MACK CALI REALTY CORP
Form 10-Q
August 01, 2018
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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, 2018

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 ¨
Mack-Cali Realty, L.P.	YES x NO ¨

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

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 ¨ Smaller reporting company o Emerging Growth Company ¨
(Do not check if a smaller reporting company)

Mack-Cali Realty, L.P.:

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company o Emerging Growth Company ¨
(Do not check if a smaller reporting 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 30, 2018, there were 90,310,990 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.

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EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the period ended June 30, 2018 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, 2018, the General Partner owned an approximate 89.8 percent common unit interest in the Operating Partnership. The remaining approximate 10.2 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 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

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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.

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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, 2017.

The results of operations for the three and six-month periods ended June 30, 2018 are not necessarily indicative of the results to be expected for the entire fiscal year or any other period.

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MACK-CALI REALTY CORPORATION AND SUBSIDIARIES

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

	June 30, 2018	December 31, 2017
ASSETS		
Rental property		
Land and leasehold interests	$ 782,990	$ 786,789
Buildings and improvements	4,012,029	3,955,122
Tenant improvements	327,731	330,686
Furniture, fixtures and equipment	36,993	30,247
	5,159,743	5,102,844
Less accumulated depreciation and amortization	(1,072,029)	(1,087,083)
	4,087,714	4,015,761
Rental property held for sale, net	56,419	171,578
Net investment in rental property	4,144,133	4,187,339
Cash and cash equivalents	29,664	28,180
Restricted cash	22,121	39,792
Investments in unconsolidated joint ventures	247,607	252,626
Unbilled rents receivable, net	98,252	100,842
Deferred charges, goodwill and other assets, net	310,118	342,320
Accounts receivable, net of allowance for doubtful accounts of $329 and $1,138	6,389	6,786
Total assets	$ 4,858,284	$ 4,957,885
LIABILITIES AND EQUITY		
Senior unsecured notes, net	$ 569,730	$ 569,145
Unsecured revolving credit facility and term loans	856,188	822,288
Mortgages, loans payable and other obligations, net	1,220,519	1,418,135
Dividends and distributions payable	21,407	21,158
Accounts payable, accrued expenses and other liabilities	180,941	192,716
Rents received in advance and security deposits	39,450	43,993
Accrued interest payable	8,518	9,519
Total liabilities	2,896,753	3,076,954
Commitments and contingencies		
Redeemable noncontrolling interests	284,215	212,208
Equity:		
Mack-Cali Realty Corporation stockholders equity:		
Common stock, $0.01 par value, 190,000,000 shares authorized, 90,286,268 and 89,914,113 shares outstanding	902	899
Additional paid-in capital	2,564,153	2,565,136
Dividends in excess of net earnings	(1,090,724)	(1,096,429)
Accumulated other comprehensive income (loss)	12,916	6,689
Total Mack-Cali Realty Corporation stockholders equity	1,487,247	1,476,295
Noncontrolling interests in subsidiaries:		
Operating Partnership	169,110	171,395
Consolidated joint ventures	20,959	21,033
Total noncontrolling interests in subsidiaries	190,069	192,428
Total equity	1,677,316	1,668,723

Total liabilities and equity	$	4,858,284	$	4,957,885

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

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MACK-CALI REALTY CORPORATION AND SUBSIDIARIES

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

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
REVENUES				
Base rents	$ 103,584	$ 133,017	$ 216,486	$ 254,272
Escalations and recoveries from tenants	10,301	15,951	23,092	31,070
Real estate services	4,074	5,767	8,735	12,232
Parking income	5,757	5,052	11,084	9,281
Other income	2,873	2,979	6,159	5,798
Total revenues	126,589	162,766	265,556	312,653
EXPENSES				
Real estate taxes	17,966	21,217	36,327	42,309
Utilities	7,555	10,357	20,059	21,771
Operating services	22,939	27,092	48,557	54,183
Real estate services expenses	4,360	5,899	9,296	12,169
General and administrative	13,455	12,491	29,540	24,083
Depreciation and amortization	41,413	57,762	82,710	105,393
Total expenses	107,688	134,818	226,489	259,908
Operating income	18,901	27,948	39,067	52,745
OTHER (EXPENSE) INCOME				
Interest expense	(18,999)	(24,943)	(39,074)	(45,264)
Interest and other investment income (loss)	641	122	1,769	596
Equity in earnings (loss) of unconsolidated joint ventures	(52)	(3,298)	1,520	(3,349)
Realized gains (losses) and unrealized losses on disposition of rental property, net	1,010	(38,954)	59,196	(33,448)
Gain on sale of investment in unconsolidated joint venture				12,563
Loss from extinguishment of debt, net			(10,289)	(239)
Total other income (expense)	(17,400)	(67,073)	13,122	(69,141)
Net income (loss)	1,501	(39,125)	52,189	(16,396)
Noncontrolling interest in consolidated joint ventures	95	181	125	418
Noncontrolling interest in Operating Partnership	142	4,296	(4,741)	2,001
Redeemable noncontrolling interest	(2,989)	(2,682)	(5,788)	(3,474)
Net income (loss) available to common shareholders	$ (1,251)	$ (37,330)	$ 41,785	$ (17,451)
Basic earnings per common share:				
Net income (loss) available to common shareholders	$ (0.05)	$ (0.44)	$ 0.39	$ (0.33)
Diluted earnings per common share:				
Net income (loss) available to common shareholders	$ (0.05)	$ (0.44)	$ 0.39	$ (0.33)
Basic weighted average shares outstanding	90,330	90,011	90,297	89,983

Diluted weighted average shares outstanding	100,598	100,370	100,607	100,354

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

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MACK-CALI REALTY CORPORATION AND SUBSIDIARIES

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

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Net income (loss)	$ 1,501	$ (39,125)	$ 52,189	$ (16,396)
Other comprehensive income:				
Net unrealized gain (loss) on derivative instruments for interest rate swaps	1,788	(1,353)	6,933	(126)
Comprehensive income (loss)	$ 3,289	$ (40,478)	$ 59,122	$ (16,522)
Comprehensive (income) loss attributable to noncontrolling interest in consolidated joint ventures	95	181	125	418
Comprehensive (income) loss attributable to redeemable noncontrolling interest	(2,989)	(2,682)	(5,788)	(3,474)
Comprehensive (income) loss attributable to noncontrolling interest in Operating Partnership	(40)	4,436	(5,447)	2,014
Comprehensive income (loss) attributable to common shareholders	$ 355	$ (38,543)	$ 48,012	$ (17,564)

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

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MACK-CALI REALTY CORPORATION AND SUBSIDIARIES

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

[redacted]							
Balance at January 1, 2018	89,914	$ 899	$ 2,565,136	$ (1,096,429)	$ 6,689	$ 192,428	$ 1,668,723
[redacted]							
Common stock dividends				(36,080)			(36,080)
[redacted]							
Redeemable noncontrolling interest			(6,133)			(6,485)	(12,618)
[redacted]							
Redemption of common units for common stock	227	2	3,739			(3,741)	
[redacted]							
Directors deferred compensation plan			251				251
[redacted]							
Cancellation of restricted shares	(4)		(583)			(289)	(872)
[redacted]							
Rebalancing of ownership percentage between parent and subsidiaries			847			(847)	
[redacted]							

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

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MACK-CALI REALTY CORPORATION AND SUBSIDIARIES

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

	Six Months Ended June 30, 2018		Six Months Ended June 30, 2017	
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss)	$	52,189	$	(16,396)
Adjustments to reconcile net income (loss) to net cash provided by				
Operating activities:				
Depreciation and amortization, including related intangible assets		79,827		102,389
Amortization of directors deferred compensation stock units		251		236
Amortization of stock compensation		3,189		3,099
Amortization of deferred financing costs		2,241		2,278
Amortization of debt discount and mark-to-market		(474)		78
Write-off of unamortized deferred finance costs related to early extinguishment		105		
Equity in (earnings) loss of unconsolidated joint ventures		(1,520)		3,349
Distributions of cumulative earnings from unconsolidated joint ventures		3,469		3,822
Realized (gains) losses and unrealized losses on disposition of rental property, net		(59,196)		33,448
Gain on sale of investments in unconsolidated joint ventures				(12,563)
Loss from extinguishment of debt		10,289		239
Changes in operating assets and liabilities:				
Increase in unbilled rents receivable, net		(3,497)		(5,927)
Increase in deferred charges, goodwill and other assets		(8,510)		(9,028)
Decrease in accounts receivable, net		396		1,911
Increase (decrease) in accounts payable, accrued expenses and other liabilities		7,033		(9,544)
(Decrease) Increase in rents received in advance and security deposits		(2,855)		5,599
(Decrease) increase in accrued interest payable		(1,001)		772
Net cash provided by operating activities	$	81,936	$	103,762
CASH FLOWS FROM INVESTING ACTIVITIES				
Rental property acquisitions and related intangibles	$	(4,854)	$	(536,224)
Rental property additions and improvements		(97,085)		(46,103)
Development of rental property and other related costs		(105,749)		(133,685)
Proceeds from the sales of rental property		244,754		48,221
Proceeds from the sale of investments in unconsolidated joint ventures				14,849
Investments in notes receivable				(2,254)
Repayment of notes receivable		6,366		9,341
Investment in unconsolidated joint ventures		(3,352)		(11,422)
Distributions in excess of cumulative earnings from unconsolidated joint ventures		7,806		3,169
Proceeds from investment receivable				3,625
Net cash provided by (used in) investing activities	$	47,886	$	(650,483)
CASH FLOW FROM FINANCING ACTIVITIES				
Borrowings from revolving credit facility	$	371,000	$	334,000
Repayment of revolving credit facility		(338,000)		(521,000)
Borrowings from unsecured term loan				325,000
Proceeds from mortgages and loans payable		79,748		307,980
Repayment of mortgages, loans payable and other obligations		(277,637)		(3,109)
Acquisition of noncontrolling interests				(2,011)
Issuance of redeemable noncontrolling interests, net		65,000		139,002

Payment of financing costs		(255)		(8,485)
(Distribution to) contributions from noncontrolling interests		51		(18)
Payment of dividends and distributions		(45,916)		(32,315)
Net cash (used in) provided by financing activities	$	(146,009)	$	539,044
Net decrease in cash and cash equivalents	$	(16,187)	$	(7,677)
Cash, cash equivalents and restricted cash, beginning of period (1)		67,972		85,563
Cash, cash equivalents and restricted cash, end of period (2)	$	51,785	$	77,886

(1) Includes Restricted Cash of $39,792 and $53,952 as of December 31, 2017 and 2016, respectively, pursuant to the adoption of ASU 2016-15.

(2) Includes Restricted Cash of $22,121 and $56,167 as of June 30, 2018 and 2017, respectively, pursuant to the adoption of ASU 2016-15.

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

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MACK-CALI REALTY, L.P. AND SUBSIDIARIES

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

	June 30, 2018	December 31, 2017
ASSETS		
Rental property		
Land and leasehold interests	$ 782,990	$ 786,789
Buildings and improvements	4,012,029	3,955,122
Tenant improvements	327,731	330,686
Furniture, fixtures and equipment	36,993	30,247
	5,159,743	5,102,844
Less accumulated depreciation and amortization	(1,072,029)	(1,087,083)
	4,087,714	4,015,761
Rental property held for sale, net	56,419	171,578
Net investment in rental property	4,144,133	4,187,339
Cash and cash equivalents	29,664	28,180
Restricted cash	22,121	39,792
Investments in unconsolidated joint ventures	247,607	252,626
Unbilled rents receivable, net	98,252	100,842
Deferred charges, goodwill and other assets, net	310,118	342,320
Accounts receivable, net of allowance for doubtful accounts of $329 and $1,138	6,389	6,786
Total assets	$ 4,858,284	$ 4,957,885
LIABILITIES AND EQUITY		
Senior unsecured notes, net	$ 569,730	$ 569,145
Unsecured revolving credit facility and term loans	856,188	822,288
Mortgages, loans payable and other obligations, net	1,220,519	1,418,135
Distributions payable	21,407	21,158
Accounts payable, accrued expenses and other liabilities	180,941	192,716
Rents received in advance and security deposits	39,450	43,993
Accrued interest payable	8,518	9,519
Total liabilities	2,896,753	3,076,954
Commitments and contingencies		
Redeemable noncontrolling interests	284,215	212,208
Partners Capital:		
General Partner, 90,286,268 and 89,914,113 common units outstanding	1,411,244	1,407,366
Limited partners, 10,211,079 and 10,438,855 common units outstanding	232,197	233,635
Accumulated other comprehensive income (loss)	12,916	6,689
Total Mack-Cali Realty, L.P. partners capital	1,656,357	1,647,690
Noncontrolling interests in consolidated joint ventures	20,959	21,033
Total equity	1,677,316	1,668,723
Total liabilities and equity	$ 4,858,284	$ 4,957,885

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

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MACK-CALI REALTY, L.P. AND SUBSIDIARIES

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

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
REVENUES				
Base rents	$ 103,584	$ 133,017	$ 216,486	$ 254,272
Escalations and recoveries from tenants	10,301	15,951	23,092	31,070
Real estate services	4,074	5,767	8,735	12,232
Parking income	5,757	5,052	11,084	9,281
Other income	2,873	2,979	6,159	5,798
Total revenues	126,589	162,766	265,556	312,653
EXPENSES				
Real estate taxes	17,966	21,217	36,327	42,309
Utilities	7,555	10,357	20,059	21,771
Operating services	22,939	27,092	48,557	54,183
Real estate services expenses	4,360	5,899	9,296	12,169
General and administrative	13,455	12,491	29,540	24,083
Depreciation and amortization	41,413	57,762	82,710	105,393
Total expenses	107,688	134,818	226,489	259,908
Operating income	18,901	27,948	39,067	52,745
OTHER (EXPENSE) INCOME				
Interest expense	(18,999)	(24,943)	(39,074)	(45,264)
Interest and other investment income (loss)	641	122	1,769	596
Equity in earnings (loss) of unconsolidated joint ventures	(52)	(3,298)	1,520	(3,349)
Realized gains (losses) and unrealized losses on disposition of rental property, net	1,010	(38,954)	59,196	(33,448)
Gain on sale of investment in unconsolidated joint venture				12,563
Loss from extinguishment of debt, net			(10,289)	(239)
Total other income (expense)	(17,400)	(67,073)	13,122	(69,141)
Net income (loss)	1,501	(39,125)	52,189	(16,396)
Noncontrolling interest in consolidated joint ventures	95	181	125	418
Redeemable noncontrolling interest	(2,989)	(2,682)	(5,788)	(3,474)
Net income (loss) available to common unitholders	$ (1,393)	$ (41,626)	$ 46,526	$ (19,452)
Basic earnings per common unit:				
Net income (loss) available to common unitholders	$ (0.05)	$ (0.44)	$ 0.39	$ (0.33)
Diluted earnings per common unit:				
Net income (loss) available to common unitholders	$ (0.05)	$ (0.44)	$ 0.39	$ (0.33)
Basic weighted average units outstanding	100,598	100,370	100,552	100,354
Diluted weighted average units outstanding	100,598	100,370	100,607	100,354

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

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MACK-CALI REALTY, L.P. AND SUBSIDIARIES

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	**2017**	**2018**	**2017**
Net income (loss)	$ 1,501	$ (39,125)	$ 52,189	$ (16,396)
Other comprehensive income:				
Net unrealized gain (loss) on derivative instruments for interest rate swaps	1,788	(1,353)	6,933	(126)
Comprehensive income (loss)	$ 3,289	$ (40,478)	$ 59,122	$ (16,522)
Comprehensive (income) loss attributable to noncontrolling interest in consolidated joint ventures	95	181	125	418
Comprehensive (income) loss attributable to redeemable noncontrolling interest	(2,989)	(2,682)	(5,788)	(3,474)
Comprehensive income (loss) attributable to common unitholders	$ 395	$ (42,979)	$ 53,459	$ (19,578)

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

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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, 2018	89,914	10,438	$ 1,407,366	$ 233,635	$ 6,689	$ 21,033	$ 1,668,723
Net income			41,785	4,741		5,663	52,189
Distributions			(36,080)	(4,396)			(40,476)
Redeemable noncontrolling interest			(6,133)	(697)		(5,788)	(12,618)
Increase in noncontrolling interest						51	51
Redemption of limited partner common units for shares of general partner common units	227	(227)	3,741	(3,741)			
Shares issued under Dividend Reinvestment and Stock Purchase Plan	2		(54)				(54)
Directors deferred compensation plan			251				251
Other comprehensive income				706	6,227		6,933
Stock compensation	147		951	2,238			3,189
Cancellation of restricted shares	(4)		(583)	(289)			(872)
Balance at June 30, 2018	90,286	10,211	$ 1,411,244	$ 232,197	$ 12,916	$ 20,959	$ 1,677,316

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

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MACK-CALI REALTY, L.P. AND SUBSIDIARIES

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

	Six Months Ended June 30, 2018		Six Months Ended June 30, 2017	
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss)	$	52,189	$	(16,396)
Adjustments to reconcile net income (loss) to net cash provided by				
Operating activities:				
Depreciation and amortization, including related intangible assets		79,827		102,389
Amortization of directors deferred compensation stock units		251		236
Amortization of stock compensation		3,189		3,099
Amortization of deferred financing costs		2,241		2,278
Amortization of debt discount and mark-to-market		(474)		78
Write-off of unamortized deferred finance costs related to early extinguishment		105		
Equity in (earnings) loss of unconsolidated joint ventures		(1,520)		3,349
Distributions of cumulative earnings from unconsolidated joint ventures		3,469		3,822
Realized (gains) losses and unrealized losses on disposition of rental property, net		(59,196)		33,448
Gain on sale of investments in unconsolidated joint ventures				(12,563)
Loss from extinguishment of debt		10,289		239
Changes in operating assets and liabilities:				
Increase in unbilled rents receivable, net		(3,497)		(5,927)
Increase in deferred charges, goodwill and other assets		(8,510)		(9,028)
Decrease in accounts receivable, net		396		1,911
Increase (decrease) in accounts payable, accrued expenses and other liabilities		7,033		(9,544)
(Decrease) Increase in rents received in advance and security deposits		(2,855)		5,599
(Decrease) increase in accrued interest payable		(1,001)		772
Net cash provided by operating activities	$	81,936	$	103,762
CASH FLOWS FROM INVESTING ACTIVITIES				
Rental property acquisitions and related intangibles	$	(4,854)	$	(536,224)
Rental property additions and improvements		(97,085)		(46,103)
Development of rental property and other related costs		(105,749)		(133,685)
Proceeds from the sales of rental property		244,754		48,221
Proceeds from the sale of investments in unconsolidated joint ventures				14,849
Investments in notes receivable				(2,254)
Repayment of notes receivable		6,366		9,341
Investment in unconsolidated joint ventures		(3,352)		(11,422)
Distributions in excess of cumulative earnings from unconsolidated joint ventures		7,806		3,169
Proceeds from investment receivable				3,625
Net cash provided by (used in) investing activities	$	47,886	$	(650,483)
CASH FLOW FROM FINANCING ACTIVITIES				
Borrowings from revolving credit facility	$	371,000	$	334,000
Repayment of revolving credit facility		(338,000)		(521,000)
Borrowings from unsecured term loan				325,000
Proceeds from mortgages and loans payable		79,748		307,980
Repayment of mortgages, loans payable and other obligations		(277,637)		(3,109)
Acquisition of noncontrolling interests				(2,011)
Issuance of redeemable noncontrolling interests, net		65,000		139,002

Payment of financing costs		(255)		(8,485)
(Distribution to) contributions from noncontrolling interests		51		(18)
Payment of distributions		(45,916)		(32,315)
Net cash (used in) provided by financing activities	$	(146,009)	$	539,044
Net decrease in cash and cash equivalents	$	(16,187)	$	(7,677)
Cash, cash equivalents and restricted cash, beginning of period (1)		67,972		85,563
Cash, cash equivalents and restricted cash, end of period (2)	$	51,785	$	77,886

(1) Includes Restricted Cash of $39,792 and $53,952 as of December 31, 2017 and 2016, respectively, pursuant to the adoption of ASU 2016-15.

(2) Includes Restricted Cash of $22,121 and $56,167 as of June 30, 2018 and 2017, respectively, pursuant to the adoption of ASU 2016-15.

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

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 89.8 and 89.6 percent common unit interest in the Operating Partnership as of June 30, 2018 and December 31, 2017, 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, 2018, the Company owned or had interests in 141 properties, consisting of 59 office and 61 flex properties, totaling approximately 16.0 million square feet, leased to approximately 750 commercial tenants, and 21 multi-family rental properties containing 6,082 apartments, plus developable land (collectively, the Properties). The Properties are comprised of 59 office buildings totaling approximately 12.8 million square feet (which include four buildings, aggregating approximately 0.5 million square feet owned by unconsolidated joint ventures in which the Company has investment interests), 47 office/flex buildings totaling approximately 2.7 million square feet, six industrial/warehouse buildings totaling approximately 387,400 square feet, 21 multi-family properties totaling 6,082 apartments (which include nine properties aggregating 3,334 apartments owned by unconsolidated joint ventures in which the Company has investment interests), six parking/retail properties totaling approximately 137,000 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 a parcel 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 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.

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As of June 30, 2018 and December 31, 2017, 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 14: Rockpoint Transaction), have total real estate assets of $242.7 million and $215.5 million, respectively, mortgages of $103.2 million and $81.2 million, respectively, and other liabilities of $22.5 million and $19.3 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 $0.6 million for the three months ended June 30, 2018 and 2017, respectively, and $1.2 million and $1.2 million for the six months ended June 30, 2018 and 2017, 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.

Included in rental property as of June 30, 2018 and December 31, 2017 is real estate and building and tenant improvements not in service; as follows: *(dollars in thousands)*

		June 30, 2018		**December 31, 2017**
Land held for development (including pre-development costs, if any) (a)	$	498,701	$	483,432
Development and construction in progress, including land (b)		506,117		535,971
Total	$	1,004,818	$	1,019,403

(a) Includes predevelopment and infrastructure costs included in buildings and improvements of $204 million and $188.1 million as of June 30, 2018 and December 31, 2017, respectively.

(b) Includes land of $71.7 million and $77.0 million as of June 30, 2018 and December 31, 2017, respectively.

The Company considers a construction project as substantially completed and held available for occupancy upon the substantial completion of 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 residents, 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 commercial square footage or multi-family units of each portion, and capitalizes only those costs associated with the portion under construction.

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

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

Upon acquisition of rental property, the Company estimates the fair value of acquired tangible assets, consisting of land, building and improvements, and identified intangible assets and liabilities assumed, generally consisting of the fair value of (i) above and below-market leases, (ii) in-place leases and (iii) tenant relationships. The Company allocates the purchase price to the assets acquired and liabilities assumed based on their fair values. The Company records goodwill or a gain on bargain purchase (if any) if the net assets acquired/liabilities assumed differ from the purchase consideration of a business 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 impairment 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

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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 (which is recorded as unrealized losses on disposition of rental property) is established.

If circumstances arise that previously were considered unlikely and, as a result, the Company decides not to sell a property previously classified as held for sale, the property is reclassified as held and used. A property that is reclassified is measured and recorded individually at the lower of (a) its carrying 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 $1,145,000 and $1,175,000 for the three months ended June 30, 2018 and 2017,

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respectively, and $2,241,000 and $2,278,000 for the six months June 30, 2018 and 2017, 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 loss from extinguishment of debt, net of gains, of $10.3 million and $0.2 million for the six months ended June 30, 2018 and 2017 were unamortized deferred financing costs which were written off amounting to $105,000 and zero, respectively.

Deferred

Leasing Costs Costs incurred in connection with successfully executed commercial and residential 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 and other assets, net, was approximately $935,000 and $946,000 for the three months ended June 30, 2018 and 2017, respectively, and $1,628,000 and $1,988,000 for the six months ended June 30, 2018 and 2017, 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.

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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. 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 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.

The deferred tax balance at June 30, 2018 is $10.1 million which has been fully reserved through a valuation allowance. New tax reform legislation enacted in late 2017 reduces the corporate tax rate to 21 percent, effective January 1, 2018.

Consequently, the Company s deferred tax assets were re-measured to reflect the reduction in the future U.S. corporate income tax rate as of the enactment date. If the General Partner fails to qualify as a REIT in any taxable year, the Company will be subject to federal income 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, 2018, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are generally from the year 2013 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

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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 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, 2018 represents dividends payable to common shareholders (90,288,634 shares) and distributions payable to noncontrolling interest unitholders of the Operating Partnership (10,208,785 common units and 1,850,811 LTIP units), for all such holders of record as of July 3, 2018 with respect to the second quarter 2018. The second quarter 2018 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 13, 2018 and paid on July 13, 2018.

The dividends and distributions payable at December 31, 2017 represents dividends payable to common shareholders (89,914,658 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 January 3, 2018 with respect to the fourth quarter 2017. The fourth 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 December 12, 2017 and paid on January 12, 2018.

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 $657,000 and $2,046,000 for the three months ended June 30, 2018 and 2017, respectively, and $3,189,000 and $3,099,000 for the six months ended June 30, 2018 and 2017, 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

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- 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.

Impact Of Recently-Issued Accounting Standards

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 June 2016, the FASB issued ASU 2016-13, Financial Instruments Credit Losses (ASU 2016-13). The guidance introduces a new model for estimating credit losses for certain types of financial instruments, including trade and lease receivables, loans receivable, held-to-maturity debt securities, and net investments in direct financing leases, amongst other financial instruments. ASU 2016-13 also modifies the impairment model for available-for-sale debt securities and expands the disclosure requirements regarding an entity s assumptions, models, and methods for estimating the allowance for losses. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2019, including interim periods within those fiscal years, with early adoption permitted. The Company is currently in the process of evaluating the impact the adoption of ASU 2016-13 will have on the Company s consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12, Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities (ASU 2017-12). The purpose of ASU 2017-12 is to better align a company s financial reporting for hedging activities with the economic objectives of those activities. ASU 2017-12 is effective for annual reporting periods beginning after December 15, 2018, with early adoption permitted. ASU 2017-12 requires a modified retrospective transition method which requires a cumulative effect of the change on the opening balance of each affected component of equity in the Company s consolidated financial statements as of the date of adoption. The Company is currently in the process of evaluating the impact the adoption of ASU 2017-12 will have on the Company s consolidated financial statements.

3. RECENT TRANSACTIONS

Management Changes

On March 15, 2018, the Company announced the appointment of Michael J. DeMarco, Chief Executive Officer of the General Partner, to its Board of Directors effective immediately. Mr. DeMarco s addition to the Board expanded the total number of members from nine to ten.

On June 15, 2018, the Company announced that the employment of Mitchell E. Rudin as Vice Chairman of the General Partner was terminated effective as of June 5, 2018. In addition, the Company also restructured certain corporate and property management personnel during the three months ended June 30, 2018. As a result of the executive management changes and other personnel changes, the Company incurred total net severance and related expenses in the quarter of $1.79 million, which was included in general and administrative expense (net of a reversal of $1.55 million of amortization of stock compensation expense due to the forfeiture of the unvested securities).

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On January 29, 2018, the Company announced the appointment of David J. Smetana as chief financial officer and Nicholas Hilton as executive vice president of leasing of the General Partner. Mr. Smetana began to perform his duties as chief financial officer and Anthony Krug ceased to serve as chief financial officer immediately following the filing of the Company s Annual Report on Form 10-K for the year ended December 31, 2017. Mr. Krug remained an employee of the Company and provided transition services through March 31, 2018. Mr. Hilton s employment commenced on February 12, 2018 following the departure of Christopher DeLorenzo. In addition, the Company also restructured certain corporate and property management personnel during the three months ended March 31, 2018. As a result of the executive management changes and other personnel changes, the Company incurred total severance and related expenses in the quarter of $5.05 million, $4.5 million of which was included in general and administrative expense (of which $0.6 million pertained to stock compensation expense) and $539,000 of which was in operating services for the period.

As a result of the executive management changes as well as other personnel changes during the period, the Company incurred total severance and related expenses in the six month period ended June 30, 2018 of $6.85 million, $6.3 million of which was included in general and administrative expense (including $0.6 million of stock compensation expense due to accelerated vesting and a net reversal of $1.55 million of amortization of stock compensation expense due to the forfeiture of unvested securities) and $539,000 of which was included in operating services for the period.

Properties Commencing Initial Operations

The following property commenced initial operations during the six months ended June 30, 2018 *(dollars in thousands)*:

In-Service Date	**Property**	**Location**	**Type**	**# of Apartment Units**		**Total Development Costs**
03/01/18	145 Front at City Square	Worcester, MA	Multi-Family	365	$	98,669(a)
04/01/18	Signature Place at Morris Plains	Morris Plains, NJ	Multi-Family	197		58,210(b)
05/01/18	Portside 5/6	East Boston, MA	Multi-Family	296		115,241(c)
Totals				858	$	272,120

(a) Development costs as of June 30, 2018 included approximately $4.4 million in land costs. As of June 30, 2018, the Company anticipates additional costs of approximately $0.4 million, which will be primarily funded from a construction loan.

(b) Development costs as of June 30, 2018 included approximately $0.9 million in land costs. As of June 30, 2018, the Company anticipates additional costs of approximately $0.1 million, which will be primarily funded from a construction loan.

(c) As of June 30, 2018, the Company anticipates additional costs of approximately $1.9 million, which will be primarily funded from a construction loan.

Dispositions/Rental Property Held for Sale

The Company disposed of the following office properties during the six months ended June 30, 2018 *(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
02/15/18	35 Waterview Boulevard (a)	Parsippany, New Jersey	1	172,498	$ 25,994	$ 25,739	$ 255
03/05/18	Hamilton portfolio (b)	Hamilton, New Jersey	6	239,262	17,546	17,501	45
03/07/18	Wall portfolio first closing	Wall, New Jersey	5	179,601	14,053	10,526	3,527
03/22/18	700 Horizon Drive	Hamilton, New Jersey	1	120,000	33,020	16,053	16,967
03/23/18	Wall portfolio second closing	Wall, New Jersey	3	217,822	30,209	12,961	17,248
03/28/18	75 Livingston Avenue	Roseland, New Jersey	1	94,221	7,983	5,609	2,374
03/28/18	20 Waterview Boulevard (c)	Parsippany, New Jersey	1	225,550	12,475	11,795	680
03/30/18	Westchester Financial Center (d)	White Plains, New York	2	489,000	81,769	64,679	17,090
06/27/18	65 Jackson Drive	Cranford, New Jersey			1,510(e)		1,510
Sub-total			20	1,737,954	224,559	164,863	59,696
Unrealized losses on rental property held for sale							(500)
Totals			20	1,737,954	$ 224,559	$ 164,863	$ 59,196

(a) The Company recorded a valuation allowance of $0.7 million on this property during the year ended December 31, 2017.

(b) The Company recorded a valuation allowance of $0.6 million on these properties during the year ended December 31, 2017. The disposition additionally included two land properties.

(c) The Company recorded a valuation allowance of $11 million on this property during the year ended December 31, 2017. Prior to closing, the Company provided short term financing through a note receivable to an affiliate of the buyers of $2.8 million. The note was paid off in the second quarter of 2018.

(d) Prior to closing, the Company provided financing through a note receivable to an affiliate of the buyers of $4.0 million, which is a noncash component of the net sales proceeds. See Note 5: Deferred Charges, Goodwill and Other Assets, Net.

(e) Represents the receipt by the Company in the second quarter 2018 of variable contingent sales consideration, net of costs, of $1.5 million subsequent to disposition of the property, which was sold in January 2017.

Rental Property Held for Sale, Net

The Company identified as held for sale five office properties totaling approximately 629,000 square feet as of June 30, 2018. The properties are located in Paramus, Hamilton and Rochelle Park, New Jersey and White Plains, New York. The total estimated sales proceeds, net of expected selling costs, from the sales are expected to be approximately $70.5 million. The Company determined that

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the carrying value of one of the office properties was not expected to be recovered from estimated net sales proceeds and accordingly recognized an unrealized loss allowance of $0.5 million during the three and six months ended June 30, 2018.

The following table summarizes the rental property held for sale, net, as of June 30, 2018: *(dollars in thousands)*

		June 30, 2018
Land	$	13,472
Buildings and improvements		87,969
Less: Accumulated depreciation		(44,522)
Less: Unrealized losses on properties held for sale		(500)
Rental property held for sale, net	$	56,419

Other assets and liabilities related to the rental properties held for sale, as of June 30, 2018, include $3.4 million in Deferred charges, and other assets, $1.1 million in Unbilled rents receivable and $2.1 million in Accounts payable, accrued expenses and other liabilities. Approximately $4.1 million of these assets and $1.1 million of these liabilities are expected to be removed with the completion of the sales.

4. INVESTMENTS IN UNCONSOLIDATED JOINT VENTURES

As of June 30, 2018, the Company had an aggregate investment of approximately $247.6 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, 2018, the unconsolidated joint ventures owned: four office properties aggregating approximately 0.5 million square feet, nine multi-family properties totaling 3,334 apartments, two retail properties aggregating approximately 81,700 square feet, a 351-room hotel, a development project for up to approximately 360 apartments; and interests and/or rights to developable land parcels able to accommodate up to 3,738 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, 2018, such debt had a total facility amount of $318 million of which the Company agreed to guarantee up to $36 million. As of June 30, 2018, the outstanding balance of such debt totaled $204.8 million of which $24.6 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 $0.6 million and $0.7 million for such services in the three months ended June 30, 2018 and 2017, respectively. The Company had $0.6 million and $0.7 million in accounts receivable due from its unconsolidated joint ventures as of June 30, 2018 and December 31, 2017, respectively.

Included in the Company s investments in unconsolidated joint ventures as of June 30, 2018 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 $127.7 million as of June 30, 2018. The Company s maximum exposure to loss as a result of its involvement with these VIEs is estimated to be approximately $163.5 million, which includes the Company s current investment and estimated future funding commitments/guarantees of approximately $35.8 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.

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The following is a summary of the Company s unconsolidated joint ventures as of June 30, 2018 and December 31, 2017: *(dollars in thousands)*

Entity / Property Name	Number of Apartment Units or Rentable Square Feet (sf)		Company s Effective Ownership % (a)	Carrying Value June 30, 2018	Carrying Value December 31, 2017	Property Debt As of June 30, 2018 Balance	Maturity Date	Interest Rate
Multi-family								
Marbella	412	units	24.27%	$ 14,141	$ 14,544	$ 95,000	05/01/19	L+1.50%
Metropolitan at 40 Park (b) (c)	189	units	12.50%	6,603	6,834	55,638	(d)	(d)
RiverTrace at Port Imperial	316	units	22.50%	8,481	8,864	82,000	11/10/26	3.21%
Crystal House (e)	825	units	25.00%	29,498	30,570	164,464	04/01/20	3.17%
PI North - Riverwalk C	360	units	40.00%	20,035	16,844		12/06/21	L+2.75%(f)
Marbella II	311	units	24.27%	15,974	16,471	74,690	03/30/19	L+2.25%(g)
Riverpark at Harrison	141	units	45.00%	1,392	1,604	30,000	08/01/25	3.70%
Station House	378	units	50.00%	38,906	40,124	99,296	07/01/33	4.82%
Urby at Harborside	762	units	85.00%	89,988	94,429	191,732	08/01/29	5.197%(h)
PI North -Land (i)	836	potential units	20.00%	1,678	1,678			
Liberty Landing	850	potential units	50.00%	337	337			
Hillsborough 206	160,000	sf	50.00%	1,962	1,962			
Office								
Red Bank	92,878	sf	50.00%	4,473	4,602	13,626	08/15/18	L+3.00%(j)
12 Vreeland Road	139,750	sf	50.00%	6,771	6,734	8,705	07/01/23	2.87%
Offices at Crystal Lake	106,345	sf	31.25%	3,389	3,369	4,439	11/01/23	4.76%
Other								
Riverwalk Retail	30,745	sf	20.00%	1,580	1,625			
Hyatt Regency Jersey City	351	rooms	50.00%	476	440	100,000	10/01/26	3.668%
Other (k)				1,923	1,595			
Totals:				$ 247,607	$ 252,626	$ 919,590		

(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 59-unit, five story multi-family rental 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 $36,430, 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 $6,103, bears interest at 3.63 percent, matures in August 2018. On February 3, 2017, the venture obtained a construction loan with a maximum borrowing amount of $13,950 for the Lofts at 40 Park with a balance of $13,105, which bears interest at LIBOR plus 250 basis points and matures in February 2020.

(e) Included in this is the Company s unconsolidated 50 percent interest in a vacant land to accommodate the development of approximately 295 additional units of which 252 are currently approved.

(f) The venture has a construction loan with a maximum borrowing amount of $112,000.

(g) The construction loan which had a maximum borrowing amount of $75,000 was amended on 3/30/18 and, subject to certain conditions, provided for four 3-month extension options with a fee of 6.25 basis points for each extension.

(h) 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.

(i) 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.

(j) The venture plans to refinance its mortgage loan at maturity.

(k) 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.

The following is a summary of the Company s equity in earnings (loss) of unconsolidated joint ventures for the six months ended June 30, 2018 and 2017: *(dollars in thousands)*

Entity / Property Name	**Three Months Ended June 30, 2018**	**Three Months Ended June 30, 2017**	**Six Months Ended June 30, 2018**	**Six Months Ended June 30, 2017**
Multi-family				
Marbella	$ 93	$ 100	$ 184	$ 209
Metropolitan at 40 Park	(156)	(68)	(231)	(153)
RiverTrace at Port Imperial	45	42	89	91
Crystal House	(263)	(289)	(425)	(581)
PI North - Riverwalk C	(37)	(283)	(37)	(414)
Marbella II	8	34	30	61
Riverpark at Harrison	(85)	(66)	(148)	(77)
Station House	(484)	(449)	(912)	(825)
Urby at Harborside	(574)	(2,976)	1,147(b)	(3,121)
Liberty Landing				(15)
Hillsborough 206			15	(25)
Office				
Red Bank	(55)	109	(128)	216
12 Vreeland Road	(21)	54	38	131
Offices at Crystal Lake	(6)	39	20	45
Other				
Riverwalk Retail	(20)	(26)	(45)	(37)
Hyatt Regency Jersey City	1,226	750	1,536	1,337
Other	277	(269)	387	(191)
Company s equity in earnings (loss) of unconsolidated joint ventures (a)	$ (52)	$ (3,298)	$ 1,520	$ (3,349)

(a) Amounts are net of amortization of basis differences of $289 and $289 for the three months ended June 30, 2018 and 2017, respectively and $579 and $548 for the six months ended June 30, 2018 and 2017, respectively.

(b) Includes $2.6 million of the Company s share of the venture s income from its first annual sale of an economic tax credit certificate from the State of New Jersey to a third party. The venture has an agreement with a third party to sell it the tax credits over the next nine years for $3 million per year for a total of $27 million. The sales are subject to the venture obtaining the tax credits from the State of New Jersey and transferring the credit certificates each year.

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5. DEFERRED CHARGES, GOODWILL AND OTHER ASSETS, NET

(dollars in thousands)	June 30, 2018	December 31, 2017
Deferred leasing costs	$ 154,093	$ 199,515
Deferred financing costs - unsecured revolving credit facility (a)	4,945	4,945
	159,038	204,460
Accumulated amortization	(63,837)	(98,956)
Deferred charges, net	95,201	105,504
Notes receivable (b)	51,898	50,167
In-place lease values, related intangibles and other assets, net	93,818	102,757
Goodwill (c)	2,945	2,945
Prepaid expenses and other assets, net (d)	66,256	80,947
Total deferred charges, goodwill and other assets, net	$ 310,118	$ 342,320

(a) 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, 2018: a mortgage receivable with a balance of $44.0 million (acquired in August 2017) which bears interest at 5.85 percent and matures in July 2019 with a three-month extension option; a note receivable for $4.0 million (provided to an affiliate of the buyers in connection with a property sale in March 2018) which bears interest at 3.0 percent and matures in April 2028; and an interest-free note receivable with a net present value of $2.4 million which matures in April 2023. The Company believes these balances are fully collectible.

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

(d) The balance as of June 30, 2018 reflects the receipt by the Company of $26.9 million of proceeds from 2017 property sales held by a qualified intermediary as of December 31, 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, 2018, 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, 2018, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt.

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. The Company recorded ineffectiveness gain (loss) of $(100,000) and $11,000 during the three months ended June 30, 2018 and 2017, respectively, and $(174,000) and $(32,000) during the six months ended June 30, 2018 and 2017, 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 $5.7 million will be reclassified as a decrease to interest expense.

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, 2018 and December 31, 2017. *(dollars in thousands)*

	Fair Value		
Asset Derivatives designated as hedging instruments	**June 30, 2018**	**December 31, 2017**	**Balance sheet location**
Interest rate swaps	$ 14,820	$ 8,060	Deferred charges, goodwill and other assets

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The table below presents the effect of the Company s derivative financial instruments on the Statement of Operations for the three and six months ending June 30, 2018 and 2017. *(dollars in thousands)*

Derivatives in Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion) 2018	2017	Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) 2018	2017	Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion, Reclassification for Forecasted Transactions No Longer Probable of Occurring and Amount Excluded from Effectiveness Testing) 2018	2017
Three months ended June 30,								
Interest rate swaps	$ 2,428	$ (2,129)	Interest expense	$ 640	$ (776)	Interest and other investment income (loss)	$ (100)	$ 11
Six months ended June 30,								
Interest rate swaps	$ 7,654	$ (1,494)	Interest expense	$ 720	$ (1,368)	Interest and other investment income (loss)	$ (174)	$ (32)

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, 2018, the Company did not have derivatives in a net liability position including accrued interest but excluding any adjustment for nonperformance risk related to these agreements. As of June 30, 2018, the Company has not posted any collateral related to these agreements.

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, 2018	December 31, 2017
Security deposits	$ 9,743	$ 9,446
Escrow and other reserve funds	12,378	30,346
Total restricted cash	$ 22,121	$ 39,792

7. SENIOR UNSECURED NOTES

A summary of the Company s senior unsecured notes as of June 30, 2018 and December 31, 2017 is as follows: *(dollars in thousands)*

	June 30, 2018	December 31, 2017	Effective Rate (1)
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	575,000	575,000	
Adjustment for unamortized debt discount	(3,171)	(3,505)	
Unamortized deferred financing costs	(2,099)	(2,350)	
Total senior unsecured notes, net	$ 569,730	$ 569,145	

(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

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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, 2018.

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.

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 (interest rate based on Company s election through March 5, 2018)	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

On March 6, 2018, the Company elected to use the defined leverage ratio and the interest rate under the 2017 Credit Facility is based on the following total leverage ratio grid:

	Interest Rate - Applicable	**Interest Rate - Applicable Basis Points Above LIBOR for**

Total Leverage Ratio	Basis Points Above LIBOR	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

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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 3.1973% on borrowings under the 2017 Term Loan.

The interest rate on the 2017 Term Loan is based upon 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**
No ratings or less than BBB-/Baa3	185.0	85.0
BBB- or Baa3 (interest rate based on Company s election through March 5, 2018)	140.0	40.0
BBB or Baa2	115.0	15.0
BBB+ or Baa1	100.0	0.0
A- or A3 or higher	90.0	0.0

On March 6, 2018, the Company elected to use the defined leverage ratio and the interest rate under the 2017 Term Loan is 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**
<45%	145.0	45.0
≥45% and <50% (current ratio)	155.0	55.0
≥50% and <55%	165.0	65.0
≥55%	195.0	95.0

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 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:

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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 (since 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 3.28 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 was 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 (interest rate based on Company s election through March 5, 2018)	140.0
BBB or Baa2	115.0
BBB+ or Baa1	100.0
A- or A3 or higher	90.0

On March 6, 2018, the Company elected to use the defined leverage ratio and the interest rate under the 2016 Term Loan is based on the following total leverage ratio grid:

Total Leverage Ratio	Interest Rate - Applicable Basis 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, 2018.

As of June 30, 2018 and December 31, 2017, the Company s unsecured credit facility and term loans totaled $856.2 million and $822.3 million, respectively, comprised of: $183.0 million of outstanding borrowings under its unsecured revolving credit facility, $349.5 million from the 2016 Term Loan (net of unamortized deferred financing costs of $0.5 million) and $323.7 million from the 2017 Term Loan (net of unamortized deferred financing costs of $1.3 million) as of June 30, 2018; and $150 million of outstanding borrowings under its unsecured revolving credit facility and $349.0 million from the 2016 Term Loan (net of unamortized deferred financing costs of $1.0 million) and $323.3 million from the 2017 Term Loan (net of unamortized deferred financing costs of $1.7 million) as of December 31, 2017.

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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, 2018, 14 of the Company s properties, with a total carrying value of approximately $1.7 billion, and two of the Company s land and development projects, with a total carrying value of approximately $249 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, 2018.

A summary of the Company s mortgages, loans payable and other obligations as of June 30, 2018 and December 31, 2017 is as follows: *(dollars in thousands)*

Property/Project Name	Lender	Effective Rate (a)	June 30, 2018	December 31, 2017	Maturity
Harborside Plaza 5 (b)	The Northwestern Mutual Life Insurance Co. & New York Life Insurance Co.	6.84%	$	$ 209,257	
23 Main Street (c)	Berkadia CMBS	5.59%		27,090	
One River Center (d)	Guardian Life Insurance Co.	7.31%		40,485	
Park Square	Wells Fargo Bank N.A.	LIBOR+1.87%	25,867	26,567	04/10/19
250 Johnson (e)	M&T Bank	LIBOR+2.35%	39,918	32,491	05/20/19
Portside 5/6 (f)	Citizens Bank	LIBOR+2.50%	67,088	45,778	09/29/19
Port Imperial 4/5 Hotel (g)	Fifth Third Bank & Santander	LIBOR+4.50%	65,598	43,674	10/06/19
Port Imperial South 11 (h)	JPMorgan Chase	LIBOR+2.35%	60,107	46,113	11/24/19
Worcester (i)	Citizens Bank	LIBOR+2.50%	52,913	37,821	12/10/19
Monaco (j)	The Northwestern Mutual Life Insurance Co.	3.15%	169,178	169,987	02/01/21
Port Imperial South 4/5 Retail	American General Life & A/G PC	4.56%	4,000	4,000	12/01/21
Portside 7	CBRE Capital Markets/FreddieMac	3.57%	58,998	58,998	08/01/23
Alterra I & II	Capital One/FreddieMac	3.85%	100,000	100,000	02/01/24
The Chase at Overlook Ridge	New York Community Bank	3.74%	135,750	135,750	01/01/25
101 Hudson	Wells Fargo CMBS	3.20%	250,000	250,000	10/11/26
Short Hills Portfolio (k)	Wells Fargo CMBS	4.15%	124,500	124,500	04/01/27
150 Main St.	Natixis Real Estate Capital LLC	4.48%	41,000	41,000	08/05/27
Port Imperial South 4/5 Garage	American General Life & A/G PC	4.85%	32,600	32,600	12/01/29
Principal balance outstanding			1,227,517	1,426,111	
Unamortized deferred financing costs			(6,998)	(7,976)	
Total mortgages, loans payable and other obligations, net			$ 1,220,519	$ 1,418,135	

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

(b) On January 8, 2018, the Company prepaid this loan in full upon payment of a fee of approximately $8.4 million using borrowings from the Company s unsecured revolving credit facility.

(c) On March 1, 2018, the Company prepaid this loan in full upon payment of a fee of approximately $0.1 million using borrowings from the Company s unsecured revolving credit facility.

(d) Mortgage was collateralized by the three properties comprising One River Center. On March 29, 2018, the Company prepaid this loan in full upon payment of a fee of approximately $1.8 million using borrowings from the Company s unsecured revolving credit facility.

(e) This construction loan has a maximum borrowing capacity of $42 million and provides, subject to certain conditions, a one-year extension option with a fee of 25 basis points.

(f) This construction loan has a maximum borrowing capacity of $73 million and provides, subject to certain conditions, two one-year extension options with a fee of 15 basis points each year.

(g) This construction loan has a maximum borrowing capacity of $94 million and provides, subject to certain conditions, two one-year extension options with a fee of 20 basis points for each year. See Note 12: Commitments and Contingencies - Construction Projects.

(h) This construction loan has a maximum borrowing capacity of $78 million and provides, subject to certain conditions, two one-year extension options with a fee of 15 basis points each year. See Note 12: Commitments and Contingencies - Construction Projects

(i) This construction loan has a maximum borrowing capacity of $58 million and provides, subject to certain conditions, two one-year extension options with a fee of 15 basis points each year.

(j) This mortgage loan, which includes unamortized fair value adjustment of $4.2 million as of June 30, 2018, 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.

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CASH PAID FOR INTEREST AND INTEREST CAPITALIZED

Cash paid for interest for the six months ended June 30, 2018 and 2017 was $41,354,000 and $49,652,000, respectively. Interest capitalized by the Company for the six months ended June 30, 2018 and 2017 was $14,296,000 and $9,173,000, respectively (which amounts included $348,000 and $1,009,000 for the six months ended June 30, 2018 and 2017, 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, 2018, the Company s total indebtedness of $2,660,517,000 (weighted average interest rate of 3.79 percent) was comprised of $494,490,000 of unsecured revolving credit facility borrowings and other variable rate mortgage debt (weighted average rate of 4.33 percent) and fixed rate debt and other obligations of $2,166,027,000 (weighted average rate of 3.66 percent).

As of December 31, 2017, the Company s total indebtedness of $2,826,110,000 (weighted average interest rate of 3.93 percent) was comprised of $382,443,000 of unsecured revolving credit facility borrowings and other variable rate mortgage debt (weighted average rate of 3.63 percent) and fixed rate debt and other obligations of $2,443,667,000 (weighted average rate of 3.98 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, 2018 and 2017 was $225,000 and $233,000, respectively, and $498,000 and $575,000 for the six months ended June 30, 2018 and 2017, 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, 2018 and December 31, 2017. 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, 2018 and December 31, 2017.

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 $2,555,280,000 and $2,764,033,000 as compared to the book value of approximately $2,646,437,000 and $2,809,568,000 as of June 30, 2018 and December 31, 2017, 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.

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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 the sale price, net of estimated selling costs, of such property, based on signed sale agreements.

The Company identified as held for sale five office properties as of June 30, 2018 with an aggregate carrying value for the rental property of $56.4 million. The total estimated sales proceeds, net of expected selling costs, from the sales were expected to be approximately $70.5 million. The Company determined that the carrying value of one of the office properties was not expected to be recovered from estimated net sales proceeds and accordingly recognized an unrealized loss allowance of $0.5 million during the three and six months ended June 30, 2018.

The Company identified as held for sale 21 office properties as of December 31, 2017 with an aggregate carrying value of $171.6 million. The Company determined that the carrying value of seven of these properties was not expected to be recovered from estimated net sales proceeds and accordingly recognized an unrealized loss allowance of $12.3 million during the year ended December 31, 2017.

Disclosure about fair value of assets and liabilities is based on pertinent information available to management as of June 30, 2018 and December 31, 2017. 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, 2018 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 $270,000 and $349,000 for the three months ended June 30, 2018 and 2017, respectively, and $540,000 and $698,000 for the six months ended June 30, 2018 and 2017, 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 $1.1 million and $1.3 million for the three months ended June 30, 2018 and 2017, respectively, and $2.2 million and $2.5 million for the six months ended June 30, 2018 and 2017, 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 fourth 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 third 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 equaled $1,227,708 annually through April 2017 and then increased to $1,406,064 annually until expiration. The PILOT

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totaled $352,000 and $307,000 for the three months ended June 30, 2018 and 2017, respectively, and $703,000 and $614,000 for the six months ended June 30, 2018 and 2017, respectively.

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 $616,000 and $548,000 for the three months ended June 30, 2018 and 2017, respectively, and $1,230,000 and $548,000 for the six months ended June 30, 2018 and 2017, respectively.

The Port Imperial South Parcel 8/9 development project agreement with the City of Weehawken is for a term of 25 years following substantial completion, which is anticipated to be in the fourth quarter 2020. The annual PILOT is equal to 11 percent of gross revenue for Years 1-10, 12.5 percent for Years 11-18 and 14 percent for Years 19-25, as defined.

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

LITIGATION

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

GROUND LEASE AGREEMENTS

Future minimum rental payments under the terms of all non-cancelable ground leases under which the Company is the lessee, as of June 30, 2018, are as follows: *(dollars in thousands)*

Year		**Amount**
July 1 through December 31, 2018	$	1,848
2019		2,471
2020		2,487
2021		2,487
2022		2,487
2023 through 2084		212,534
Total	$	224,314

Ground lease expense incurred by the Company amounted to $550,000 and $599,000 during the three months ended June 30, 2018 and 2017, respectively, and $1.1 million and $1.2 million for the six months ended June 30, 2018 and 2017, respectively.

CONSTRUCTION PROJECTS

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 fourth quarter 2018. The construction of the project is estimated to cost $142.5 million, with development costs of $126.4 million incurred by the venture through June 30, 2018. The venture, which has a $94 million construction loan (with $65.6 million outstanding as of June 30, 2018), is expected to fund the remaining costs to complete the project.

The Company is developing a 295-unit multi-family project in Weehawken, New Jersey, which began construction in first quarter 2016. The project, known as Port Imperial South 11, which is expected to be ready for occupancy by third quarter 2018, is estimated to cost $122 million (of which development costs of $104.9 million have been incurred through June 30, 2018). The project costs are expected to be funded from a $78 million construction loan (with $60.1 million outstanding as of June 30, 2018). The Company expects to fund $44 million for the development of the project, of which the Company has funded $41.6 million as of June 30, 2018.

CHANGES IN EXECUTIVE OFFICERS

On June 14, 2018, the General Partner entered into a separation and general release agreement with Mitchell E. Rudin, pursuant to which Mr. Rudin s employment with the Company as its Vice Chairman was terminated effective as of June 5, 2018. The Company s total estimated costs in connection with the departure of Mr. Rudin of approximately $1.2 million (net of a reversal of $1.6 million of amortization of stock compensation expense due to the forfeiture of the unvested securities) during the three months ended June 30, 2018 was included in general and administrative expense (approximately $2.7 million was included in accounts payable, accrued expenses and other liabilities as of June 30, 2018).

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Under the terms of the Rudin separation agreement, Mr. Rudin is entitled to receive the following separation payments:

- Accrued but unpaid base salary through June 5, 2018;
- A lump sum cash payment of $2,558,082;
- Payment of unreimbursed expenses incurred by Mr. Rudin prior to termination, in the amount of $50,000 in the aggregate; and
- COBRA payments for up to 18 months after termination, in an amount equal to approximately $34,047.
- The Rudin separation agreement reflects that certain equity awards previously issued to Mr. Rudin, including time-vesting options, restricted stock units and performance share units, vested in full as of June 5, 2018 in accordance with their terms. Pursuant to the Rudin separation agreement, other than the equity awards that were fully vested as of June 5, 2018, as set forth in the Rudin separation agreement, all other equity awards granted to Mr. Rudin, including 32,311 LTIP Units subject to time-based vesting and 175,127 LTIP Units subject to performance-based vesting, expired and were immediately forfeited and canceled, effective as of June 5, 2018.

On January 29, 2018, the Company announced the appointment of David J. Smetana as chief financial officer and Nicholas Hilton as executive vice president of leasing of the General Partner. Mr. Smetana began to perform his duties as chief financial officer and Anthony Krug ceased to serve as chief financial officer immediately following the filing of the Company s Annual Report on Form 10-K for the year ended December 31, 2017. Mr. Krug remained an employee of the General Partner and provided transition services through March 31, 2018. Mr. Hilton s employment commenced on February 12, 2018 following the departure of Christopher DeLorenzo. In connection with these management changes, the General Partner entered into a separation agreement and release with each of Messrs. Krug and DeLorenzo. The Company s total estimated costs in connection with the departure of Messrs. Krug and DeLorenzo of approximately $2.7 million during the three months ended March 31, 2018 was included in general and administrative expense (approximately $0.1 million was included in accounts payable, accrued expenses and other liabilities as of June 30, 2018).

Under the terms of the Krug separation agreement, Mr. Krug is entitled to receive the following severance benefits:

- Earned but unpaid compensation through the date of termination, including base salary, 2017 bonus (when determined), a pro rata portion of his annual car allowance, and any unused vacation time;
- A lump sum cash severance payment of $1,312,500;
- A prorated portion of his 2018 target bonus equal to $93,750;
- COBRA payments for up to two years after termination, in an amount equal to approximately $42,000; and
- Accelerated vesting of all unvested LTIP units in the Operating Partnership, consisting of 13,306 LTIP units subject to time-based vesting and 18,665 LTIP units subject to performance-based vesting, with LTIP units subject to

performance-based vesting criteria vesting at target performance.

Under the terms of the DeLorenzo separation agreement, Mr. DeLorenzo is entitled to receive the following severance benefits:

- Earned but unpaid compensation through the date of termination, including base salary, 2017 bonus (when determined), a pro rata portion of his annual car allowance, and any unused vacation time;
- A lump sum cash severance payment of $500,000;
- COBRA payments for up to 18 months after termination, in an amount equal to approximately $42,000; and
- Partial accelerated vesting of unvested LTIP units in the Operating Partnership, consisting of 9,111 LTIP units subject to time based vesting and 13,982 LTIP units subject to performance-based vesting, with LTIP units subject to performance based vesting criteria vesting at target performance.

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). Upon the expiration in February 2016 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, 2018, 77 of the Company s properties, primarily a portfolio of flex properties in Westchester County, New York with an aggregate carrying value of approximately $940 million, are subject to these conditions.

On August 11, 2017, the Company acquired an existing mortgage note receivable encumbering a vacant developable land parcel located in Jersey City, New Jersey (the Land Property) with a balance of $44.7 million (the Land Note Receivable). The Land Note

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Receivable matures in July 2019 and earns interest at an annual rate of 5.85 percent which accrues monthly and is payable at maturity. In March 2018, the Company received a partial prepayment of $3 million. The Land Property is currently an unimproved land parcel which operates as a surface parking facility. Additionally, the Company entered into an agreement to acquire the Land Property, subject to the Company s ability to obtain all necessary development rights and entitlements to develop an apartment building on the land, and other related conditions to ensure that the Company can develop the project. The purchase price is $73 million, subject to adjustment based on the level of development rights obtained for the construction of a multifamily apartment building.

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, 2018 are as follows *(dollars in thousands)*:

Year		**Amount**
July 1 through December 31, 2018	$	174,757
2019		314,369
2020		290,653
2021		265,451
2022		236,924
2023 and thereafter		971,472
Total	$	2,253,626

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. During the six months ended June 30, 2018, a total additional amount of $65 million of Rockpoint Units were issued and sold to Rockpoint pursuant to the Investment Agreement.

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.

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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 $215 million invested capital and RRT s Initial Capital Contribution, at June 30, 2018 this pro rata distribution would be approximately 14.9% to Rockpoint and 85.1% 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, 2018. The Company determines the redemption value of these interests by hypothetically liquidating the estimated Net Asset Value (NAV) of the Roseland portfolio through the applicable waterfall provisions of the RRLP partnership agreement. The estimation of NAV includes unobservable inputs that consider assumptions of market participants in pricing the underlying assets and liabilities of RRLP. For properties under development, the Company applies a discount rate to the estimated future cash flows allocable to the Company during the period under construction and then applies a direct capitalization method to the estimated stabilized cash flows. For operating properties the direct capitalization method is used by applying a capitalization rate to the projected net operating income. Estimated future cash flows used in such analyses are based on the Company s business plan for each respective property including capital expenditures, management s views of market and economic conditions, and considers items such as current and future rental rates, occupancies and market transactions for comparable properties. The estimated future redemption value of Rockpoint Units is approximately $292 million as of June 30, 2018.

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

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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 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, 2018 *(dollars in thousands)*:

	Series A and A-1 Preferred Units In MCRLP	Rockpoint Interests in RRT	Total Redeemable Noncontrolling Interests
Balance January 1, 2018	$ 52,324	$ 159,884	$ 212,208
Redeemable Noncontrolling Interests Issued		65,000	65,000
Net	52,324	224,884	277,208
Income Attributed to Noncontrolling Interests	910	4,878	5,788
Distributions	(910)	(4,878)	(5,788)
Redemption Value Adjustment		7,007	7,007
Redeemable noncontrolling interests as of June 30, 2018	$ 52,324	$ 231,891	$ 284,215

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. As of June 30, 2018, the General Partner has repurchased 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 repurchases, 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

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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.

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 fully vesting on June 5, 2018, 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, 2018	800,000	$	17.31	$	3,400
Granted, Lapsed or Cancelled					
Outstanding at June 30, 2018 ($17.31)	800,000	$	17.31	$	2,376
Options exercisable at June 30, 2018	800,000				
Available for grant at June 30, 2018	1,488,356				

There were no stock options exercised under any stock option plans for the six months ended June 30, 2018 and 2017, respectively. The Company has a policy of issuing new shares to satisfy stock option exercises. As of June 30, 2018 and December 31, 2017, the stock options outstanding had a weighted average remaining contractual life of approximately 6.9 and 7.4 years, respectively.

The Company recognized stock options expense of $77,000 and $116,000 for the three months ended June 30, 2018 and 2017, respectively, and $193,000 and $232,000 for the six months ended June 30, 2018 and 2017, 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 71,161 unvested shares were legally outstanding at June 30, 2018. 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 vested 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.

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

	Shares	Weighted-Average Grant Date Fair Value
Outstanding at January 1, 2018	108,318	$ 25.49
Granted	40,185	20.16
Vested	(72,502)	25.33
Cancelled	(4,840)	25.83
Outstanding at June 30, 2018	71,161	$ 22.63

As of June 30, 2018, the Company had $1.1 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 one year.

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 was to 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 were 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 PSUs vested at 100 percent on June 5, 2018 based on the calculation of the achievement of the Company s total shareholder return, for which shares of the General Partner s common stock were issued under the 2013 Plan.

As of June 30, 2018, the Company had no unrecognized compensation cost as there are no unvested PSUs outstanding under the Company s stock compensation plans.

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 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 was 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 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 was 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.

On April 20, 2018, the Company granted LTIP awards to senior management of the Company, including the General Partner s executive officers (the   2018 LTIP Awards). All of the 2018 LTIP Awards were in the form of LTIP Units and constitute awards under the 2013

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Plan. For Messrs. DeMarco and Tycher, approximately twenty-five percent (25%) of the grant date fair value of the 2018 LTIP Award was in the form of a time-based award that vest after three years on April 20, 2021 (the 2018 TBV LTIP Units), and the remaining approximately seventy-five percent (75%) of the grant date fair value of the 2018 LTIP Award was in the form of a performance-based award under the Company s Outperformance Plan (the 2018 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 2018 PBV LTIP Units). For all other executive officers, approximately fifty percent (50%) of the grant date fair value of the 2018 LTIP Award was in the form of 2018 TBV LTIP Units and the remaining approximately fifty percent (50%) of the grant date fair value of the 2018 LTIP Award was in the form of 2018 PBV LTIP Units.

The 2018 OPP was designed to align the interests of senior management to relative and absolute performance of the Company over a three-year performance period from April 20, 2018 through April 19, 2021. Participants in the 2018 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 s TSR is in the 75th percentile of performance as compared to the office REITs in the NAREIT index.

LTIP Units will remain subject to forfeiture depending on the extent that the 2016 LTIP Awards, 2017 LTIP Awards and 2018 LTIP Awards vest. The number of LTIP Units to be issued initially to recipients of the 2016 PBV LTIP Awards, 2017 PBV LTIP Awards and 2018 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, 2017 TBV LTIP Units and 2018 LTIP Awards or the end of the measurement period for the 2016 PBV LTIP Units, 2017 PBV LTIP Units and 2018 PBV LTIP Awards, 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 a result of certain executive management and other personnel changes during the six months ended June 30, 2018, the former employees forfeited and cancelled 158,361 2016 LTIP Awards and 85,729 2017 LTIP Awards, and the Company accelerated the vesting of 22,215 2016 LTIP Awards and 32,849 2017 LTIP Awards. As of June 30, 2018, a total of 365,149 2016 PBV LTIP Units, 129,044 2016 TBV LTIP Units, 406,821 2017 PBV LTIP Units, 85,773 2017 TBV LTIP Units, 651,928 2018 PBV LTIP Units and 212,096 2018 TBV LTIP Units, net of LTIP Units forfeited and cancelled resulting from executive management and other personnel changes, were outstanding. 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, 2018, the Company had $15.3 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 2.7 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, 2018 and 2017, 13,587 and 8,821 deferred stock units were earned, respectively. As of June 30, 2018 and December 31, 2017, there were 223,884 and 210,738 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.

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The following information presents the Company s results for the three and six months ended June 30, 2018 and 2017 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, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Net income (loss)	$ 1,501	$ (39,125)	$ 52,189	$ (16,396)
Add (deduct): Noncontrolling interest in consolidated joint ventures	95	181	125	418
Add (deduct): Noncontrolling interest in Operating Partnership	142	4,296	(4,741)	2,001
Add (deduct): Redeemable noncontrolling interest	(2,989)	(2,682)	(5,788)	(3,474)
Add (deduct): Redemption value adjustment of redeemable noncontrolling interests attributable to common shareholders	(3,379)	(2,551)	(6,133)	(12,411)
Net income (loss) available to common shareholders for basic earnings per share	$ (4,630)	$ (39,881)	$ 35,652	$ (29,862)
Weighted average common shares	90,330	90,011	90,297	89,983
Basic EPS:				
Net income (loss) available to common shareholders	$ (0.05)	$ (0.44)	$ 0.39	$ (0.33)

Computation of Diluted EPS	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Net income (loss) available to common shareholders for basic earnings per share	$ (4,630)	$ (39,881)	$ 35,652	$ (29,862)
Add (deduct): Noncontrolling interest in Operating Partnership	(142)	(4,296)	4,741	(2,001)
Add (deduct): Redemption value adjustment of redeemable noncontrolling interests attributable to the Operating Partnership unitholders	(384)	(294)	(697)	(1,432)
Net income (loss) available for diluted earnings per share	$ (5,156)	$ (44,471)	$ 39,696	$ (33,295)
Weighted average common shares	100,598	100,370	100,607	100,354
Diluted EPS:				
Net income (loss) available to common shareholders	$ (0.05)	$ (0.44)	$ 0.39	$ (0.33)

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,	
	2018	2017	2018	2017
Basic EPS shares	90,330	90,011	90,297	89,983
Add: Operating Partnership common and vested LTIP Units	10,268	10,359	10,255	10,371
Stock Options			55	
Diluted EPS Shares	100,598	100,370	100,607	100,354

Contingently issuable shares under the PSU Awards were excluded from the denominator in 2017 because the criteria had not been met for the periods. Shares issuable under all outstanding stock options were excluded from the denominator in the three months ended June 30, 2018 and in the three and six months ended June 30, 2017 as such securities were anti-dilutive during the periods. Also not included in the computations of diluted EPS were the unvested LTIP Units and contingently issuable shares under Restricted Stock Awards as such securities were anti-dilutive during all periods presented. Unvested LTIP Units outstanding as of June 30, 2018 and June 30, 2017 were 1,795,747 and 1,230,877 LTIP Units, respectively. Unvested restricted stock outstanding as of June 30, 2018 and 2017 were 71,161 and 96,769 shares, respectively.

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Dividends declared per common share for the three-month periods ended June 30, 2018 and 2017 was $0.20 and $0.20 per share, respectively. Dividends declared per common share for the six-month periods ended June 30, 2018 and 2017 was $0.40 and $0.35 per share, respectively.

Mack-Cali Realty, L.P.:

	Three Months Ended June 30,		Six Months Ended June 30,	
Computation of Basic EPU	**2018**	**2017**	**2018**	**2017**
Net income (loss)	$ 1,501	$ (39,125)	$ 52,189	$ (16,396)
Add (deduct): Noncontrolling interest in consolidated joint ventures	95	181	125	418
Add (deduct): Redeemable noncontrolling interest	(2,989)	(2,682)	(5,788)	(3,474)
Add (deduct): Redemption value adjustment of redeemable noncontrolling interests	(3,763)	(2,845)	(6,830)	(13,843)
Net income (loss) available to common unitholders for basic earnings per unit	$ (5,156)	$ (44,471)	$ 39,696	$ (33,295)
Weighted average common units	100,598	100,370	100,552	100,354
Basic EPU:				
Net income (loss) available to common unitholders	$ (0.05)	$ (0.44)	$ 0.39	$ (0.33)

	Three Months Ended June 30,		Six Months Ended June 30,	
Computation of Diluted EPU	**2018**	**2017**	**2018**	**2017**
Net income (loss) available to common unitholders for diluted earnings per unit	$ (5,156)	$ (44,471)	$ 39,696	$ (33,295)
Weighted average common unit	100,598	100,370	100,607	100,354
Diluted EPU:				
Net income (loss) available to common unitholders	$ (0.05)	$ (0.44)	$ 0.39	$ (0.33)

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,	
	2018	**2017**	**2018**	**2017**
Basic EPU units	100,598	100,370	100,552	100,354
Add: Stock Options			55	
Diluted EPU Units	100,598	100,370	100,607	100,354

Contingently issuable shares under the PSU Awards were excluded from the denominator in 2017 because the criteria had not been met for the periods. Shares issuable under all outstanding stock options were excluded from the denominator in the three months ended June 30, 2018 and in the three and six months ended June 30, 2017 as such securities were anti-dilutive during the periods. Also not included in the computations of diluted EPU were the unvested LTIP Units and contingently issuable shares under Restricted Stock Awards as such securities were anti-dilutive during all periods presented. Unvested LTIP Units outstanding as of June 30, 2018 and June 30, 2017 were 1,795,747 and 1,230,877 LTIP Units, respectively. Unvested restricted stock outstanding as of June 30, 2018 and 2017 were 71,161 and 96,769 shares, respectively.

Distributions declared per common unit for the three-month periods ended June 30, 2018 and 2017 was $0.20 and $0.20 per unit, respectively. Distributions declared per common unit for the six-month periods ended June 30, 2018 and 2017 was $0.40 and $0.35 per unit, respectively.

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16. NONCONTROLLING INTERESTS IN SUBSIDIARIES

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, 2018 and 2017, respectively *(dollars in thousands):*

	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Balance at January 1	$ 192,428	$ 199,516
Net income	10,404	1,055
Issuance of limited partner common units		2,793
Unit distributions	(4,396)	(3,961)
Redeemable noncontrolling interest	(6,485)	(4,906)
Decrease in noncontrolling interests in consolidated joint ventures	51	(1,081)
Redemption of common units for common stock	(3,741)	(2,531)
Stock compensation	2,238	1,973
Cancellation of restricted shares	(289)	
Other comprehensive income (loss)	706	(13)
Rebalancing of ownership percentage between parent and subsidiaries	(847)	(2,888)
Balance at June 30	$ 190,069	$