MACK CALI REALTY CORP
Form 10-Q
April 25, 2013

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 March 31, 2013

or

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

For the transition period from to

Commission File Number: 1-13274

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

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

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past ninety (90) days. YES X NO ___

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

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

Large accelerated filer x Accelerated filer ¨

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

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

As of April 22, 2013, there were 87,925,476 shares of the registrant's Common Stock, par value $0.01 per share, outstanding.

MACK-CALI REALTY CORPORATION

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MACK-CALI REALTY CORPORATION

Part I – Financial Information

Item 1. Financial Statements

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

The aforementioned financial statements should be read in conjunction with the notes to the aforementioned financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and notes thereto included in Mack-Cali Realty Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

The results of operations for the three month period ended March 31, 2013 are not necessarily indicative of the results to be expected for the entire fiscal year or any other period.

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

ASSETS	March 31, 2013	December 31, 2012
Rental property		
Land and leasehold interests	$ 779,583	$ 782,315
Buildings and improvements	4,114,633	4,104,472
Tenant improvements	457,816	489,608
Furniture, fixtures and equipment	2,905	3,041
	5,354,937	5,379,436
Less – accumulated depreciation and amortization	(1,439,975)	(1,478,214)
	3,914,962	3,901,222
Rental property held for sale, net	103,474	60,863
Net investment in rental property	4,018,436	3,962,085
Cash and cash equivalents	24,184	58,245
Investments in unconsolidated joint ventures	158,505	132,339
Unbilled rents receivable, net	146,327	139,984
Deferred charges, goodwill and other assets	208,293	204,874
Restricted cash	20,419	19,339
Accounts receivable, net of allowance for doubtful accounts of $2,219 and $2,614	9,105	9,179
Total assets	$ 4,585,269	$ 4,526,045
LIABILITIES AND EQUITY		
Senior unsecured notes	$ 1,446,987	$ 1,446,894
Revolving credit facility	92,000	-
Mortgages, loans payable and other obligations	757,700	757,495
Dividends and distributions payable	44,916	44,855
Accounts payable, accrued expenses and other liabilities	131,960	124,822
Rents received in advance and security deposits	52,578	55,917
Accrued interest payable	21,772	27,555
Total liabilities	2,547,913	2,457,538
Commitments and contingencies		
Equity:		
Mack-Cali Realty Corporation stockholders’ equity:		
Common stock, $0.01 par value, 190,000,000 shares authorized, 87,923,776 and 87,536,292 shares outstanding	879	875
Additional paid-in capital	2,533,238	2,530,621
Dividends in excess of net earnings	(792,446)	(764,522)

Total Mack-Cali Realty Corporation stockholders' equity	1,741,671	1,766,974
Noncontrolling interests in subsidiaries:		
Operating Partnership	239,320	245,091
Consolidated joint ventures	56,365	56,442
Total noncontrolling interests in subsidiaries	295,685	301,533
Total equity	2,037,356	2,068,507
Total liabilities and equity	$ 4,585,269	$ 4,526,045

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

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

	Three Months Ended March 31,			
REVENUES		2013		2012
Base rents	$	143,263	$	144,288
Escalations and recoveries from tenants		20,748		19,409
Construction services		8,226		3,463
Real estate services		6,443		1,171
Parking income		1,399		1,611
Other income		1,753		7,881
Total revenues		181,832		177,823
EXPENSES				
Real estate taxes		22,976		22,384
Utilities		17,359		15,816
Operating services		27,394		25,256
Direct construction costs		7,825		3,278
Real estate services expenses		4,952		504
General and administrative		12,017		10,793
Depreciation and amortization		46,504		46,594
Total expenses		139,027		124,625
Operating income		42,805		53,198
OTHER (EXPENSE) INCOME				
Interest expense		(29,869)		(30,548)
Interest and other investment income		6		13
Equity in earnings (loss) of unconsolidated joint ventures		(1,750)		600
Total other (expense) income		(31,613)		(29,935)
Income from continuing operations		11,192		23,263
Discontinued operations:				
Income (loss) from discontinued operations		1,897		1,992
Realized gains (losses) and unrealized losses on disposition of rental property, net		-		4,012
Total discontinued operations, net		1,897		6,004
Net income		13,089		29,267
Noncontrolling interest in consolidated joint ventures		62		79
Noncontrolling interest in Operating Partnership		(1,365)		(2,846)
Noncontrolling interest in discontinued operations		(230)		(733)
Net income available to common shareholders	$	11,556	$	25,767
Basic earnings per common share:				
Income from continuing operations	$	0.11	$	0.23
Discontinued operations		0.02		0.06
Net income available to common shareholders	$	0.13	$	0.29

Diluted earnings per common share:				
Income from continuing operations	$	0.11	$	0.23
Discontinued operations		0.02		0.06
Net income available to common shareholders	$	0.13	$	0.29
Basic weighted average shares outstanding		87,669		87,799
Diluted weighted average shares outstanding		99,849		100,062

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

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

	Common Stock		Additional Paid-In	Dividends in Excess of Net	Noncontrolling Interests	Total
	Shares	Par Value	Capital	Earnings	in Subsidiaries	Equity
Balance at January 1, 2013	87,536	$ 875	$ 2,530,621	$ (764,522)	$ 301,533	$ 2,068,507
Net income	-	-	-	11,556	1,533	13,089
Common stock dividends	-	-	-	(39,480)	-	(39,480)
Common unit distributions	-	-	-	-	(5,437)	(5,437)
Decrease in noncontrolling interest	-	-	-	-	(15)	(15)
Redemption of common units for common stock	61	1	1,218	-	(1,219)	-
Shares issued under Dividend Reinvestment and Stock Purchase Plan	3	-	86	-	-	86
Stock compensation	324	3	603	-	-	606
Rebalancing of ownership percentage between parent and subsidiaries	-	-	710	-	(710)	-
Balance at March 31, 2013	87,924	$ 879	$ 2,533,238	$ (792,446)	$ 295,685	$ 2,037,356

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

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

	Three Months Ended March 31,	
CASH FLOWS FROM OPERATING ACTIVITIES	2013	2012
Net income	$ 13,089	$ 29,267
Adjustments to reconcile net income to net cash provided by Operating activities:		
Depreciation and amortization, including related intangible assets	46,545	46,438
Depreciation and amortization on discontinued operations	297	1,643
Amortization of stock compensation	606	934
Amortization of deferred financing costs and debt discount	773	611
Equity in loss (earnings) of unconsolidated joint venture, net	1,750	(600)
Distributions of cumulative earnings from unconsolidated joint ventures	453	125
Realized (gains) and unrealized losses on disposition of rental property, net	-	(4,012)
Changes in operating assets and liabilities:		
Increase in unbilled rents receivable, net	(6,335)	(756)
Increase in deferred charges, goodwill and other assets	(8,862)	(10,910)
Decrease (increase) in accounts receivable, net	74	(737)
Increase in accounts payable, accrued expenses and other liabilities	9,797	6,129
(Decrease) increase in rents received in advance and security deposits	(3,339)	606
Decrease in accrued interest payable	(5,783)	(11,832)
Net cash provided by operating activities	$ 49,065	$ 56,906
CASH FLOWS FROM INVESTING ACTIVITIES		
Rental property acquisitions and related intangibles	$ (61,318)	$ -
Rental property additions and improvements	(25,214)	(17,424)
Development of rental property	(9,121)	(3,701)
Investment in unconsolidated joint ventures	(30,523)	(32,288)
Distributions in excess of cumulative earnings from unconsolidated joint ventures	1,233	988
Payment of contingent consideration	(2,755)	-
Increase in restricted cash	(1,080)	(642)
Net cash used in investing activities	$ (128,778)	$ (53,067)
CASH FLOW FROM FINANCING ACTIVITIES		
Borrowings from revolving credit facility	$ 153,500	$ 207,526

Repayment of revolving credit facility		(61,500)		(64,026)
Repayment of senior unsecured notes		-		(100,000)
Proceeds from mortgages and loans payable		1,363		-
Repayment of mortgages, loans payable and other obligations		(2,643)		(2,339)
Payment of financing costs		(236)		-
Payment of dividends and distributions		(44,832)		(44,972)
Net cash provided by (used in) financing activities	$	45,652	$	(3,811)
Net increase (decrease) in cash and cash equivalents	$	(34,061)	$	28
Cash and cash equivalents, beginning of period		58,245		20,496
Cash and cash equivalents, end of period	$	24,184	$	20,524

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

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

1. ORGANIZATION AND BASIS OF PRESENTATION

ORGANIZATION

Mack-Cali Realty Corporation, a Maryland corporation, together with its subsidiaries (collectively, the "Company"), is a fully-integrated, self-administered, self-managed real estate investment trust ("REIT") providing leasing, management, acquisition, development, construction and tenant-related services for its properties and third parties. As of March 31, 2013, the Company owned or had interests in 279 properties plus developable land (collectively, the "Properties"). The Properties aggregate approximately 31.6 million square feet, which are comprised of 257 buildings, primarily office and office/flex buildings totaling approximately 31.1 million square feet (which include four buildings, primarily office buildings aggregating approximately 0.8 million square feet owned by unconsolidated joint ventures in which the Company has investment interests), six industrial/warehouse buildings totaling approximately 387,400 square feet, eight multi-family properties totaling 2,907 apartments (which include seven properties aggregating 2,597 apartments owned by unconsolidated joint ventures in which the Company has investment interests), four retail properties totaling approximately 98,800 square feet (which include two buildings aggregating 81,500 square feet owned by unconsolidated joint ventures in which the Company has investment interests), one hotel (which is owned by an unconsolidated joint venture in which the Company has an investment interest) and three parcels of land leased to others. The Properties are located in seven states, primarily in the Northeast, plus the District of Columbia.

BASIS OF PRESENTATION

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

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

The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Certain reclassifications have been made to prior period amounts in order to conform with current period presentation.

2. SIGNIFICANT ACCOUNTING POLICIES

Rental Property Rental properties are stated at cost less accumulated depreciation and amortization. Costs directly related to the acquisition, development and construction of rental properties are capitalized. Acquisition-related costs are expensed as incurred. Capitalized development and construction costs include pre-construction costs essential to the development of the property, development and construction costs, interest, property taxes, insurance, salaries and other project costs incurred during the period of development. Capitalized development and construction salaries and related costs approximated $0.9 million and $1.0 million for the three months ended March 31, 2013 and 2012, respectively. Included in total rental property is construction, tenant improvement and development in-progress of $123.5 million and $107.6 million as of March 31, 2013 and December 31, 2012, respectively. Ordinary repairs and maintenance are expensed as incurred; major replacements and betterments, which improve or extend the life of the asset, are capitalized and depreciated over their estimated useful lives. Fully-depreciated assets are removed from the accounts.

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

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

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

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

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

Other intangible assets acquired include amounts for in-place lease values and tenant relationship values, which are based on management's evaluation of the specific characteristics of each tenant's lease and the Company's overall relationship with the respective tenant. Factors to be considered by management in its analysis of in-place lease values include an estimate of carrying costs during hypothetical expected lease-up periods considering current market conditions, and costs to execute similar leases. In estimating carrying costs, management includes real estate taxes,

insurance and other operating expenses and estimates of lost rentals at market rates during the expected lease-up periods, depending on local market conditions. In estimating costs to execute similar leases, management considers leasing commissions, legal and other related expenses. Characteristics considered by management in valuing tenant relationships include the nature and extent of the Company's existing business relationships with the tenant, growth prospects for developing new business with the tenant, the tenant's credit quality and expectations of lease renewals. The value of in-place leases are amortized to expense over the remaining initial terms of the respective leases. The value of tenant relationship intangibles are amortized to expense over the anticipated life of the relationships.

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

As of March 31, 2013 and December 31, 2012, the Company's consolidated real estate joint ventures in which the Company is deemed to be the primary beneficiary have total real estate assets of $195.9 million and $198.3 million, respectively, mortgages of $78.4 million and $77.1 million, respectively, and other liabilities of $15.8 million and $16.5 million, respectively. These consolidated ventures were acquired as part of the Roseland Transaction (as defined in Note 13: Commitments and Contingencies).

Rental Property Held for Sale and Discontinued Operations

When assets are identified by management as held for sale, the Company discontinues depreciating the assets and estimates the sales price, net of selling costs, of such assets. If, in management's opinion, the estimated net sales price of the assets which have been identified as held for sale is less than the net book value of the assets, a valuation allowance is established. Properties identified as held for sale and/or disposed of are presented in discontinued operations for all periods presented. See Note 7: Discontinued Operations.

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

Investments in Unconsolidated Joint Ventures

The Company accounts for its investments in unconsolidated joint ventures under the equity method of accounting. The Company applies the equity method by initially recording these investments at cost, as Investments in Unconsolidated Joint Ventures, subsequently adjusted for equity in earnings and cash contributions and distributions. The outside basis portion of the Company's joint ventures is amortized over

the anticipated useful lives of the underlying ventures' tangible and intangible assets acquired and liabilities assumed.

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

Cash and Cash Equivalents All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

Deferred Financing Costs Costs incurred in obtaining financing are capitalized and amortized over the term of the related indebtedness. Amortization of such costs is included in interest expense and was $773,000 and $611,000 for the three months ended March 31, 2013 and 2012, respectively. If a financing obligation is extinguished early, any unamortized deferred financing costs are written off and included in gains (loss) on early extinguishment of debt. No such amounts were written off for the three months ended March 31, 2013 and 2012.

Deferred Leasing Costs Costs incurred in connection with 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, which is capitalized and amortized, approximated $1,173,000 and $1,096,000 for the three months ended March 31, 2013 and 2012, 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. Management performs an annual impairment test for goodwill during the fourth quarter. Additionally, management evaluates the recoverability of goodwill whenever events or changes in circumstances indicate that the carrying amounts of goodwill may not be fully recoverable.

Derivative Instruments The Company measures derivative instruments, including certain derivative instruments embedded in other contracts, at fair value and records them as an asset or liability, depending on the Company's rights or obligations under the applicable derivative contract. For derivatives designated and qualifying as fair value hedges, the changes in the fair value of both the derivative instrument and the hedged item are recorded in earnings. For derivatives designated as cash flow hedges, the effective portions of the derivative are reported in other comprehensive income ("OCI") and are subsequently reclassified into

earnings when the hedged item affects earnings. Changes in fair value of derivative instruments not designated as hedging and ineffective portions of hedges are recognized in earnings in the affected period.

Revenue Recognition Base rental revenue is recognized on a straight-line basis over the terms of the respective leases. Unbilled rents receivable represents the cumulative amount by which straight-line rental revenue exceeds rents currently billed in accordance with the lease agreements. Above-market and below-market lease values for acquired properties are initially recorded based on the present value (using a discount rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to each in-place lease and (ii) management's estimate of fair market lease rates for each corresponding in-place lease, measured over a period equal to the remaining term of the lease for above-market leases and the remaining initial term plus the term of any below-market fixed-rate renewal options for below-market leases. The capitalized above-market lease values for acquired properties are amortized as a reduction of base rental revenue over the remaining terms of the respective leases, and the capitalized below-market lease values are amortized as an increase to base rental revenue over the remaining initial terms plus the terms of any below-market fixed-rate renewal options of the respective leases. Escalations and recoveries from tenants are received from tenants for certain costs as provided in the lease agreements. These costs generally include real estate taxes, utilities, insurance, common area maintenance and other recoverable costs. See Note 14: Tenant Leases. Construction services revenue includes fees earned and reimbursements received by the Company for providing construction management and general contractor services to clients. Construction services revenue is recognized on the percentage of completion method. Using this method, profits are recorded on the basis of our estimates of the overall profit and percentage of completion of individual contracts. A portion of the estimated profits is accrued based upon estimates of the percentage of completion of the construction contract. This revenue recognition method involves inherent risks relating to profit and cost estimates. Real estate services revenue includes property management, development and leasing commission fees and other services, and payroll and related costs reimbursed from clients. Fee income derived from the Company's unconsolidated joint ventures (which are capitalized by such ventures) are recognized to the extent attributable to the unaffiliated ownership interests. 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 periodically performs a detailed review of amounts due from tenants to determine if accounts receivable balances are impaired based on factors affecting the collectability of those balances. Management's estimate of the allowance for doubtful accounts requires management to exercise significant judgment about the timing, frequency and severity of collection losses, which affects the allowance and net income.

Income and Other Taxes

The Company has elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code"). As a REIT, the Company generally will not be subject to corporate federal income tax (including alternative minimum tax) on net income that it currently distributes to its shareholders, provided that the Company satisfies certain organizational and operational requirements including the requirement to distribute at least 90 percent of its REIT taxable income to its shareholders. The Company has elected to treat certain of its corporate subsidiaries as taxable REIT subsidiaries (each a "TRS"). In general, a TRS of the Company may perform additional services for tenants of the Company and generally may engage in any real estate or non-real estate related business (except for the operation or management of health care facilities or lodging facilities or the providing to any person, under a franchise, license or otherwise, rights to any brand name under which any lodging facility or health care facility is operated). A TRS is subject to corporate federal income tax. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to federal income tax (including any applicable alternative minimum tax) on its taxable income at regular corporate tax rates. The Company is subject to certain state and local taxes.

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

In the normal course of business, the Company or one of its subsidiaries is subject to examination by federal, state and local jurisdictions in which it operates, where applicable. As of March 31, 2013, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are generally from the year 2008 forward.

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

Dividends and Distributions Payable The dividends and distributions payable at March 31, 2013 represents dividends payable to common shareholders (87,668,658 shares) and distributions payable to noncontrolling interest common unitholders of the Operating Partnership (12,081,440 common units) for all such holders of record as of April 3, 2013 with respect to the first quarter 2013. The first quarter 2013 common stock dividends and common unit distributions of $0.45 per common share and unit were approved by the Board of Directors on March 12, 2013. The common stock dividends and common unit distributions payable were paid on April 12, 2013.

The dividends and distributions payable at December 31, 2012 represents dividends payable to common shareholders (87,537,250 shares) and distributions payable to noncontrolling interest common unitholders of the Operating Partnership (12,141,836 common units) for all such holders of record as of January 4, 2013 with respect to the fourth quarter 2012. The fourth quarter 2012 common stock dividends and common unit distributions of $0.45 per common share and unit were approved by the Board of Directors on December 3, 2012. The common stock dividends and common unit distributions payable were paid on January 11, 2013.

On April 15, 2013, the Company announced that its Board of Directors intends to reduce its quarterly common stock dividend and common unit distribution from the current $0.45 per common share and unit to $0.30 per common share and unit. This new quarterly rate indicates an annual rate of $1.20 per common share and unit. It is anticipated that the declaration of the second quarter common stock dividend and common unit distribution will occur at the Board of Directors' meeting on May 15, 2013.

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

Stock Compensation The Company accounts for stock compensation in accordance with the provisions of ASC 718, Compensation-Stock Compensation. These provisions require that the estimated fair value of restricted stock ("Restricted Stock Awards"), TSR-based Performance Shares and stock options (if any) at the grant date be amortized ratably into expense over the appropriate vesting period. The Company recorded

stock compensation expense of $845,000 and $814,000 for the three months ended March 31, 2013 and 2012, respectively.

Other Comprehensive Income

Other comprehensive income (loss) includes items that are recorded in equity, such as unrealized holding gains or losses on marketable securities available for sale. There was no difference in other comprehensive income to net income for the three months ended March 31, 2013 and 2012, and no accumulated other comprehensive income as of March 31, 2013 and 2012.

3. REAL ESTATE TRANSACTIONS

On January 18, 2013, the Company acquired Alterra at Overlook Ridge 1A ("Alterra 1A"), a 310-unit multi-family rental property located in Revere, Massachusetts, for approximately $61.3 million in cash. The purchase price for the property was funded primarily through borrowings under the Company's unsecured revolving credit facility.

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

		January 18, 2013
Land	$	9,042
Buildings and improvements		50,739
Furniture, fixtures and equipment		801
In-place lease values (1)		931
		61,513
Less: Below market lease values (1)		195
		195
Net cash paid at acquisition	$	61,318

(1) In-place lease values and below market lease values will be amortized over seven months.

For the three months ended March 31, 2013, included in general and administrative expense was approximately $56,000 of transaction costs related to the Alterra 1A acquisition.

On April 4, 2013, the Company acquired Alterra at Overlook Ridge IB, a 412-unit multi-family property in Revere, Massachusetts, for approximately $88 million. The Company funded the acquisition primarily through borrowings under the Company's unsecured revolving credit facility.

On April 10, 2013, the Company sold its 248,400 square foot office property located at 19 Skyline Drive in Hawthorne, New York for approximately $16 million.

4. INVESTMENTS IN UNCONSOLIDATED JOINT VENTURES

As of March 31, 2013, the Company had an aggregate investment of approximately $158.5 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 March 31, 2013, the unconsolidated joint ventures owned: three office and two retail properties aggregating approximately 0.4 million square feet, seven multi-family properties totaling 2,597 apartments, a 350-room hotel, a senior mezzanine loan position in the capital stack of a 1.7 million square foot commercial property; development projects for up to approximately 2,376 apartments; and interests and/or rights to developable land parcels able to accommodate up to 4,071 apartments, 1.2 million square feet of office space and a 1.5 million square foot mixed-use project. The Company's unconsolidated interests range from 7.5 percent to 80 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 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 had $204,000 and $370,000 in accounts receivable due from its unconsolidated joint ventures as of March 31, 2013 and December 31, 2012, respectively.

Included in the Company's investments in unconsolidated joint ventures as of March 31, 2013 are six 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 $13.5 million as of March 31, 2013. The Company's maximum exposure to loss as a result of its involvement with these VIEs is estimated to be approximately $17.4 million, which includes the Company's current investment and estimated future funding commitments of approximately $3.9 million. The Company has not provided financial support to these VIEs that it was not previously contractually required to provide. In general, future costs of development not financed through third party will be funded with capital contributions from the Company and its outside partners in accordance with their respective ownership percentages.

The following is a summary of the financial position of the unconsolidated joint ventures in which the Company had investment interests as of March 31, 2013 and December 31, 2012: (dollars in thousands)

	March 31, 2013	December 31, 2012
Assets:		
Rental property, net	$ 442,346	$ 179,824
Loan receivable	42,953	42,276
Other assets	351,312	311,846
Total assets	$ 836,611	$ 533,946
Liabilities and partners'/ members' capital:		
Mortgages and loans payable	$ 344,095	$ 168,908
Other liabilities	13,115	12,203
Partners'/members' capital	479,401	352,835
Total liabilities and partners'/members' capital	$ 836,611	$ 533,946

The following is a summary of the Company's investments in unconsolidated joint ventures as of March 31, 2013 and December 31, 2012: (dollars in thousands)

Entity	March 31, 2013	December 31, 2012
Plaza VIII & IX Associates, L.L.C.	$ 4,022	$ 4,321
South Pier at Harborside	(2,487)	(1,225)
Red Bank Corporate Plaza, L.L.C.	3,985	3,876
12 Vreeland Associates, L.L.C.	12,748	12,840
Boston Downtown Crossing	13,012	13,012
Gale Jefferson, L.L.C.	-	1,029
Stamford SM LLC	34,547	34,006
Marbella RoseGarden, L.L.C.	16,601	16,918
RoseGarden Monaco Holdings, L.L.C.	4,363	4,761
Rosewood Lafayette Holdings, L.L.C.	1,698	1,988
PruRose Port Imperial South 15, LLC	-	606
Rosewood Morristown, L.L.C.	6,935	7,091
Overlook Ridge JV, L.L.C.	-	-
Overlook Ridge, L.L.C.	71	31
Overlook Ridge JV 2C/3B, L.L.C.	91	179
Roseland/North Retail, L.L.C.	2,112	2,161
BNES Associates III	1,839	1,955
Portside Master Company, L.L.C.	3,637	3,651
PruRose Port Imperial South 13, LLC	2,817	2,920
Roseland/Port Imperial Partners, L.P.	2,635	2,582
RoseGarden Marbella South, L.L.C.	6,241	6,182

PruRose Riverwalk G, L.L.C.	3,959	4,136
Elmajo Urban Renewal Associates, LLC	725	849
Riverpark at Harrison I, L.L.C.	2,641	2,606
150 Main Street, L.L.C.	2,602	2,395
RoseGarden Monaco, L.L.C.	1,178	1,165
Hillsborough 206 Holdings, L.L.C.	1,973	1,967
Grand Jersey Waterfront Urban Renewal Associates, L.L.C.	337	337
Crystal House Apartments Investors LLC	30,223	-
Company's investment in unconsolidated joint ventures	$ 158,505	$ 132,339

The following is a summary of the results from operations of the unconsolidated joint ventures for the period in which the Company had investment interests during the three months ended March 31, 2013 and 2012: (dollars in thousands)

	Three Months Ended March 31,			
		2013		2012
Total revenues	$	12,420	$	11,704
Operating and other expenses		(7,948)		(7,179)
Depreciation and amortization		(3,091)		(2,390)
Interest expense		(2,012)		(1,690)
Net income	$	(631)	$	445

The following is a summary of the Company's equity in earnings (loss) of unconsolidated joint ventures for the three months ended March 31, 2013 and 2012: (dollars in thousands)

	Three Months Ended March 31,			
Entity		2013		2012
Plaza VIII & IX Associates, L.L.C.	$	9	$	10
South Pier at Harborside		(511)		12
Red Bank Corporate Plaza, L.L.C.		101		103
12 Vreeland Associates, L.L.C.		(92)		199
Boston Downtown Crossing		(5)		(100)
Gale Jefferson, L.L.C.		68		20
Stamford SM LLC		885		356
Marbella RoseGarden, L.L.C.		(111)		-
RoseGarden Monaco Holdings, L.L.C.		(399)		-
Rosewood Lafayette Holdings, L.L.C.		(290)		-
PruRose Port Imperial South 15, LLC		(606)		-
Rosewood Morristown, L.L.C.		(124)		-
Overlook Ridge JV, L.L.C.		-		-
Overlook Ridge, L.L.C.		-		-
Overlook Ridge JV 2C/3B, L.L.C.		(73)		-
Roseland/North Retail, L.L.C.		(49)		-
BNES Associates III		(69)		-
Portside Master Company, L.L.C.		(45)		-
PruRose Port Imperial South 13, LLC		(133)		-
Roseland/Port Imperial Partners, L.P.		-		-
RoseGarden Marbella South, L.L.C.		(18)		-
PruRose Riverwalk G, L.L.C.		(186)		-
Elmajo Urban Renewal Associates, LLC		(115)		-
Riverpark at Harrison I, L.L.C.		-		-
150 Main Street, L.L.C.		-		-
RoseGarden Monaco, L.L.C.		-		-
Hillsborough 206 Holdings, L.L.C.		-		-
		-		-

Grand Jersey Waterfront Urban Renewal Associates, L.L.C.				
Crystal House Apartments Investors LLC		13		-
Company's equity in earnings of unconsolidated joint ventures	$	(1,750)	$	600

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Plaza VIII and IX Associates, L.L.C.
The Company has a joint venture with Columbia Development Company, L.L.C. (“Columbia”), which owns land for future development currently used as a parking facility and located on the Hudson River waterfront in Jersey City, New Jersey, adjacent to the Company’s Harborside Financial Center office complex. The Company holds a 50 percent interest in the venture.

South Pier at Harborside – Hotel
The Company has a joint venture with Hyatt Corporation (“Hyatt”) which owns a 350-room hotel on the South Pier at Harborside Financial Center, Jersey City, New Jersey. The Company holds a 50 percent interest in the venture.

The venture has a non-recourse mortgage loan with a balance as of March 31, 2013 of $63.7 million collateralized by the hotel property. The loan carries an interest rate of 6.15 percent and matures in November 2016. The venture also has a loan with a balance as of March 31, 2013 of $5.1 million with the City of Jersey City, provided by the U.S. Department of Housing and Urban Development. The loan currently bears interest at fixed rates ranging from 6.09 percent to 6.62 percent and matures in August 2020. The Company has posted a $5.1 million letter of credit in support of this loan, half of which is indemnified by Hyatt.

Red Bank Corporate Plaza, L.L.C.
The Company has a joint venture with The PRC Group, which owns Red Bank Corporate Plaza, a 92,878 square foot office building located in Red Bank, New Jersey. The property is fully leased to Hovnanian Enterprises, Inc. through September 30, 2017. The Company holds a 50 percent interest in the venture.

The venture has a $17.2 million mortgage loan collateralized by the office property, which bears interest at a rate of the London Interbank Offered Rate (“LIBOR”) plus 300 basis points and matures in May 2016. LIBOR was 0.20 percent at March 31, 2013. The loan includes contingent guarantees for a portion of the principal by the Company based on certain conditions. On September 22, 2011, the interest rate on 75 percent of the loan was fixed at 3.99375 percent effective from October 17, 2011 through maturity.

The Company performed management, leasing, and other services for the property owned by the joint venture and recognized $27,000 and $25,000 in fees for such services in the three months ended March 31, 2013 and 2012, respectively.

12 Vreeland Associates, L.L.C.
The Company entered into a joint venture to form M-C Vreeland, LLC (“M-C Vreeland”), which acquired a 50 percent interest in 12 Vreeland Associates, L.L.C., which owns a 139,750 square foot office property located at 12 Vreeland Road, Florham Park, New Jersey.

The operating agreement of M-C Vreeland provides, among other things, for the Participation Rights (see Note 16: Noncontrolling Interests in Subsidiaries – Participation Rights).

M-C Vreeland holds a 50 percent interest in 12 Vreeland Associates, L.L.C., with S/K Florham Park Associates, L.L.C. (the managing member) and its affiliate holding the other 50 percent.

Boston Downtown Crossing
The Company has a joint venture with affiliates of Vornado Realty LP (“Vornado”) and JP Morgan Chase Bank (“JPM”), which was created to acquire and redevelop the Filenes property located in the Downtown Crossing district of Boston, Massachusetts (the “Filenes Property”). The venture was organized in contemplation of developing and converting the Filenes Property into a condominium consisting of a retail unit, an office unit, a parking unit, a hotel unit and a

residential unit, aggregating 1.2 million square feet. The Company, through subsidiaries, separately holds approximately a 15 percent indirect ownership interest in each of the units. The project is subject to governmental approvals.

On April 23, 2013, the Company and JPM sold their interests in the venture to Vornado for $45 million, of which the Company's share was $13.5 million.

Gale Jefferson, L.L.C.
The Company had a joint venture with a Gale Affiliate to form M-C Jefferson, L.L.C. ("M-C Jefferson") which owned an 8.33 percent indirect interest in One Jefferson Road LLC ("One Jefferson"), which developed and managed a 100,010 square foot office property at One Jefferson Road, Parsippany, New Jersey (the "Jefferson Property"). The property is fully leased to a single tenant through August 2025.

One Jefferson had a loan in the amount of $20.2 million, which bore interest at a rate of LIBOR plus 160 basis points and was scheduled to mature in October 2013. On January 4, 2013, Gale Jefferson, L.L.C. sold its membership interest to JPM for $3.2 million, of which the Company's share was $1.1 million.

The Company performed management, leasing, and other services for the Jefferson Property and recognized $16,000 and $48,000 in income for such services in the three months ended March 31, 2013 and 2012, respectively.

Stamford SM LLC
On February 17, 2012, the Company entered into a joint venture to form Stamford SM LLC ("Stamford SM") which acquired a senior mezzanine loan (the "Mezz Loan") position in the capital stack of a 1.7 million square foot class A portfolio in Stamford, Connecticut for $40 million. The Mezz Loan has a face value of $50 million and is secured by the equity interests in a seven-building portfolio containing 1.67 million square feet of class A office space and 106 residential rental units totaling 70,500 square feet, all located in the Stamford Central Business District. The interest-only Mezz Loan has a carrying value of $43.0 million as of March 31, 2013. The Mezz Loan is subject to an agreement, which provides subject to certain conditions, that principal proceeds above $47 million are paid to another party. The Mezz Loan bears interest at LIBOR plus 325 basis points and matures in August 2013 with a one-year extension option, subject to certain conditions.

The operating agreement of Stamford SM provides, among other things, for distributions of net available cash in accordance with its members' respective ownership percentages. The Company holds an 80 percent interest in the venture. The Company and the 20 percent member share equally in decision-making on all major decisions involving the operations of the venture.

Marbella RoseGarden, L.L.C.
On October 23, 2012, as part of the Roseland Transaction, the Company acquired a 24.27 percent indirect residual interest in an entity that owns a 412-unit, 40-story multi-family rental property which aggregates 369,607 square feet and is located in Jersey City, New Jersey (the "Marbella Property").

The Company owns 48.5325 percent of Marbella RoseGarden, L.L.C. ("RoseGarden") with the remaining interest owned by MG Marbella Partners, L.L.C.

RoseGarden owns a 50 percent interest in the property-owning entity, PruRose/Marbella I, L.L.C. ("PruRose/Marbella"), with the remaining interest owned by Prudential-Marbella Partnership ("Prudential-Marbella").

In general, the operating agreement of PruRose/Marbella provides that operating cash flows are distributed to members first to Prudential-Marbella and then to RoseGarden based on a 9.5 percent operating return on each members' capital balance in priorities as detailed in the operating agreement. Excess operating cash flows are distributed to the members in accordance with their ownership percentages. As of March 31, 2013, Prudential-Marbella had a capital balance of $7.6 million and RoseGarden had a capital balance of $0.1 million. There was no accumulated unpaid operating return as of March 31, 2013.

Net cash flows from a capital event are distributed first to the extent of any accumulated unpaid operating return and then to repay each members' capital balance in the same priority as operating cash flows, with any excess distributed to the members in accordance with their ownership percentages.

In general, the operating agreement of RoseGarden provides for the distribution of available cash flow to the members in accordance with their ownership percentages.

PruRose/Marbella has a mortgage loan, with a balance of $95 million as of March 31, 2013, which bears interest at 4.99 percent and matures in May 2018. The interest-only loan is collateralized by the Marbella Property.

The Company performed management, leasing, and other services for PruRose/Marbella and recognized $95,000 in income for such services in the three months ended March 31, 2013.

RoseGarden Monaco Holdings, L.L.C.

On October 23, 2012, as part of the Roseland Transaction, the Company acquired a 15 percent indirect residual interest in an entity that owns two 50-story multi-family rental properties with 523 units (the “Monaco Property”). The Monaco Property aggregates 477,254 square feet and is located in Jersey City, New Jersey.

The Company owns 50 percent of RoseGarden Monaco Holdings L.L.C. ("RoseGarden Monaco") with the remaining interest owned by MG Monaco, L.L.C. RoseGarden Monaco holds a 60 percent interest in Monaco Holdings, L.L.C. ("Monaco Holdings") with the remaining interest owned by Hudson Hotel Monaco L.L.C.

Monaco Holdings owns a 50 percent interest in the property-owning entity, PruRose Monaco Holdings, L.L.C. ("PruRose Monaco") with the remaining interest owned by The Prudential Insurance Company of America ("Prudential").

In general, the operating agreement of PruRose Monaco provides that operating cash flows are distributed to members first to Prudential and then to Monaco Holdings based on a nine percent operating return on each members' capital balance in priorities as detailed in the operating agreement. Excess operating cash flows are distributed to the members in accordance with their ownership percentages. As of March 31, 2013, Prudential had a capital balance of $76 million and an accumulated unpaid operating return of $2.4 million. It is not anticipated that Monaco Holdings will be required to fund any capital.

Net cash flows from a capital event are distributed first to the extent of any accumulated unpaid operating return and then to repay each members' capital balance in the same priority as operating cash flows, with any excess distributed to the members in accordance with their ownership percentages.

The operating agreement of Monaco Holdings provides, among other things, for the distributions of net cash flows to the members, first, in respect of unrecovered capital on a pro rata basis, with any remaining cash flow in accordance with their ownership percentages.

The operating agreement of RoseGarden Monaco provides, among other things, for the distribution of available cash flow to the members in accordance with their ownership percentages.

PruRose Monaco has an interest-only mortgage loan, collateralized by the property with a balance of $165 million as of March 31, 2013. The mortgage loan bears interest at 4.19 percent and matures in February 2021.

The Company performed management, leasing, and other services for PruRose Monaco and recognized $121,000 in income for such services in the three months ended March 31, 2013.

Rosewood Lafayette Holdings, L.L.C.
On October 23, 2012, as part of the Roseland Transaction, the Company acquired a 25 percent indirect residual interest in an entity that owns a 217-unit multi-family rental property which aggregates 185,733 square feet and is located in Morristown, New Jersey (the "Highlands Property").

The Company owns 50 percent of Rosewood Lafayette Holdings, L.L.C. ("Rosewood") with the remaining interest owned by Woodmont Transit Village, L.L.C.

Rosewood owns a 50 percent interest in the property-owning entity, Rosewood Lafayette Commons, L.L.C. ("Rosewood Lafayette") with the remaining interest owned by Prudential.

In general, the operating agreement of Rosewood Lafayette provides that operating cash flows are distributed to members first to Prudential and then to Rosewood based on an eight percent operating return to December 23, 2012 and nine percent thereafter on each members' capital balance in priorities as detailed in the operating agreement. Excess operating cash flows are distributed to the members in accordance with their ownership percentages. As of March 31, 2013, Prudential had a capital balance of $29.3 million and an accumulated unpaid

operating return of $1.5 million. It is not anticipated that Rosewood will be required to fund any capital.

Net cash flows from a capital event are distributed first to the extent of any accumulated unpaid operating return and then to repay each members' capital balance in the same priority as operating cash flows, with any excess distributed to the members in accordance with their ownership percentages.

In general, the operating agreement of Rosewood provides for the distribution of available cash flow to the members in accordance with their ownership percentages.

Rosewood Lafayette has a mortgage loan, with a balance of $39.9 million as of March 31, 2013, which bears interest at 4.0 percent and matures in July 2015. The loan requires principal and interest payments based on a 30-year amortization schedule and is collateralized by the Highlands Property.

The Company performed management, leasing, and other services for Rosewood Lafayette and recognized $46,000 in income for such services in the three months ended March 31, 2013.

PruRose Port Imperial South 15, LLC
On October 23, 2012, as part of the Roseland Transaction, the Company acquired a 50 percent residual interest in PruRose Port Imperial South 15, LLC (“Port Imperial 15”), an entity that owns a 236-unit multi-family rental property which aggregates 214,402 square feet and is located in Weehawken, New Jersey (the “RiversEdge Property”).

Port Imperial 15 is owned 50 percent by the Company and 50 percent by PRII Port Imperial South 15, LLC (“Prudential-Port”).

In general, the operating agreement of Port Imperial 15 provides that operating cash flows are distributed to members first to Prudential-Port and then to the Company based on a nine percent operating return on each members’ capital balance in priorities as detailed in the operating agreement. Excess operating cash flows are distributed to the members in accordance with their ownership percentages. As of March 31, 2013, Prudential-Port had a capital balance of $33.3 million and an accumulated unpaid operating return of $3.9 million. It is not anticipated that the Company will be required to fund any capital.

Net cash flows from a capital event are distributed first to the extent of any accumulated unpaid operating return and then to repay each members’ capital balance in the same priority as operating cash flows, with any excess distributed to the members in accordance with their ownership percentages.

Subject to a letter agreement, 20 percent of distributions received by the Company, in excess of an eight percent internal rate of return (“IRR”) shall be paid to a third party based on certain conditions.

Port Imperial 15 has a mortgage loan, with a balance of $57 million as of March 31, 2013, which bears interest at LIBOR plus 235 basis points and matures in June 2013. The loan provides, subject to certain conditions, two one-year extension options with a fee of 25 basis points each. The interest-only loan is collateralized by the RiversEdge Property. On June 30, 2010, the interest rate on the loan was fixed at 3.78 percent through maturity.

The Company performed management, leasing and other services for Port Imperial 15 and recognized $61,000 in income for such services in the three months ended March 31, 2013.

Rosewood Morristown, L.L.C.
On October 23, 2012, as part of the Roseland Transaction, the Company acquired a 50 percent interest in Rosewood Morristown, L.L.C. (“Rosewood”) with the remaining interest owned by Woodmont Epsteins, L.L.C.

Rosewood owns a 50 percent interest in Morristown Epsteins, L.L.C. (“Morristown”) with the remaining 50 percent owned by a third party. Morristown owns an interest in a 76-unit-for-sale luxury condominium community (the “40 Park Condominiums Property”), three of which were unsold at acquisition and two of which remain unsold as of March 31, 2013. Morristown also owns land where it intends to build a 91-unit, seven-story, multi-family rental property (the “Lofts at 40 Park Property”). Morristown also owns a 50 percent residual interest in the entity that owns a 130-unit multi-family rental property (the “Metropolitan Property”) and approximately 60,000 square feet of retail space in two buildings (the “Shops”), Epsteins B Rentals, L.L.C. (“Epsteins”), with the remaining interest owned by Prudential. All of the properties are located in Morristown, New Jersey.

The operating agreement of Morristown provides, among other things, for the distribution of net available cash to the members, as follows:

- to pay accrued and unpaid interest at a rate of eight percent on the balance note, as defined;
- to Rosewood in an amount equal to its current year's annual preferred return rate of eight percent on its adjusted capital, as defined;
- to pay the outstanding balance remaining on the balance note, which was $2.3 million as of March 31, 2013;
- to Rosewood in an amount equal to its adjusted capital balance, which was $3.2 million as of March 31, 2013; and
- to the members in accordance with their ownership percentages.

The operating agreement of Rosewood provides, among other things, for the distribution of net cash flow to the members in accordance with their ownership percentages.

PR II/Morristown Prudential, LLC, an affiliate of Prudential, has a 15 percent participating interest in the net sales proceeds from the sale of the 40 Park Condominiums Property units, as defined, pursuant to an August 2011 Participation Agreement, related to a previously satisfied mezzanine loan.

In general, the operating agreement of Epsteins provides that operating cash flows are distributed to members first to Prudential and then to Rosewood based on a nine percent return on each members' capital balance in priorities as detailed in the operating agreement. Excess operating cash flows are distributed to the members in accordance with their ownership percentages. As of March 31, 2013, Prudential had a capital balance of $14.7 million and Rosewood had a capital balance of $0.7 million. There was no accumulated unpaid operating return as of March 31, 2013.

Net cash flows from a capital event are distributed first to the extent of any accumulated unpaid operating return balance and then to repay each members' capital balance in the same priority as operating cash flows, with any excess distributed to the members in accordance with their ownership percentages.

Epsteins has a mortgage loan, with a balance of $48.5 million as of March 31, 2013, which bears interest at LIBOR plus 275 basis points, matures in February 2014 and requires a $1.9 million principal payment in August 2013. The interest-only loan is collateralized by the Metropolitan Property.

Morristown has a mortgage loan, with a balance of $1.1 million as of March 31, 2013, which bears interest at LIBOR plus 250 basis points and matures in September 2013. The loan is collateralized by the Lofts at 40 Park Property and is fully guaranteed by the Company.

The Company performed management, leasing, and other services for Epsteins and recognized $43,000 in income for such services in the three months ended March 31, 2013.

Overlook Ridge JV, L.L.C.
On October 23, 2012, as part of the Roseland Transaction, the Company acquired a 25 percent indirect interest in an entity that owns a 251-unit multi-family rental property ("Quarrystone I Property") and a 50 percent indirect interest in an entity that owns a land parcel located in Malden, Massachusetts ("Overlook Phase III"). The Quarrystone I Property aggregates 278,721 square feet and is located in Malden, Massachusetts.

The Company owns 50 percent of Overlook Ridge JV, L.L.C. ("Overlook Ridge JV") with the remaining interest owned by Rowe Contracting Company ("Rowe").

Overlook Ridge JV owns a 50 percent interest in the property-owning entity, LR JV-C Associates, L.L.C. ("LR Overlook") with the remaining interest owned by Lennar Massachusetts Properties Inc. ("Lennar") and a 100 percent interest in the property-owning entity LR Overlook Phase III, L.L.C. ("LR Overlook Phase III").

In general, the operating agreement of LR Overlook provides, among other things, for distributions of cash flow to the members in accordance with their ownership percentages, subject to the repayment of priority partnership loans. As of March 31, 2013, Lennar has a priority partnership loan of $18.2 million, which has an accrued interest balance of $12.5 million.

The operating agreement of Overlook Ridge JV provides, among other things, for the distribution of distributable cash, as defined, to the members, as follows:

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First, to the members in proportion to their respective unrecovered capital percentages, as defined in the agreement, until each member's unrecovered capital has been reduced to zero; and

- Second, to the members in accordance with their ownership percentages.

LR Overlook has mortgage loans, with a balance of $69.9 million as of March 31, 2013, which mature in May 2013. The senior loan, with a balance of $52.9 million, which bears interest at LIBOR plus 200 basis points is collateralized by the Quarrystone I property. The junior loan, with a balance of $17 million, which bears interest at LIBOR plus 90 basis points is collateralized by a $17 million letter of credit provided by an affiliate of Lennar.

LR Overlook Phase III has a mortgage loan, with a balance of $5.5 million as of March 31, 2013, which bears interest at a rate of LIBOR plus 250 basis points and matures in April 2015. The loan provides, subject to certain conditions, a one-year extension option with a fee of 25 basis points. The interest-only loan is collateralized by the Overlook Phase III Land. The Company has guaranteed repayment of up to $1.5 million and all interest under the loan.

The Company performed management, leasing, and other services for LR Overlook and recognized $45,000 in income for such services in the three months ended March 31, 2013.

Overlook Ridge, L.L.C.
On October 23, 2012, as part of the Roseland Transaction, the Company acquired a 50 percent interest in land parcels at Overlook Ridge, L.L.C. (“Overlook Ridge”), referred to as Sites IIIA, IIIC, and IIID (“Overlook Land”), which are located in Malden and Revere, Massachusetts. The remaining interest in the property-owning entity, Overlook Ridge, is owned by Rowe.

The operating agreement of Overlook Ridge provides, among other things, for the distribution of net cash flow to the members, as follows:

- First, to the members in proportion to their unrecovered capital percentages, as defined, until the cumulative amounts distributed equal such member’s return of six percent on the unrecovered capital; and
- Second, to the members in accordance with their ownership percentages.

In addition, the operating agreement provides that both Rowe and the Company receive a notional land capital account based on the development of each Overlook Land, as defined. Based on the anticipated development of each remaining Overlook Land, the total notional land capital account is approximately $20 million, and is allocated 97 percent to Rowe and three percent to the Company.

Overlook Ridge has a mortgage loan collateralized by Overlook Land, not to exceed $17.4 million, with a balance of $16.2 million as of March 31, 2013. The loan bears interest at a rate of LIBOR plus 350 basis points and matures in March 2014. The loan provides, subject to certain conditions, a one-year extension option with a fee of 25 basis points. The Company has guaranteed repayment of the outstanding principal balance of the loan.

Overlook Ridge JV 2C/3B, L.L.C.
On October 23, 2012, as part of the Roseland Transaction, the Company acquired a 25 percent indirect residual interest in a to-be-built, 371-unit multi-family rental development spanning four buildings (the “Overlook 2C/3B Project”) which is located in Malden, Massachusetts. Construction began in January 2013 with anticipated initial deliveries in the third quarter 2014.

The Company owns a 50 percent interest in Overlook Ridge JV 2C/3B, L.L.C. (“Overlook 2C/3B”) with the remaining interest owned by Rowe. Overlook 2C/3B owns a 50 percent interest in the development project-owning entity, Overlook Ridge Apartments Investors LLC (“Overlook Apartments Investors”) with the remaining interests owned by Overlook Ridge Apartments Member LLC (“Overlook Apartments Member”). Pursuant to the operating agreement Overlook Apartments Member is required to fund $23.9 million of the total development costs of $79.4 million, with the balance to be funded by a $55.5 million construction loan.

In general, the operating agreement of Overlook Apartments Investors provides that operating cash flows are distributed to members first to Overlook Apartments Member and then to Overlook 2C/3B based on a 6.5 percent preferred return on each members’ capital balance in priorities as detailed in the operating agreement. Excess operating cash flows are distributed to the members in accordance with their ownership percentages. As of March 31, 2013, Overlook Apartments Member had a capital balance of $19.1 million with an accumulated unpaid preferred return of $0.3 million. It is anticipated that Overlook 2C/3B will not be required to fund any capital.

Net cash flows from a capital event are distributed first to the extent of any accumulated unpaid preferred return, then to repay each members' capital balance in the same priority as operating cash flows, then 100 percent to Overlook Apartments Member until it receives a nine percent IRR, and then 70 percent to Overlook Apartments Member and 30 percent to Overlook 2C/3B, pari passu, until Overlook Apartments Member receives an 11 percent IRR, as defined, with any excess distributed to the members in accordance with their ownership percentages.

Overlook 2C/3B and its affiliates are restricted from commencing any new residential real property development at Overlook Ridge until January 2015, without the prior written consent of Overlook Apartments Member. Thereafter, Overlook Apartments Member has a right of first offer to participate in future Overlook Ridge Projects, all as more fully set forth in the operating agreement of Overlook Ridge Apartments Investors.

Overlook Apartments Investors has a construction loan not to exceed $55.5 million with no balance at March 31, 2013, which bears interest at LIBOR plus 250 basis points and matures in December 2015. The loan provides, subject to certain conditions, two one-year extension options with a fee of 25 basis points each. The Company has guaranteed lien-free completion of the project to the lender and Overlook Apartments Member. The Company has also guaranteed repayment of $8.3 million of the loan. Upon the project achieving a debt service coverage ratio of 1.25, as defined, the repayment guaranty ends. Additionally, the Company has guaranteed payment of all interest due under the loan. On January 18, 2013, the interest rate on an amount not expected to exceed 95 percent of the outstanding loan balance was fixed at 3.0875 percent from September 3, 2013 to November 2, 2015.

The operating agreement of Overlook 2C/3B provides, among other things, for the distribution of net operating cash flow to the members, as follows:

- First, to each member in proportion to and to the extent of such member's unrecovered return of nine percent on unrecovered capital; and
- Second, to the members in accordance with their ownership percentages.

Rowe has an unrecovered notional capital account balance of $7.2 million and the Company has an unrecovered capital account with $0.2 million associated with its land capital as of March 31, 2013.

The Company performed development, management, and other services for Overlook Apartments Investors and recognized $69,000 in income for such services in the three months ended March 31, 2013.

Roseland/North Retail, L.L.C.
On October 23, 2012, as part of the Roseland Transaction, the Company acquired a 20 percent residual interest in Port Imperial North Retail, L.L.C. ("PI North Retail"), an entity that owns commercial condominium units (the "Riverwalk Property"), with the remaining interest owned by PR II Port Imperial Retail, LLC ("Prudential-PI"). The Riverwalk Property aggregates 30,745 square feet of retail space and is located in West New York, New Jersey.

In general, the operating agreement of PI North Retail provides that operating cash flows are distributed first to Prudential-PI and then to the Company based on a nine percent operating return on each members' capital balance in priorities as detailed in the operating agreement. Excess operating cash flows are distributed to the members in accordance with ownership percentages. As of March 31, 2013, Prudential-PI had a capital balance of $4.3 million and an accumulated unpaid operating return of $1.4 million and the Company had no capital balance.

Net cash flows from a capital event are distributed first to the extent of any accumulated unpaid operating return and then to repay each members' capital balance in the same priority as operating cash flows, with any excess distributed to the members in accordance with their ownership percentages.

The Company performed management, leasing, and other services for PI North Retail and recognized $8,000 in income for such services in the three months ended March 31, 2013.

BNES Associates III
On October 23, 2012, as part of the Roseland Transaction, the Company acquired a 31.25 percent indirect interest in an entity that owns a 106,345 square foot fully-leased office property located in West Orange, New Jersey.

The Company owns 50 percent of BNES Associates III ("BNES") with the remaining interest owned by L.A.H. Partners Crystal Lake, L.L.C. BNES owns a 62.50 percent interest in the property-owning entity, The Offices at Crystal Lake,

L.L.C. (“Crystal Lake”).

The operating agreement of Crystal Lake provides, among other things, for the distribution of net cash flow to the members in accordance with their percentage interests.

Crystal Lake has a mortgage loan, with a balance of $7.8 million as of March 31, 2013 collateralized by the office property, which bears interest at 4.76 percent and matures in November 2023.

Portside Master Company, L.L.C.
On October 23, 2012, as part of the Roseland Transaction, the Company acquired a 38.25 percent indirect residual interest in a to-be-built, 176-unit multi-family rental property (“Portside at Pier One Building Seven Project”). The Portside at Pier One Building Seven Project is located in East Boston, Massachusetts and began construction in December 2012 with anticipated initial deliveries in the third quarter 2014. The project is subject to a ground lease with the Massachusetts Port Authority. The ground lease provides for fixed and percentage rent.

The Company owns 85 percent of Portside Master Company, L.L.C. ("Portside Master") with the remaining interest owned by Portside Boston, L.L.C. Portside Master holds a 45 percent interest in the development project-owning entity, Portside Apartment Holdings, L.L.C. ("Portside Apartment Holdings") with the remaining interest owned by PR II Portside Investors L.L.C. ("Prudential Portside"). Pursuant to the operating agreement, Prudential Portside is required to fund $23.8 million of the estimated total development costs of $66.3 million, with the balance to be funded by a $42.5 million construction loan.

In general, the operating agreement of Portside Apartment Holdings provides that operating cash flows are distributed to members first to Prudential Portside and then to Portside Master based on a nine percent operating return on each members' capital balance in priorities as detailed in the operating agreement. Excess operating cash flows are distributed to the members in accordance with their ownership percentages. As of March 31, 2013, Prudential Portside had a capital balance of $6.7 million and an unpaid operating return of $0.1 million. It is anticipated that Portside Master will not be required to fund any capital.

Net cash flows from a capital event are distributed first to the extent of any accumulated unpaid operating return, then to repay each members' capital balance in the same priority as operating cash flows, and then 65 percent to Prudential Portside and 35 percent to Portside Master, pari passu, until Prudential Portside receives a 12 percent IRR, as defined, with any excess distributed to the members in accordance with their ownership percentages.

The operating agreement of Portside Master provides, among other things, for the distribution of net cash flow to the members in accordance with their ownership percentages.

Portside Apartment Holdings has a construction loan in an amount not to exceed $42.5 million with no balance at March 31, 2013, which bears interest at LIBOR plus 250 basis points and matures in December 2015. The loan provides, subject to certain conditions, two one-year extension options with a fee of 12.5 basis points for year one and 25 basis points for year two. The Company has guaranteed lien-free completion of the project to the lender, Prudential Portside and Massachusetts Port Authority. The Company has also guaranteed repayment of 50 percent of the loan until project completion, when the repayment guaranty is reduced to 25 percent. The Company's repayment guaranty is further reduced to 10 percent upon achieving a debt service coverage ratio of 1.25, as defined. Additionally, the Company has guaranteed payment of all interest due under the loan.

The Company performed development, management, and other services for Portside Apartment Holdings and recognized $42,000 in income for such services in the three months ended March 31, 2013.

PruRose Port Imperial South 13, LLC
On October 23, 2012, as part of the Roseland Transaction, the Company acquired a 20 percent residual interest in a to-be-built, 280-unit multi-family rental property ("Port Imperial 13") located in Weehawken, New Jersey. Port Imperial 13 began construction in January 2013 with anticipated initial deliveries in the third quarter 2014.

The remaining interest in the PruRose Port Imperial South 13, LLC ("PruRose 13") is owned by PR II Port Imperial South 13 Investor LLC ("Prudential 13"). Pursuant to the operating agreement, Prudential 13 is required to fund $23.1 million of the estimated total development costs of $96.4 million, not including contributed land capital of $21 million, which is allocated $19.2 million to Prudential 13 and $1.8 million to the Company, with the balance to be funded by a $73.4 million construction loan.

In general, the operating agreement of PruRose 13 provides that operating cash flows are distributed to members first to Prudential 13 and then to the Company based on a nine percent operating return on each members' capital balance in

priorities as detailed in the operating agreement. Excess operating cash flows are distributed to the members in accordance with their ownership percentages. As of March 31, 2013, Prudential 13 had a capital balance of $30.0 million and an accumulated unpaid operating return of $1.1 million and the Company had a capital balance of $1.8 million and an accumulated unpaid operating return of $43,000.

Net cash flows from a capital event are distributed first to the extent of any accumulated unpaid operating return and then to repay each members' capital balance in the same priority as operating cash flows, with any excess distributed to the members in accordance with their ownership percentages.

Subject to an agreement, 20 percent of distributions received by the Company, in excess of an eight percent IRR, shall be paid to another party.

PruRose 13 has a construction loan in an amount not to exceed $73.4 million with no balance at March 31, 2013. The loan bears interest at a rate of LIBOR plus 215 basis points and matures in June 2016. The loan provides, subject to certain conditions, a one-year extension option followed by a six-month extension option with a fee of 25 basis points each. The Company has guaranteed lien-free completion of the project to the lender and Prudential. The Company has also guaranteed repayment of up to $11 million of the loan. The Company's guaranty of repayment is reduced to $7.4 million upon achieving a debt service coverage ratio of 1.25, and to zero upon achieving a debt service coverage ratio of 1.40, as defined. Additionally, the Company has guaranteed payment of all interest due under the loan. On December 28, 2012, the interest rate on an amount not expected to exceed 95 percent of the outstanding loan balance was fixed at 2.79 percent from July 1, 2013 to January 1, 2016.

The Company performed development, management, and other services for PruRose 13 and recognized $42,000 in income for such services in the three months ended March 31, 2013.

Roseland/Port Imperial Partners, L.P.
On October 23, 2012, as part of the Roseland Transaction, the Company acquired a 20 percent residual interest in a to-be-built, 363-unit multi-family rental property (the "Parcel C Project"), undeveloped land parcels, parcels 6, I and J ("Port Imperial North Land"), and a parcel of land with a ground lease to a retail tenant all located in West New York, New Jersey.

The remaining interests in the development project-owning entity, Roseland/Port Imperial Partners, L.P. ("Roseland/PI") are owned 79 percent by Prudential and one percent by Prudential-Port Imperial LLC ("Prudential LLC").

The operating agreement of Roseland/PI provides, among other things, for the distribution of net cash flow to the members, as follows:

- to Prudential and Prudential LLC, in proportion to the excess of their operating return of ten percent on Prudential's Parcel C contribution, as defined, accrued to the date of such distribution over the aggregate amounts previously distributed to such partner for such return;
- to the partners, to the extent of any excess of such partner's operating return of ten percent on its additional capital contributions over the aggregate amounts previously distributed for such return; and
- to the partners in accordance with their percentage interests.

As of March 31, 2013, Prudential and Prudential LLC had a Parcel C capital balance of $18.2 million and an accumulated unpaid operating return of $2.7 million and the Company had a capital balance of $4,000.

In addition, the operating agreement provides each member a land capital account associated with the Port Imperial North Land. As of March 31, 2013, Prudential and Prudential LLC had a land capital account balance of $57.7 million and the Company had a land capital account of $5.0 million. The land capital account balances do not earn a return and will be contributed to a development entity upon construction start for each development parcel, as defined. Also, as of March 31, 2013, Prudential and Prudential LLC had a capital balance of $192,000 and the Company had a capital balance of $48,000 related to the Port Imperial North land.

RoseGarden Marbella South, L.L.C.
On October 23, 2012, as part of the Roseland Transaction, the Company acquired a 24.27 percent indirect residual interest in a to-be-built, 311-unit high-rise multi-family rental property (the "Marbella II Project") which is located in Jersey City, New Jersey. The Marbella II Project is scheduled to begin construction in the near term.

The Company owns 48.5325 percent of RoseGarden Marbella South, L.L.C. ("RoseGarden South") with the remaining interest owned by MG Marbella Partners II, L.L.C.

RoseGarden South holds a 50 percent interest in the development project-owning entity, PruRose Marbella II, L.L.C. ("PruRose/Marbella II"), with the remaining interest owned by PRISA III Investments LLC ("Prudential-Marbella II").

In general, the operating agreement of PruRose/Marbella II provides that operating cash flows are distributed to members first to Prudential-Marbella II and then to RoseGarden South based on a nine percent operating return on each members' capital balance in priorities as detailed in the operating agreement. Excess operating cash flows are distributed to the members in accordance with their ownership percentages. As of March 31, 2013, Prudential-Marbella II had a capital balance of $3.2 million and an accumulated unpaid operating return of $0.2 million. It is not anticipated that RoseGarden South will be required to fund any capital.

Net cash flows from a capital event are distributed first to the extent of any accumulated unpaid operating return and then to repay each members' capital balance in the same priority as operating cash flows, with any excess distributed to the members in accordance with their ownership percentages.

Net cash flow for RoseGarden South is distributed to the members in accordance with their ownership percentages.

The Company performed development, management and other services for PruRose Marbella II and recognized $15,000 in income for such services in the three months ended March 31, 2013.

PruRose Riverwalk G, L.L.C.
On October 23, 2012, as part of the Roseland Transaction, the Company acquired a 25 percent indirect residual interest in a to-be-built, 12-story, 316-unit multi-family rental property (the "RiverTrace Project"). The RiverTrace Project is located in West New York, New Jersey. The RiverTrace Project began construction in November 2011 with anticipated initial deliveries in the third quarter 2013.

The Company owns 50 percent of PruRose Riverwalk G, L.L.C. ("PruRose Riverwalk") with the remaining interest owned by Prudential.

PruRose Riverwalk owns a 50 percent interest in the project-owning entity, Riverwalk G Urban Renewal, L.L.C. ("Riverwalk G"), with the remaining interest owned by West New York Parcel G Apartments Investors, LLC ("Investor"). Pursuant to the operating agreement, Investor is required to fund $35 million of the estimated total development costs of $118.1 million, with the balance to be funded by an $83.1 million construction loan.

In general, the operating agreement of Riverwalk G provides that operating cash flows are distributed to members first to Investor and then to PruRose Riverwalk based on a 7.75 percent operating return on each members' capital balance in priorities as detailed in the operating agreement. Excess operating cash flows are distributed to the members in accordance with their ownership percentages. As of March 31, 2013, Investor had a capital balance of $35 million and an unpaid operating return of $4.5 million. It is not anticipated that PruRose Riverwalk will be required to fund any capital.

Net cash flows from a capital event are distributed first to the extent of any accumulated unpaid operating return, then to repay each members' capital balance in the same priority as operating cash flows, and then 100 percent to Investor until Investor receives a 7.75 percent IRR, as defined, with any excess distributed to the members in accordance with their ownership percentages.

The operating agreement of PruRose Riverwalk provides, among other things, for the distribution of net cash flow to the members in accordance with their ownership percentages. In addition, the operating agreement requires that the initial $1.3 million in distributions to the Company be redirected to Prudential.

Riverwalk G has a construction loan in an amount not to exceed $83.1 million, with a balance of $30.7 million as of March 31, 2013, which bears interest at six percent and matures in July 2021. The interest-only loan is collateralized by the RiverTrace Project. The Company has guaranteed a lien-free completion of the project to the lender and Investor. The Company fully guarantees the loan until six months after completion of the project.

The Company performed development, management, and other services for Riverwalk G and recognized $175,000 in income for such services in the three months ended March 31, 2013.

ELMAJO Urban Renewal Associates, LLC

On October 23, 2012, as part of the Roseland Transaction, the Company acquired a 7.5 percent residual interest in a to-be-built, three-building, 582 multi-family rental property located in Weehawken, New Jersey (the "Lincoln Harbor Project"), with the remaining interest owned by ELMAJO Management, Inc. ("EMI"). The first phase, Building A, with 181 units, and Building C, with 174 units, began construction in 2012 and the second phase, Building B, with 227 units, began construction in January 2013. On March 13, 2013, Estuary Urban Renewal Unit B, LLC ("Estuary UR") was formed to own and develop the second phase, Building B. Estimated total development costs for the Lincoln Harbor Project is $220 million. EMI is required to fund any capital requirements in excess of construction financing. The Company has no funding requirements to the venture.

The operating agreements of ELMAJO Urban Renewal Associates, LLC ("ELMAJO UR"), the entity which owns the Lincoln Harbor Project, Building A and C, and Estuary UR, the entity that owns the Lincoln Harbor Project Building B, provides, among other things, for the distribution of net distributable cash to the members, as follows:

- First, to the members to the extent of and in proportion to their respective preferred return of 8.50 percent on the member’s unrecovered capital; and
- Second, to the members in accordance with their ownership percentages.

As of March 31, 2013, EMI had a capital balance of $66 million and an unpaid preferred return of $10.2 million.

ELMAJO UR has a construction loan for Building A and Building C in an amount not to exceed $95 million, with a balance of $14.4 million as of March 31, 2013, which bears interest at LIBOR plus 210 basis points and matures in June 2016. The loan provides, subject to certain conditions, a one-year extension option with a fee of 25 basis points.

The Company performed development and other services for ELMAJO UR and recognized $240,000 in income for such services in the three months ended March 31, 2013.

Riverpark at Harrison I, L.L.C.
On October 23, 2012, as part of the Roseland Transaction, the Company acquired a 36 percent interest in a multi-phase project located in Harrison, New Jersey (the “Riverpark Project”). Construction of a 141-unit multi-family rental property of the Riverpark Project is projected to start in the near term. Estimated total development costs of $24.2 million are expected to be funded with a $22.9 million construction loan, with the balance to be funded with member capital. The Company is required to fund 40.5 percent of capital.

The remaining interests in the development project-owning entity, Riverpark at Harrison I Urban Renewal, L.L.C. (“Riverpark”) are owned 36 percent by Chall Enterprises, L.L.C. and 28 percent by an investor group.

In general, the operating agreement of Riverpark provides, among other things, for the distribution of net cash flow to the members in accordance with their ownership percentages.

150 Main Street, L.L.C.
On October 23, 2012, as part of the Roseland Transaction, the Company acquired a 26.25 percent interest in a to-be-built, 108-unit multi-family rental property located in Eastchester, New York (the “Eastchester Project”).

The remaining interests in the development project-owning entity, 150 Main Street, L.L.C. (“Eastchester”) are owned 26.25 percent by JMP Eastchester, L.L.C. and 47.5 percent by Hudson Valley Land Holdings, L.L.C. (“HVLH”). The Eastchester Project is expected to start in the near term. Estimated total development costs of $46 million are expected to be funded with a $37.5 million construction loan and the balance of $8.5 million to be funded with member capital.

The operating agreement of Eastchester provides, among other things, for the distribution of net operating cash flow to the members, as follows:

- to HVLH to the extent of its accrued but unpaid preferred return of eight percent on the unrecovered allocated land value, as defined;
- to the members, pro rata, to the extent of their respective accrued but unpaid return of eight percent on their unrecovered capital percentages; and
- to the members in accordance with their ownership percentages.

Net cash flows from a capital event are distributed to the members, first, in respect of unrecovered return and then unrecovered capital on a pro rata basis, with any excess in accordance with their ownership percentages.

The Company performed development and other services for Eastchester and recognized $15,000 in income for such services in the three months ended March 31, 2013.

RoseGarden Monaco, L.L.C.
On October 23, 2012, as part of the Roseland Transaction, the Company acquired a 41.67 percent interest in the rights to acquire a land parcel ("San Remo Land") located in Jersey City, New Jersey, pursuant to an agreement which expires in 2017.

The remaining interest in the rights-owning entity, RoseGarden Monaco, L.L.C. is owned by MG Monaco Partners, L.L.C. The operating agreement requires capital contributions and distributions in accordance with their ownership percentages.

Hillsborough 206 Holdings, L.L.C.
On October 23, 2012, as part of the Roseland Transaction, the Company acquired a 50 percent interest in a site zoned for retail uses (excluding supermarkets) which is located in Hillsborough, New Jersey.

The remaining interest in the property-owning entity, Hillsborough 206 Holdings, L.L.C. ("Hillsborough 206") is owned by BNE Investors VIII, L.L.C.

The operating agreement of Hillsborough 206 provides, among other things, for the distribution of distributable cash to the members, in accordance with their ownership percentages.

Grand Jersey Waterfront Urban Renewal Associates, L.L.C.
On October 23, 2012, as part of the Roseland Transaction, the Company acquired a 50 percent interest in an entity designated as redeveloper of a land parcel ("Liberty Landings") located in Jersey City, New Jersey. The remaining interest in the entity, Grand Jersey Waterfront Urban Renewal Associates, L.L.C., is owned by Waterfront Realty Company, L.L.C.

Capital requirements are funded in accordance with ownership percentages.

Crystal House Apartments Investors LLC
On March 20, 2013, the Company entered into a joint venture with a fund advised by UBS Global Asset Management ("UBS") to form Crystal House Apartments Investors LLC ("CHAI") which acquired the 828-unit multi-family property known as Crystal House located in Arlington, Virginia ("Crystal House Property") for approximately $262.5 million. The acquisition included vacant land to accommodate the development of approximately 295 additional units of which 252 are currently approved. The Company holds a 25 percent interest in the Crystal House property and a 50 percent interest in the vacant land.

In general, the operating agreement of CHAI provides that net operating cash flows are distributed to the members in accordance with ownership percentages. Net cash flows from a capital event are distributed first to the members in accordance with ownership percentages until UBS receives a nine percent IRR, as defined, with any excess distributed 50 percent to the Company and 50 percent to UBS.

CHAI obtained a mortgage loan on the acquired property, which has a balance of $165 million as of March 31, 2013, bears interest at 3.17 percent and matures in March 2020. The loan, which is interest-only during the initial 5-year term and amortizable over a 30-year period for the remaining term, is collateralized by the Crystal House Property.

5. DEFERRED CHARGES, GOODWILL AND OTHER ASSETS

(dollars in thousands)	March 31, 2013	December 31, 2012
Deferred leasing costs	$ 254,164	$ 267,197
Deferred financing costs	20,218	20,447
	274,382	