286 million of borrowings under its unsecured revolving credit facility and $348.1 million from the 2016 Term Loan (net of unamortized deferred costs of $1.9 million) as of December 31, 2016.

9. 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, land and development projects. As of June 30, 2017, 15 of the Company s properties, with a total carrying value of approximately $1.7 billion, and six of the Company s land and development projects, with a total carrying value of approximately $392 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. The Company was in compliance with its debt covenants under its mortgages and loans payable as of June 30, 2017.

A summary of the Company s mortgages, loans payable and other obligations as of June 30, 2017 and December 31, 2016 is as follows: *(dollars in thousands)*

Property/Project Name	Lender	Effective Rate (a)	June 30, 2017	December 31, 2016	Maturity
150 Main St.	Webster Bank	LIBOR+2.35%	$ 28,540	$ 26,642	08/01/17
Curtis Center (b)	CCRE & PREFG	LIBOR+5.912%	75,000	75,000	10/09/17
23 Main Street	Berkadia CMBS	5.587 %	27,467	27,838	09/01/18
Port Imperial 4/5 Hotel (c)	Fifth Third Bank & Santander	LIBOR+4.50%	24,870	14,919	10/06/18
Harborside Plaza 5	The Northwestern Mutual Life Insurance Co. & New York Life Insurance Co.	6.842 %	211,486	213,640	11/01/18
Chase II (d)	Fifth Third Bank	LIBOR+2.25%	43,527	34,708	12/16/18
One River Center (e)	Guardian Life Insurance Co.	7.311 %	40,847	41,197	02/01/19
Park Square	Wells Fargo Bank N.A.	LIBOR+1.872%	27,267	27,500	04/10/19
250 Johnson (f)	M&T Bank	LIBOR+2.35%	14,006	2,440	05/20/19
Portside 5/6 (g)	Citizens Bank	LIBOR+2.50%	16,489		09/19/19
Port Imperial South 11 (h)	JPMorgan Chase	LIBOR+2.35%	30,403	14,073	11/24/19
Worcester (i)	Citizens Bank	LIBOR+2.50%	16,403		12/10/19
Monaco (j)	The Northwestern Mutual Life Insurance Co.	3.15%	170,796		02/01/21
Port Imperial South 4/5 Retail	American General Life & A/G PC	4.559 %	4,000	4,000	12/01/21
The Chase at Overlook Ridge	New York Community Bank	3.740 %	72,500	72,500	02/01/23
Portside 7	CBRE Capital Markets/FreddieMac	3.569 %	58,998	58,998	08/01/23
Alterra I & II	Capital One/FreddieMac	3.854 %	100,000		02/01/24
101 Hudson	Wells Fargo CMBS	3.197 %	250,000	250,000	10/11/26
Short Hills office buildings (k)	Wells Fargo CMBS	4.149 %	124,500		04/01/27
Port Imperial South 4/5 Garage	American General Life & A/G PC	4.853 %	32,600	32,600	12/01/29

Principal balance outstanding	1,369,699	896,055
Unamortized deferred financing costs	(8,162)	(7,470)
Total mortgages, loans payable and other obligations, net	$ 1,361,537	$ 888,585

(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) The Company owns a 50 percent tenants-in-common interest in the Curtis Center property. The Company s $75 million loan consists of its 50 percent interest in a $102 million senior loan with a current rate of 4.45 percent at June 30, 2017 and its 50 percent interest in a $48 million mezzanine loan with a current rate of 10.66 percent at June 30, 2017. 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. The Company has entered into LIBOR caps for the periods of the loans. In October 2016, the first of three one-year extension options was exercised by the venture.

(c) This construction loan has a maximum borrowing capacity of $94 million.

(d) This construction loan has a maximum borrowing capacity of $48 million.

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

(f) This construction loan has a maximum borrowing capacity of $42 million.

(g) This construction loan has a maximum borrowing capacity of $73 million.

(h) This construction loan has a maximum borrowing capacity of $78 million.

(i) This construction loan has a maximum borrowing capacity of $58 million.

(j) This mortgage loan, which includes unamortized fair value adjustment of $5.8 million as of June 30, 2017, was assumed by the Company in April 2017 with the consolidation of all the interests in Monaco Towers.

(k) This mortgage loan was obtained by the Company in March 2017 to partially fund the acquisition of the Short Hills/Madison portfolio.

Table of Contents

CASH PAID FOR INTEREST AND INTEREST CAPITALIZED

Cash paid for interest for the six months ended June 30, 2017 and 2016 was $49,652,000 and $61,979,000, respectively. Interest capitalized by the Company for the six months ended June 30, 2017 and 2016 was $9,173,000 and $9,346,000, respectively (which amounts included $1,009,000 and $2,771,000 for the six months ended June 30, 2017 and 2016, respectively, of interest capitalized on the Company s investments in unconsolidated joint ventures which were substantially in development).

SUMMARY OF INDEBTEDNESS

As of June 30, 2017, the Company s total indebtedness of $2,968,699,000 (weighted average interest rate of 3.87 percent) was comprised of $375,504,000 of revolving credit facility borrowings and other variable rate mortgage debt (weighted average rate of 3.91 percent) and fixed rate debt and other obligations of $2,593,195,000 (weighted average rate of 3.86 percent).

As of December 31, 2016, the Company s total indebtedness of $2,357,055,000 (weighted average interest rate of 3.79 percent) was comprised of $481,282,000 of unsecured revolving credit facility borrowings and other variable rate mortgage debt (weighted average rate of 2.93 percent) and fixed rate debt and other obligations of $1,875,773,000 (weighted average rate of 4.01 percent).

10. EMPLOYEE BENEFIT 401(k) PLANS

Employees of the General Partner, 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 June 30, 2017 and 2016 was $233,000 and 254,000, respectively, and $575,000 and $492,000 for the six months ended June 30, 2017 and 2016, respectively.

11. DISCLOSURE OF FAIR VALUE OF ASSETS AND LIABILITIES

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 assets and liabilities at

June 30, 2017 and December 31, 2016. 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 June 30, 2017 and December 31, 2016.

The fair value of the Company s long-term debt, consisting of senior unsecured notes, unsecured term loans, an unsecured revolving credit facility and mortgages, loans payable and other obligations aggregated approximately $2,934,517,000 and $2,308,488,000 as compared to the book value of approximately $2,950,219,000 and $2,340,009,000 as of June 30, 2017 and December 31, 2016, respectively. The fair value of the Company s long-term debt was categorized as a level 3 basis (as provided by ASC 820, Fair Value Measurements and Disclosures). The fair value was 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.

Table of Contents

The fair value measurements used in the evaluation of the Company s rental properties are considered to be Level 3 valuations within the fair value hierarchy, as there are significant unobservable inputs. Examples of inputs that were utilized in the fair value calculations include estimated holding periods, discount rates, market capitalization rates, expected lease rental rates, and third party broker information. Valuations of rental property identified as held for sale are based on sale prices, net of estimated selling costs, of such property, based on signed sale agreements.

Disclosure about fair value of assets and liabilities is based on pertinent information available to management as of June 30, 2017 and December 31, 2016. 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 June 30, 2017 and current estimates of fair value may differ significantly from the amounts presented herein.

12. 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 $349,000 and $271,000 for the three months ended June 30, 2017 and 2016, respectively, and $698,000 and $519,000 for the six months ended June 30, 2017 and 2016, 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 $1.3 million and $917,000 for the three months ended June 30, 2017 and 2016, respectively, and $2.5 million and $1.8 million for the six months ended June 30, 2017 and 2016, respectively.

The Port Imperial 4/5 Garage development project agreement with the City of Weehawken has a term of five years beginning when the project is substantially complete, which occurred in the third quarter of 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 at zero percent year one and 80 percent in years two through five.

The Port Imperial South 1/3 Garage development project agreement with the City of Weehawken has a term of five years beginning when the project is substantially complete, which occurred in the fourth quarter of 2015. The agreement provides that real estate taxes be paid at 100 percent on the land value of the project only over the five year period and allows for a phase in of real estate taxes on the building improvement value at zero percent in year one and 95 percent in years two through five.

The Port Imperial Hotel development project agreement with the City of Weehawken is for a term of 15 years following substantial completion, which is anticipated to be in the second quarter 2018. The annual PILOT is equal to two percent of Total Project Costs, as defined.

The Port Imperial South 11 development project agreement with the City of Weehawken is for a term of 15 years following substantial completion, which is anticipated to be in the first quarter 2018. The annual PILOT is equal to 10 percent of Gross Revenues, as defined.

The 111 River Realty agreement with the City of Hoboken, which commenced on October 1, 2001 expires in April 2022. The PILOT payment equals $1,227,708 annually through April 2017 and then increases to $1,406,064 annually until expiration. The PILOT totaled $307,000 and $614,000 for the three and six months ended June 30, 2017.

The Monaco Towers agreement with the City of Jersey City, which commenced in 2011, is for a term of 10 years. The annual PILOT is equal to 10 percent of gross revenues, as defined. The PILOT totaled $548,000 for the period from acquisition (April 3, 2017) through June 30, 2017.

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.

Table of Contents

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 June 30, 2017, are as follows: *(dollars in thousands)*

Year		**Amount**
July 1 through December 31, 2017	$	1,069
2018		2,142
2019		2,152
2020		2,168
2021		2,168
2022 through 2084		170,842
Total	$	180,541

Ground lease expense incurred by the Company amounted to $599,000 and $128,000 during the three months ended June 30, 2017 and 2016, respectively, and $1.2 million and $229,000 for the six months ended June 30, 2017 and 2016, respectively.

CONSTRUCTION PROJECTS

In 2015, the Company commenced development of a two-phase multi-family development of the CitySquare project in Worcester, Massachusetts. The first phase, with 237 units, is under construction with anticipated initial deliveries in the fourth quarter 2017. The second phase, with 128 units, started construction in the third quarter 2016 with anticipated initial deliveries in the third quarter 2018. Total development costs for both phases are estimated to be $92 million with development costs of $60 million incurred through June 30, 2017. The Company has a construction loan with a maximum borrowing amount of $58 million (with $16.4 million outstanding as of June 30, 2017). The Company does not expect to fund additional costs for the completion of the project as future development costs will be funded by using the loan financings.

In 2015, the Company entered into a 90-percent owned joint venture with XS Port Imperial Hotel, LLC to form XS Hotel Urban Renewal Associates LLC, which is developing a 372-key hotel in Weehawken, New Jersey. The project is expected to be ready for occupancy by second quarter 2018. The construction of the project is estimated to cost $139.4 million, with development costs of $74.8 million incurred by the venture through June 30, 2017. The venture has a $94 million construction loan (with $24.9 million outstanding as of June 30, 2017). The Company expects to fund $2.9 million of additional costs for the completion of the project with the remaining future costs to be funded by using the loan financing.

In 2016, the Company commenced the repurposing of a former office property site in Morris Plains, New Jersey into a 197-unit multi-family development project. The project, which is estimated to cost $58.7 million of which development costs of $35.1 million have been incurred through June 30, 2017, is expected to be ready for occupancy by the fourth quarter of 2017. The remaining project costs are expected to be funded primarily from a $42 million construction loan (with $14 million outstanding as of June 30, 2017).

In 2016, the Company started construction of a 296-unit multi-family project in East Boston, Massachusetts. The project is expected to be ready for occupancy by second quarter 2018 and is estimated to cost $111.4 million of which development costs of $64.9 million have been incurred through June 30, 2017. The remaining project costs are expected to be funded primarily from a $73 million construction loan (with $16.5 million outstanding as of June 30, 2017).

The Company is developing a 295-unit multi-family project in Weehawken, New Jersey, which began construction in first quarter 2016. The project, which is expected to be ready for occupancy by first quarter 2018, is estimated to cost $124 million (of which development costs of $63.2 million have been incurred through June 30, 2017). The project costs are expected to be funded primarily from a $78 million construction loan (with $30.4 million outstanding as of June 30, 2017). The Company expects to fund $46 million for the development of the project, of which the Company has funded $32.8 million as of June 30, 2017.

The Company is developing a 310-unit multi-family project in Conshohocken, Pennsylvania, which began construction in third quarter 2016 with anticipated initial occupancy in second quarter 2019. The project is estimated to cost $89.4 million (of which development costs of $22.3 million have been incurred through June 30, 2017). The project costs are expected to be funded primarily through borrowings under the Company s unsecured revolving credit facility.

OTHER

Through February 2016, the Company could not dispose of or distribute certain of its properties which were originally contributed by certain unrelated common unitholders of the Operating Partnership, without the express written consent of such common unitholders, as applicable, except in a manner which did not result in recognition of any built-in-gain (which may result in an income tax liability) or which reimbursed 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 did not apply in the event that the Company sold all of its

Table of Contents

properties or in connection with a sale transaction which the General Partner s Board of Directors determined was 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 expired in February 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 General Partner s Board of Directors; David S. Mack, director; and Earle I. Mack, a former director), the Robert Martin Group (which includes Robert F. Weinberg, a former director and current member of the General Partner s Advisory Board), and the Cali Group (which includes John R. Cali, a former director and current member of the General Partner s Advisory Board). As of June 30, 2017, 102 of the Company s properties, with an aggregate carrying value of approximately $1.2 billion, have lapsed restrictions and are subject to these conditions.

13. 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 June 30, 2017 are as follows *(dollars in thousands)*:

Year		**Amount**
July 1 through December 31, 2017	$	228,002
2018		396,454
2019		346,515
2020		302,736
2021		267,599
2022 and thereafter		1,085,578
Total	$	2,626,884

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

14. REDEEMABLE NONCONTROLLING INTERESTS

The Company evaluates the terms of the partnership units issued in accordance with the FASB s Distinguishing Liabilities from Equity guidance. Units which embody an unconditional obligation requiring the Company to redeem the units for cash after a specified or determinable date (or dates) or upon the occurrence of an event that is not solely within the control of the issuer are determined to be contingently redeemable under this guidance and are included as Redeemable noncontrolling interests and classified within the mezzanine section between Total liabilities and Stockholders equity on the Company s Consolidated Balance Sheets. Convertible units for which the Company has the option to settle redemption amounts in cash or Common Stock are included in the caption Noncontrolling interests in subsidiaries within the equity section on the Company s Consolidated Balance Sheet.

Rockpoint Transaction

On February 27, 2017, the Company, Roseland Residential Trust (RRT), the Company s wholly-owned subsidiary through which the Company conducts its multi-family residential real estate operations, Roseland Residential, L.P. (RRLP), the operating partnership through which RRT conducts all of its operations, and certain other affiliates of the Company entered into an equity investment agreement (the Investment Agreement) with Rockpoint Group, L.L.C. and certain of its affiliates (collectively, Rockpoint). The Investment Agreement provides for multiple equity investments by Rockpoint in RRLP from time to time for up to an aggregate of $300 million of equity units of limited partnership interests of RRLP (the Rockpoint Units). The initial closing under the Investment Agreement occurred on March 10, 2017 for $150 million of Rockpoint Units and the parties agreed that the Company s contributed equity value, (RRT Contributed Equity Value), was $1.23 billion at closing. Additional closings of Rockpoint Units to be issued and sold to Rockpoint pursuant to the Investment Agreement may occur from time to time in increments of not less than $10 million per closing, with the balance of the full $300 million by March 1, 2019.

The Company has a participation right, where prior to March 1, 2022 and following either the full investment of $300 million by Rockpoint or in certain other limited circumstances, the Company may contribute up to $200 million to obtain equity units on substantially the same terms and conditions as the Rockpoint Units to be issued and sold to Rockpoint.

Table of Contents

Under the terms of the transaction, the cash flow from operations of RRLP will be distributable to RRT and Rockpoint as follows:

first, to provide a 6% annual return to Rockpoint (and to the Company after it contributes to RRT to obtain equity units, as described above) on its invested capital (Preferred Base Return);

second, to provide a 6% annual return on the equity value of the properties contributed by it to the partnership (RRT Base Return) with 95% of the RRT Base Return to RRT and 5% of the RRT Base Return to Rockpoint; and

third, pro rata between Rockpoint (and the Company upon its contribution to obtain equity units) and RRT based on total respective invested capital by Rockpoint and RRT Initial Capital Contribution.

Based on Rockpoint s $150 million invested capital and RRT s Initial Capital Contribution, at March 31, 2017 this pro rata distribution would be approximately 10.9% to Rockpoint and 89.1% to RRT.

RRLP s cash flow from capital events will generally be distributable to RRT and Rockpoint as follows:

first, to Rockpoint (and the Company after it contributes to RRT to obtain equity units) to the extent there is any unpaid, accrued Preferred Base Return;

second, as a return of capital to Rockpoint (and the Company after it contributes to RRT to obtain equity units);

third, to RRT to the extent there is any unpaid, accrued RRT Base Return (with Rockpoint entitled to 5% of the amounts distributable to RRT);

fourth, as a return of capital to RRT based on the equity value of the properties contributed by it to the partnership (with Rockpoint entitled to 5% of the amounts distributable to RRT);

fifth, pro rata between Rockpoint (and the Company after it contributes to RRT to obtain equity units) and RRT based on total respective invested capital and contributed equity value until Rockpoint has achieved an 11% internal rate of return; and sixth, to Rockpoint (and to the Company after it contributes to RRT to obtain equity units) based on 50% of its pro rata share described in fifth above and the balance to RRT.

In general, RRLP may not sell its properties in a taxable transaction, although it may engage in tax-deferred like-kind exchanges of properties or it may proceed in another manner designed to avoid the recognition of gains for tax purposes.

Beginning March 1, 2022, except in certain limited circumstances as defined in the agreement, either RRT or Rockpoint may cause RRT to redeem (a Put/Call Event) all, but not less than all, of Rockpoint s interest in the Rockpoint Units based on a net asset value of RRLP to be determined by a third party valuation and generally based on the capital event waterfall described above. On a Put/Call Event, other than the sale of RRLP, Rockpoint can either demand payment in cash or may elect to convert all, but not less than all, of its investment to common equity in RRLP. As such, the Rockpoint Units contain a substantive redemption feature that is outside of the Company s control and accordingly, pursuant to ASC 480-1 S99-3A, the Rockpoint Units are classified in mezzanine equity measured based on the estimated future redemption value as of June 30, 2017.

Preferred Units

On February 3, 2017, the Operating Partnership issued 42,800 shares of a new class of 3.5 percent Series A Preferred Limited Partnership Units of the Operating Partnership (the Series A Units). The Series A Units were issued to the Company s partners in the Plaza VIII & IX Associates L.L.C. joint venture that owns a development site adjacent to the Company s Harborside property in Jersey City, New Jersey as non-cash consideration for their approximate 37.5 percent interest in the joint venture.

Each Series A Unit has a stated value of $1,000, pays dividends quarterly at an annual rate of 3.5 percent (subject to increase under certain circumstances), is convertible into 28.15 common units of limited partnership interests of the Operating Partnership beginning generally five years from the date of issuance, or an aggregate of up to 1,204,820 common units. The conversion rate was based on a value of $35.52 per common unit. The Series A Units have a liquidation and dividend preference senior to the common units and include customary anti-dilution protections for stock splits and similar events. The Series A Units are redeemable for cash at their stated value beginning five years from the date of issuance at the option of the holder.

On February 28, 2017, the Operating Partnership authorized the issuance of 9,213 shares of a new class of 3.5 percent Series A-1 Preferred Limited Partnership Units of the Operating Partnership (the Series A-1 Units). 9,122 Series A-1 Units were issued on February 28, 2017 and an additional 91 Series A-1 Units were issued in April 2017 pursuant to acquiring additional interests in a joint venture that owns Monaco Towers in Jersey City, New Jersey. The Series A-1 Units were issued as non-cash consideration for the partner s approximate 13.8 percent ownership interest in the joint venture.

Each Series A-1 Unit has a stated value of $1,000 (the Stated Value), pays dividends quarterly at an annual rate equal to the greater of (x) 3.5 percent, or (y) the then-effective annual dividend yield on the General Partner s common stock, and is convertible into 27.936 common units of limited partnership interests of the Operating Partnership beginning generally five years from the date of

Table of Contents

issuance, or an aggregate of up to 257,375 Common Units. The conversion rate was based on a value of $35.80 per common unit. The Series A-1 Units have a liquidation and dividend preference senior to the Common Units and include customary anti-dilution protections for stock splits and similar events. The Series A-1 Units are redeemable for cash at their stated value beginning five years from the date of issuance at the option of the holder. The Series A-1 Units are pari passu with the 42,800 3.5% Series A Units issued on February 3, 2017.

The following table sets forth the changes in Redeemable noncontrolling interests for the six months ended June 30, 2017 *(dollars in thousands)*:

	Series A and A-1 Preferred Units In MCRLP	Rockpoint Interests in RRT	Total Redeemable Noncontrolling Interests
Balance January 1, 2017	$	$	$
Redeemable Noncontrolling Interests Issued	52,013	150,000	202,013
Issuance Costs	(464)	(10,563)	(11,027)
Net	51,549	139,437	190,986
Income Attributed to Noncontrolling Interests	720	2,754	3,474
Distributions	(720)	(2,754)	(3,474)
Redemption Value Adjustment	775	14,265	15,040
Redeemable Noncontrolling Interests as of June 30, 2017	$ 52,324	$ 153,702	$ 206,026

15. MACK-CALI REALTY CORPORATION STOCKHOLDERS EQUITY AND MACK-CALI REALTY, L.P. S PARTNERS CAPITAL

To maintain its qualification as a REIT, not more than 50 percent in value of the outstanding shares of the General Partner may be owned, directly or indirectly, by five or fewer individuals at any time during the last half of any taxable year of the General Partner, other than its initial taxable year (defined to include certain entities), applying certain constructive ownership rules. To help ensure that the General Partner will not fail this test, the General Partner 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 General Partner 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.

Partners Capital in the accompanying consolidated financial statements relates to (a) General Partners capital consisting of common units in the Operating Partnership held by the General Partner, and (b) Limited Partners capital consisting of common units and LTIP units held by the limited partners. See Note 16: Noncontrolling Interests in Subsidiaries.

Any transactions resulting in the issuance of additional common and preferred stock of the General Partner result in a corresponding issuance by the Operating Partnership of an equivalent amount of common and preferred units to the General Partner.

SHARE/UNIT REPURCHASE PROGRAM

In September 2012, the Board of Directors of the General Partner renewed and authorized an increase to the General Partner s repurchase program (Repurchase Program). The General Partner 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 General Partner has purchased and retired 394,625 shares of its outstanding common stock for an aggregate cost of approximately $11 million (all of which occurred in the year ended December 31, 2012), with a remaining authorization under the Repurchase Program of $139 million. Concurrent with these purchases, the General Partner sold to the Operating Partnership common units for approximately $11 million.

DIVIDEND REINVESTMENT AND STOCK PURCHASE PLAN

The General Partner has a Dividend Reinvestment and Stock Purchase Plan (the DRIP) which commenced in March 1999 under which approximately 5.5 million shares of the General Partner 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 General Partner 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 General Partner s common stock reserved for issuance under the DRIP.

Table of Contents

STOCK OPTION PLANS

In May 2013, the General Partner established the 2013 Incentive Stock Plan (the 2013 Plan) under which a total of 4,600,000 shares have been reserved for issuance.

On June 5, 2015, in connection with employment agreements entered into with each of Messrs. Rudin and DeMarco (together, the Executive Employment Agreements), the Company granted options to purchase a total of 800,000 shares of the General Partner s common stock, exercisable for a period of ten years with an exercise price equal to the closing price of the General Partner s common stock on the grant date of $17.31 per share, with 400,000 of such options vesting in three equal annual installments commencing on the first anniversary of the grant date (Time Vesting Options), and 400,000 of such options vesting if the General Partner s common stock trades at or above $25.00 per share for 30 consecutive trading days while the executive is employed (Price Vesting Options), or on or before June 30, 2019, subject to certain conditions. The Price Vesting Options vested on July 5, 2016 on account of the price vesting condition being achieved.

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, 2017	800,000	$	17.31	$	9,368
Granted, Lapsed or Cancelled					
Outstanding at June 30, 2017 ($17.31)	800,000	$	17.31	$	7,864
Options exercisable at June 30, 2017	666,666				
Available for grant at June 30, 2017	2,068,096				

There were no stock options exercised under any stock option plans for the six months ended June 30, 2017 and 2016, respectively. The Company has a policy of issuing new shares to satisfy stock option exercises. As of June 30, 2017 and December 31, 2016, the stock options outstanding had a weighted average remaining contractual life of approximately 7.9 and 8.4 years, respectively.

The Company recognized stock options expense of $116,000 and $183,000 for the three months ended June 30, 2017 and 2016, respectively, and $232,000 and $367,000 for the six months ended June 30, 2017 and 2016, respectively.

RESTRICTED STOCK AWARDS

The Company has issued stock awards (Restricted Stock Awards) to officers, certain other employees and non-employee members of the Board of Directors of the General Partner, which allow the holders to each receive a certain amount of shares of the General Partner s common stock generally over a one to seven-year vesting period, of which 96,769 unvested shares were legally outstanding at June 30, 2017. Vesting of the Restricted Stock Awards issued to executive officers and certain other employees is based on time and service.

On June 5, 2015, in connection with the Executive Employment Agreements, the Company granted a total of 37,550.54 Restricted Stock Awards, which were valued in accordance with ASC 718 Stock Compensation, at their fair value. These awards vest equally over a three-year period on each annual anniversary date of the grant date.

All currently outstanding and unvested Restricted Stock Awards provided to the officers, certain other employees, and members of the Board of Directors of the General Partner were issued under the 2013 Plan.

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

	Shares	Weighted-Average Grant Date Fair Value
Outstanding at January 1, 2017	145,278	$ 21.76
Granted	59,985	27.00
Vested	(95,009)	20.73
Cancelled	(968)	25.83
Outstanding at June 30, 2017	109,286	$ 25.49

As of June 30, 2017, the Company had $2.1 million of total unrecognized compensation cost related to unvested Restricted Stock Awards granted under the Company s stock compensation plans. That cost is expected to be recognized over a weighted average period of 1.3 years.

Table of Contents

PERFORMANCE SHARE UNITS

On June 5, 2015, in connection with the Executive Employment Agreements, the Company granted a total of 112,651.64 performance share units (PSUs) which will vest from 0 to 150 percent of the number of PSUs granted based on the Company s total shareholder return relative to a peer group of equity office REITs over a three-year performance period starting from the grant date, each PSU evidencing the right to receive a share of the General Partner s common stock upon vesting. The PSUs are also entitled to the payment of dividend equivalents in respect of vested PSUs in the form of additional PSUs. The PSUs were valued in accordance with ASC 718, Compensation - Stock Compensation, at their fair value on the grant date, 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 2013 Plan for issuance upon vesting of the PSUs in accordance with their terms and conditions.

As of June 30, 2017, the Company had $0.5 million of total unrecognized compensation cost related to unvested PSUs granted under the Company s stock compensation plans. That cost is expected to be recognized over a weighted average period of 0.9 years.

LONG-TERM INCENTIVE PLAN AWARDS

On March 8, 2016, the Company granted Long-Term Incentive Plan (LTIP) awards to senior management of the Company, including the General Partner s executive officers (the 2016 LTIP Awards). All of the 2016 LTIP Awards were in the form of units in the Operating Partnership (LTIP Units) and constitute awards under the 2013 Plan. For Messrs. Rudin, DeMarco and Tycher, approximately 25 percent of the target 2016 LTIP Award was in the form of a time-based award that will vest after three years on March 8, 2019 (the 2016 TBV LTIP Units), and the remaining approximately 75 percent of the target 2016 LTIP Award was in the form of a performance-based award under a new Outperformance Plan (the 2016 OPP) adopted by the General Partner s Board of Directors consisting of a multi-year, performance-based equity compensation plan and related forms of award agreement (the 2016 PBV LTIP Units). For all other executive officers, approximately 40 percent of the target 2016 LTIP Award was in the form of 2016 TBV LTIP Units and the remaining approximately 60 percent of the target 2016 LTIP Award was in the form of 2016 PBV LTIP Units.

The 2016 OPP is designed to align the interests of senior management to relative and absolute performance of the Company over a three-year performance period from March 8, 2016 through March 7, 2019. Participants in the 2016 OPP will only earn the full awards if, over the three-year performance period, the Company achieves a 50 percent absolute total stockholder return (TSR) and if the Company is in the 75th percentile of performance versus the NAREIT Office Index.

On April 4, 2017, the Company granted LTIP awards to senior management of the Company, including the General Partner s executive officers (the 2017 LTIP Awards). All of the 2017 LTIP Awards were in the form of LTIP Units and constitute awards under the 2013 Plan. For Messrs. DeMarco, Tycher and Rudin, approximately twenty-five percent (25%) of the 2017 LTIP Award was in the form of a time-based award that will vest after three years on April 4, 2020 (the 2017 TBV LTIP Units), and the remaining approximately seventy-five percent (75%) of the 2017 LTIP Award was in the form of a performance-based award under the Company s Outperformance Plan (the 2017 OPP) adopted by the General Partner s Board of Directors, consisting of a multi-year, performance-based equity compensation plan and related forms of award agreement (the 2017 PBV LTIP Units). For all other executive officers, approximately forty percent (40%) of the 2017 LTIP Award was in the form of 2017 TBV LTIP Units and the remaining approximately sixty percent (60%) of the 2017 LTIP Award was in the form of 2017 PBV LTIP Units.

The 2017 OPP is designed to align the interests of senior management to relative and absolute performance of the Company over a three-year performance period from April 4, 2017 through April 3, 2020. Participants in the 2017 OPP will only earn the full awards if, over the three-year performance period, the Company achieves a thirty-six percent (36%) absolute TSR and if the Company is in the 75th percentile of performance as compared to the NAREIT office index.

LTIP Units will remain subject to forfeiture depending on the extent that the 2016 LTIP Awards and 2017 LTIP Awards vest. The number of LTIP Units to be issued initially to recipients of the 2016 PBV LTIP Awards and 2017 PBV LTIP Awards is the maximum number of LTIP Units that may be earned under the awards. The number of LTIP Units that actually vest for each award recipient will be determined at the end of the performance measurement period. TSR for the Company and for the Index over the three-year measurement period and other circumstances will determine how many LTIP Units vest for each recipient; if they are fewer than the number issued initially, the balance will be forfeited as of the performance measurement date.

Prior to vesting, recipients of LTIP Units will be entitled to receive per unit distributions equal to one-tenth (10 percent) of the regular quarterly distributions payable on a common unit of limited partnership interest in the Operating Partnership (a common unit), but will not be entitled to receive any special distributions. Distributions with respect to the other nine-tenths (90 percent) of regular quarterly distributions payable on a common unit will accrue but shall only become payable upon vesting of the LTIP Unit. After vesting of the 2016 TBV LTIP Units and 2017 TBV LTIP Units or the end of the measurement period for the 2016 PBV LTIP Units and 2017 PBV LTIP Units, the number of LTIP Units, both vested and unvested, will be entitled to receive distributions in an amount per unit equal to distributions, both regular and special, payable on a common unit.

As of June 30, 2017, the Company granted a total of 496,781 2016 PBV LTIP Units, 155,773 2016 TBV LTIP Units, 481,436 2017 PBV LTIP Units and 96,887 2017 TBV LTIP Units. The LTIP Units were valued in accordance with ASC 718 Stock Compensation, at their fair value. The Company has reserved shares of common stock under the 2013 Plan for issuance upon vesting and conversion of the LTIP Units in accordance with their terms and conditions.

As of June 30, 2017, the Company had $13.7 million of total unrecognized compensation cost related to unvested LTIP awards granted under the Company s stock compensation plans. That cost is expected to be recognized over a weighted average period of 2.9 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 six months ended June 30, 2017 and 2016, 8,821 and 7,859 deferred stock units were earned, respectively. As of June 30, 2017 and December 31, 2016, there were 201,001 and 193,711 deferred stock units outstanding, respectively.

EARNINGS PER SHARE/UNIT

Basic EPS or EPU excludes dilution and is computed by dividing net income available to common shareholders or unitholders by the weighted average number of shares or units outstanding for the period. Diluted EPS or EPU 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 six months ended June 30, 2017 and 2016 in accordance with ASC 260, Earnings Per Share: *(dollars in thousands, except per share amounts)*

Mack-Cali Realty Corporation:

Computation of Basic EPS	**Three Months Ended June 30, 2017**	**Three Months Ended June 30, 2016**	**Six Months Ended June 30, 2017**	**Six Months Ended June 30, 2016**
Net income (loss)	$ (39,125)	$ 54,366	$ (16,396)	$ 123,135
Add (deduct): Noncontrolling interest in consolidated joint ventures	181	(311)	418	395
Add (deduct): Noncontrolling interest in Operating Partnership	4,296	(5,662)	2,001	(12,946)
Deduct: Redeemable noncontrolling interest	(2,682)		(3,474)	
Deduct: Redemption value adjustment of redeemable noncontrolling interests attributable to common shareholders	(2,551)		(12,411)	
Net income (loss) available to common shareholders for basic earnings per share	$ (39,881)	$ 48,393	$ (29,862)	$ 110,584
Weighted average common shares	90,011	89,740	89,983	89,731
Basic EPS:				
Net income (loss) available to common shareholders	$ (0.44)	$ 0.54	$ (0.33)	$ 1.23

[redacted]				
Computation of Diluted EPS	**2017**	**2016**	**2017**	**2016**
Net income (loss) available to common shareholders for basic earnings per share	$ (39,881)	$ 48,393	$ (29,862)	$ 110,584
Add (deduct): Noncontrolling interest in Operating Partnership	(4,296)	5,662	(2,001)	12,946
Deduct: Redemption value adjustment of redeemable noncontrolling interests attributable to the Operating Partnership unitholders	(294)		(1,432)	
Net income (loss) for diluted earnings per share	$ (44,471)	$ 54,055	$ (33,295)	$ 123,530
Weighted average common shares	100,370	100,401	100,354	100,359
Diluted EPS:				
Net income (loss) available to common shareholders	$ (0.44)	$ 0.54	$ (0.33)	$ 1.23

Table of Contents

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Basic EPS shares	90,011	89,740	89,983	89,731
Add: Operating Partnership common units	10,359	10,499	10,371	10,504
Restricted Stock Awards		55		52
Stock Options		107		72
Diluted EPS Shares	100,370	100,401	100,354	100,359

Contingently issuable shares under the PSU Awards were excluded from the denominator in 2017 and 2016 because the criteria had not been met for the periods. Contingently issuable shares under Restricted Stock Awards and all stock options were excluded from the denominator in 2017 as such securities were anti-dilutive during the period. Contingently issuable shares under Price Vesting Options were excluded from the denominator in 2016 because the criteria had not been met for the period ended June 30, 2016. Also not included in the computations of diluted EPS were all of the LTIP Units as such securities were anti-dilutive during all periods presented. Unvested restricted stock outstanding as of June 30, 2017 and 2016 were 96,769 and 86,403 shares, respectively.

Dividends declared per common share for the three-month periods ended June 30, 2017 and 2016 was $0.20 and $0.15 per share, respectively. Dividends declared per common share for the six-month periods ended June 30, 2017 and 2016 was $0.35 and $0.30 per share, respectively.

Mack-Cali Realty, L.P.:

	Three Months Ended June 30,		Six Months Ended June 30,	
Computation of Basic EPU	**2017**	**2016**	**2017**	**2016**
Net income (loss)	$ (39,125)	$ 54,366	$ (16,396)	$ 123,135
Add (deduct): Noncontrolling interest in consolidated joint ventures	181	(311)	418	395
Deduct: Redeemable noncontrolling interest	(2,682)		(3,474)	
Deduct: Redemption value adjustment of redeemable noncontrolling interests	(2,845)		(13,843)	
Net income (loss) available to common unitholders for basic earnings per unit	$ (44,471)	$ 54,055	$ (33,295)	$ 123,530
Weighted average common units	100,370	100,239	100,354	100,235
Basic EPU:				
Net income (loss) available to common unitholders	$ (0.44)	$ 0.54	$ (0.33)	$ 1.23

	Three Months Ended June 30,		Six Months Ended June 30,	
Computation of Diluted EPU	**2017**	**2016**	**2017**	**2016**
	$ (44,471)	$ 54,055	$ (33,295)	$ 123,530

Net income (loss) available to common unitholders for basic earnings per unit				
Weighted average common unit	100,370	100,401	100,354	100,359
Diluted EPU:				
Net income (loss) available to common unitholders	$ (0.44)	$ 0.54	$ (0.33)	$ 1.23

The following schedule reconciles the weighted average units used in the basic EPU calculation to the units used in the diluted EPU calculation: *(in thousands)*

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2017	**2016**	**2017**	**2016**
Basic EPU units	100,370	100,239	100,354	100,235
Add: Restricted Stock Awards		55		52
Stock Options		107		72
Diluted EPU Units	100,370	100,401	100,354	100,359

Contingently issuable shares under the PSU Awards were excluded from the denominator in 2017 and 2016 because the criteria had not been met for the periods. Contingently issuable shares under Restricted Stock Awards and all stock options were excluded from the denominator in 2017 as such securities were anti-dilutive during the period. Contingently issuable shares under Price Vesting

Table of Contents

Options were excluded from the denominator in 2016 because the criteria had not been met for the period ended June 30, 2016. Also not included in the computations of diluted EPU were all of the LTIP Units as such securities were anti-dilutive during all periods presented. Unvested restricted stock outstanding as of June 30, 2017 and 2016 were 96,769 and 86,403 shares, respectively.

Distributions declared per common unit for the three-month periods ended June 30, 2017 and 2016 was $0.20 and $0.15 per unit, respectively. Distributions declared per common unit for the six-month periods ended June 30, 2017 and 2016 was $0.35 and $0.30 per unit, respectively.

16. NONCONTROLLING INTERESTS IN SUBSIDIARIES

NONCONTROLLING INTEREST IN OPERATING PARTNERSHIP (applicable only to General Partner)

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

The following table reflects the activity of noncontrolling interests for the six months ended June 30, 2017 and 2016, respectively *(dollars in thousands):*

	Six Months Ended June 30,			
		2017		2016
Balance at January 1	$	199,516	$	228,032
Net income (loss)		1,055		12,551
Issuance of limited partner common units		2,793		
Unit distributions		(3,961)		(3,274)
Redeemable noncontrolling interest		(4,906)		
Decrease in noncontrolling interests in consolidated joint ventures		(1,081)		(35,544)
Redemption of common units for common stock		(2,531)		(308)
Stock compensation		1,973		842
Other comprehensive income (loss)		(13)		(970)
Rebalancing of ownership percentage between parent and subsidiaries		(2,888)		(514)
Balance at June 30	$	189,957	$	200,815

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 value 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 six months ended June 30, 2017, the Company has decreased noncontrolling interests in the Operating Partnership and increased additional paid-in capital in Mack-Cali Realty Corporation stockholders equity by approximately $2.9 million as of June 30, 2017.

Common Units

Certain individuals and entities own common units in the Operating Partnership. A common unit and a share of Common Stock of the General Partner 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 General Partner s Common Stock, or cash equal to the fair market value of a share of the General Partner s Common Stock at the time of redemption, for each common unit. The General Partner, 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 General Partner 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 General Partner 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.

LTIP Units

On March 8, 2016, the Company granted 2016 LTIP Awards to senior management of the Company, including the General Partner s executive officers. On April 4, 2017, the Company granted 2017 LTIP Awards to senior management of the Company, including the General Partner s executive officers. All of the 2016 LTIP Awards and 2017 LTIP Awards will be in the form of units in the

Table of Contents

Operating Partnership. See Note 15: Mack-Cali Realty Corporation Stockholders Equity and Mack-Cali Realty, L.P. s Partners Capital Long-Term Incentive Plan Awards.

LTIP Units are designed to qualify as profits interests in the Operating Partnership for federal income tax purposes. As a general matter, the profits interests characteristics of the LTIP Units mean that initially they will not be economically equivalent in value to a common unit. If and when events specified by applicable tax regulations occur, LTIP Units can over time increase in value up to the point where they are equivalent to common units on a one-for-one basis. After LTIP Units are fully vested, and to the extent the special tax rules applicable to profits interests have allowed them to become equivalent in value to common units, LTIP Units may be converted on a one-for-one basis into common units. Common units in turn have a one-for-one relationship in value with shares of the General Partner s common stock, and are redeemable on a one-for-one basis for cash or, at the election of the Company, shares of the General Partner s common stock.

Unit Transactions

The following table sets forth the changes in noncontrolling interests in subsidiaries which relate to the common units and LTIP Units in the Operating Partnership for the six months ended June 30, 2017:

	Common Units	LTIP Units
Balance at January 1, 2017	10,488,105	657,373
Redemption of common units for shares of common stock	(148,662)	
Issuance of units	99,412	578,323
Cancellation of units		(4,819)
Balance at June 30, 2017	10,438,855	1,230,877

Noncontrolling Interest Ownership in Operating Partnership

As of June 30, 2017 and December 31, 2016, the noncontrolling interest common unitholders owned 10.4 percent and 10.5 percent of the Operating Partnership, respectively.

NONCONTROLLING INTEREST IN CONSOLIDATED JOINT VENTURES (applicable to General Partner and Operating Partnership)

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

In June 2017, the Company acquired the remaining noncontrolling interest in 150 Main Street, LLC, a consolidated joint venture, for cash consideration of $2 million and the issuance of 99,412 Common Units valued at $2.8 million.

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 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 phased out this line of business in 2014. The Company had no revenues from foreign countries recorded for the six months ended June 30, 2017 and 2016. The Company had no long lived assets in foreign locations as of June 30, 2017 and December 31, 2016. 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.

Table of Contents

Selected results of operations for the six months ended June 30, 2017 and 2016 and selected asset information as of June 30, 2017 and December 31, 2016 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)*

	& Other	Multi-family	Services	& Other (d)	Company
Total revenues:					
Three months ended:					
June 30, 2017	$ 139,319	$ 17,299	$ 9,484(e)	$ (3,336)	$ 162,766
June 30, 2016	133,768	9,219	9,421(f)	(3,181)	149,227
Six months ended:					
June 30, 2017	272,531	27,694	18,736(e)	(6,308)	312,653
June 30, 2016	270,721	18,205	18,148(f)	(4,924)	302,150
Total operating and interest expenses (a):					
Three months ended:					
June 30, 2017	$ 60,306	$ 8,256	$ 10,178(g)	$ 23,137	$ 101,877
June 30, 2016	64,368	5,920	9,425(h)	21,473	101,186
Six months ended:					
June 30, 2017	123,169	14,110	19,595(g)	42,309	199,183
June 30, 2016	133,378	11,335	20,245(h)	44,521	209,479
Equity in earnings (loss) of unconsolidated joint ventures:					
Three months ended:					
June 30, 2017	$ (18)	$ (3,982)	$ 702	$	$ (3,298)
June 30, 2016	1,405	(2,100)	81		(614)
Six months ended:					
June 30, 2017					