

MACK CALI REALTY CORP  
Form PRE 14A  
April 01, 2014

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

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant  X

Filed by a Party other than the Registrant  O

Check the appropriate box:

- Preliminary Proxy Statement  
 **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**  
 Definitive Proxy Statement  
 Definitive Additional Materials  
 Soliciting Material under §240.14a-12

MACK-CALI REALTY CORPORATION  
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.  
 Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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| (1) | Title of each class of securities to which transaction applies:   |
| (2) | Aggregate number of securities to which transaction applies:  |
| (3) | Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): |
| (4) | Proposed maximum aggregate value of transaction:  |
| (5) | Total fee paid:   |
- Fee paid previously with preliminary materials.  
 Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
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| (1) | Amount Previously Paid:                       |
| (2) | Form, Schedule or Registration Statement No.: |
| (3) | Filing Party:                                 |
| (4) | Date Filed:                                   |
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**MACK-CALI REALTY CORPORATION**

**343 Thornall Street**

**Edison, New Jersey 08837-2206**

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**May 12, 2014**

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To Our Stockholders:

Notice is hereby given that the Annual Meeting of Stockholders (the "Annual Meeting") of Mack-Cali Realty Corporation (the "Company") will be held at the Hyatt Regency Jersey City on the Hudson, Harborside Financial Center, 2 Exchange Place, Jersey City, New Jersey 07302-3901 on Monday, May 12, 2014 at 2:00 p.m., local time, for the following purposes:

1. To elect four persons to the Board of Directors of the Company, each to serve a three-year term and until their respective successors are elected and qualified.
2. To consider and vote upon a proposal to amend the Company's Charter to declassify the Board of Directors and adopt concurrent annual terms for all the members of the Board of Directors.
3. To consider and vote, on an advisory basis, for the adoption of a resolution approving the compensation of our named executive officers, as such compensation is described under the "Compensation Discussion and Analysis" and "Executive Compensation" sections of this proxy statement.

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4. To consider and vote upon a proposal to ratify the appointment of PricewaterhouseCoopers LLP, independent registered public accounting firm, as the Company's independent registered public accountants for the ensuing year.

The attached Proxy Statement, which forms a part of this Notice of Annual Meeting of Stockholders and is incorporated herein by reference, includes information relating to these proposals. Additional purposes of the Annual Meeting are to receive reports of officers (without taking action thereon) and to transact such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

All stockholders of record as of the close of business on April 3, 2014 are entitled to notice of and to vote at the Annual Meeting. At least a majority of the outstanding shares of common stock of the Company present in person or by proxy is required for a quorum. You may vote electronically through the internet or by telephone. The instructions on your proxy card describe how to use these convenient services. Of course, if you prefer, you can vote by mail by completing your proxy card and returning it in the enclosed postage-paid envelope.

By Order of the Board of Directors,

Gary T. Wagner  
*Interim Secretary*

April 3, 2014

Edison, New Jersey

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**THE BOARD OF DIRECTORS APPRECIATES AND ENCOURAGES YOUR PARTICIPATION IN THE COMPANY S ANNUAL MEETING. WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED. ACCORDINGLY, PLEASE AUTHORIZE A PROXY TO VOTE YOUR SHARES BY INTERNET, TELEPHONE OR MAIL. IF YOU ATTEND THE ANNUAL MEETING, YOU MAY WITHDRAW YOUR PROXY, IF YOU WISH, AND VOTE IN PERSON. YOUR PROXY IS REVOCABLE IN ACCORDANCE WITH THE PROCEDURES SET FORTH IN THIS PROXY STATEMENT.**

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**MACK-CALI REALTY CORPORATION**

**343 Thornall Street**

**Edison, New Jersey 08837-2206**

**PROXY STATEMENT**

**General Information**

This Proxy Statement is furnished to stockholders of Mack-Cali Realty Corporation, a Maryland corporation (the Company), in connection with the solicitation by the Board of Directors of the Company (the Board of Directors) of proxies in the accompanying form for use in voting at the Annual Meeting of Stockholders of the Company (the Annual Meeting) to be held on Monday, May 12, 2014 at the Hyatt Regency Jersey City on the Hudson, Harborside Financial Center, 2 Exchange Place, Jersey City, New Jersey 07302-3901, local time, at 2:00 p.m., and any adjournment or postponement thereof.

This Proxy Statement, the Notice of Annual Meeting of Stockholders and the accompanying proxy card are first being mailed to the Company's stockholders on or about April 10, 2014.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 12, 2014.**

**This Proxy Statement, the Notice of Annual Meeting of Stockholders and Our Annual Report to Stockholders are available at [http://www.mack-cali.com/investors/company\\_filings/](http://www.mack-cali.com/investors/company_filings/)**

**Solicitation and Voting Procedures**

*Solicitation.* The solicitation of proxies will be conducted by mail, and the Company will bear all attendant costs. These costs will include the expense of preparing and mailing proxy materials for the Annual Meeting and reimbursements paid to brokerage firms and others for their expenses incurred in forwarding solicitation material regarding the Annual Meeting to beneficial owners of the Company's common stock, par value \$.01 per share (the Common Stock). The Company intends to use the services of MacKenzie Partners, Inc., 105 Madison Avenue, 14th Floor, New York, New York 10016, in soliciting proxies and, in such event, the Company expects to pay an amount not to exceed \$10,000, plus out-of-pocket expenses, for such services. The Company may conduct further solicitation personally, telephonically, electronically or by facsimile through its officers, directors and regular employees, none of whom would receive additional compensation for assisting with the solicitation.

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*Householding of Proxy Materials.* In accordance with a notice sent previously to beneficial owners holding shares in street name (for example, through a bank, broker or other holder of record) who share a single address with other similar holders, only one Annual Report and Proxy Statement is being sent to that address unless contrary instructions were received from any stockholder at that address. This practice, known as householding, is designed to reduce printing and postage costs. Any of such beneficial owners may discontinue householding by writing to the address or calling the telephone number provided for such purpose by their holder of record. Any such stockholder may also request prompt delivery of a copy of the Annual Report or Proxy Statement by contacting the Company at (732) 590-1000 or by writing to Gary T. Wagner, Interim Secretary, Mack-Cali Realty Corporation, 343 Thornall Street, Edison, New Jersey 08837-2206. Other beneficial owners holding shares in street name may be able to initiate householding if their holder of record has chosen to offer such service, by following the instructions provided by the record holder.

*Voting.* Stockholders of record may authorize the proxies named in the enclosed proxy card to vote their shares of Common Stock in the following manner:

- by mail, by marking the enclosed proxy card, signing and dating it, and returning it in the postage-paid envelope provided;
  
- by telephone, by dialing the toll-free telephone number indicated on the proxy card that you received in the mail with this proxy statement, within the United States or Canada, and following the instructions. Stockholders voting by telephone need not return the proxy card; and
  
- through the internet, by accessing the World Wide Web site indicated on the proxy card that you received in the mail with this proxy statement. Stockholders voting by the internet need not return the proxy card.

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*Revocability of Proxies.* Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before it is exercised in the same manner in which it was given or by delivering to Gary T. Wagner, Interim Secretary, Mack-Cali Realty Corporation, 343 Thornall Street, Edison, New Jersey 08837-2206, a written notice of revocation or a properly executed proxy bearing a later date, or by attending the Annual Meeting and voting in person.

*Voting Procedure.* The presence at the Annual Meeting of a majority of the outstanding shares of Common Stock, represented either in person or by proxy, will constitute a quorum for the transaction of business at the Annual Meeting. The close of business on April 3, 2014 has been fixed as the record date (the Record Date) for determining the holders of shares of Common Stock entitled to notice of and to vote at the Annual Meeting. Each share of Common Stock outstanding on the Record Date is entitled to one vote on all matters. As of the Record Date, there were [ ] shares of Common Stock outstanding. Under Maryland law, stockholders will not have appraisal or similar rights in connection with any proposal set forth in this Proxy Statement.

Stockholder votes will be tabulated by the persons appointed by the Board of Directors to act as inspectors of election for the Annual Meeting. Shares represented by a properly executed and delivered proxy will be voted at the Annual Meeting and, when instructions have been given by the stockholder, will be voted in accordance with those instructions. If a properly executed and delivered proxy does not provide instructions, then the shares represented by that proxy will be voted FOR the election of each of the four nominees for director named below, FOR the amendment of our Charter to declassify our Board of Directors, FOR the advisory approval of executive compensation and FOR the ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm.

If your shares are held in the name of a bank, broker or other holder of record, you will receive instructions from the holder of record that you must follow in order to vote your shares. If your shares are not registered in your own name and you plan to vote your shares in person at the Annual Meeting, you should contact your broker or agent to obtain a broker's proxy card and bring it with you to the Annual Meeting in order to vote. Under New York Stock Exchange (the NYSE) Rules, the ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent auditors, as set forth in Proposal No. 4, is considered a discretionary item. This means that brokerage firms may vote in their discretion on Proposal No. 4 on behalf of beneficial owners who have not furnished a properly executed proxy card or delivered voting instructions to their broker at least ten days before the date of the Annual Meeting. In contrast, the election of directors as set forth in Proposal No. 1, the declassification of our Board of Directors as set forth in Proposal No. 2 and the advisory vote to approve executive compensation as set forth in Proposal No. 3 are considered non-discretionary items. This means that brokerage firms that have not received a properly executed proxy card or voting instructions from their clients may not vote on behalf of their clients with respect to Proposal Nos. 1, 2 and 3.

These so called broker non-votes will be included in the calculation of the number of votes considered to be present at the meeting for purposes of determining a quorum, but will not be included in the total of votes cast for the election of directors, the amendment of our Charter to declassify our Board of Directors or the advisory vote for approval of executive compensation. Abstentions will be counted as present for purposes of determining the presence of a quorum but will have no effect on the outcome of the matters covered by Proposal Nos. 1, 3 and 4. As described below in more detail in the section Proposal No. 2 Amendment of Charter to Declassify our Board of Directors and Adopt Annual Concurrent Terms for Directors Vote Required and Board of Directors Recommendation, abstentions and broker non-votes will have the same effect as a vote against the matters covered by Proposal No. 2.

### **VOTING SECURITIES AND PRINCIPAL HOLDERS**

Unless otherwise indicated, the following table sets forth information as of December 31, 2013 with respect to each person or group who is known by the Company, in reliance on Schedules 13D and 13G reporting beneficial ownership and filed with the Securities and Exchange Commission (the SEC), to beneficially own more than 5% of the Company's outstanding shares of Common Stock. Except as otherwise noted below, all shares of Common Stock are owned beneficially by the individual or group listed with sole voting and/or investment power.

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<b>Name of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Percent of Class( %)(1)</b>
The Vanguard Group, Inc.(2)	10,315,228	11.7%
BlackRock Inc.(3)	7,971,283	9.1%
The Mack Group(4)	8,283,069	8.6%
Morgan Stanley(5)	7,475,367	8.5%
Cohen & Steers, Inc.(6)	6,939,094	7.9%
Vanguard Specialized Funds Vanguard REIT Index Fund(7)	5,652,753	6.4%



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(1) Unless otherwise noted, the total number of shares outstanding used in calculating this percentage does not include 11,864,775 shares reserved for issuance upon redemption or conversion of outstanding units of limited partnership interest ( Units ) in Mack-Cali Realty, L.P., a Delaware limited partnership (the Operating Partnership ) through which the Company conducts its real estate activities, or 4,514,298 shares reserved for issuance upon the exercise of stock options granted or reserved for possible grant to certain employees and directors of the Company, except in all cases where such Units or stock options are owned by the reporting person or group. This information is as of December 31, 2013.

(2) Address: 100 Vanguard Blvd., Malvern, PA, 19355. Share information is furnished in reliance on the Schedule 13G/A dated February 12, 2014 of The Vanguard Group, Inc. ( Vanguard ) filed with the SEC, which represents holdings as of December 31, 2013. Based upon information included in the Schedule 13G/A filed by Vanguard, the Company believes that such shares are held for investment advisory clients of Vanguard. This number represents 10,315,228 shares beneficially owned by Vanguard, which includes (i) 165,975 shares for which Vanguard has sole voting power, (ii) 55,950 shares for which Vanguard has shared voting power, and (iii) 10,192,493 shares for which Vanguard has sole dispositive power.

(3) Address: 40 East 52nd Street, New York, NY 10022. Share information is furnished in reliance on the Schedule 13G/A dated January 29, 2014 of Blackrock Inc. ( Blackrock ) filed with the SEC, which represents holdings as of December 31, 2013. This number represents 7,175,441 shares beneficially owned by Blackrock for which it has sole voting power and 7,971,283 shares for which it has sole dispositive power.

(4) Address: 343 Thornall Street, Edison, NJ 08837-2206. The Mack Group (which is not a legal entity) is composed of, among others, William L. Mack, the Chairman of the Board of Directors, David S. Mack, a director of the Company, Fredric Mack, a member of the Company's Advisory Board, Earle I. Mack, a former director of the Company, their immediate family members and related trusts, and Mitchell E. Hersh, the President and Chief Executive Officer and a director of the Company. Share information is furnished in reliance on the Schedule 13G/A dated February 14, 2014 of the Mack Group filed with the SEC, which represents holdings as of January 14, 2014. This number represents shares for which the Mack Group has shared dispositive and voting power, and includes 7,393,262 common Units, redeemable for shares of Common Stock on a one-for-one basis (each such Unit being a Reported Share ), and 5,000 vested stock options to purchase shares of Common Stock. Furthermore, William L. Mack, a member of the Mack Group, is a trustee of the William and Phyllis Mack Foundation, Inc., a charitable foundation that owns 100,000 Reported Shares. Earle I. Mack, a member of the Mack Group, is a trustee of the Earle I. Mack Foundation, Inc., a charitable foundation that owns 45,500 Reported Shares. Richard Mack and Stephen Mack, members of the Mack Group, are trustees of The Mack 2010 Family Trust II, a trust that owns 770,097 Reported Shares. David S. Mack, a member of the Mack Group, is a trustee of The David and Sondra Mack Foundation, a charitable foundation that owns 225,000 Reported Shares. In addition, Stephen Mack is a trustee of the Stephen Mack and Kelly Mack Family Foundation, a charitable foundation that owns 5,000 Reported Shares. William L. Mack, Richard Mack, David S. Mack and Stephen Mack, pursuant to Rule 13d-4 under the Securities Exchange Act of 1934, as amended (the Exchange Act ), each have specifically disclaimed beneficial ownership of any Reported Shares owned by such foundations.

(5) Address: 1585 Broadway, New York, NY 10036. Share information is furnished in reliance on the Schedule 13G/A dated February 11, 2014 of Morgan Stanley filed with the SEC, which represents holdings as of December 31, 2013. This number represents 7,475,367 shares beneficially owned by Morgan Stanley's wholly-owned subsidiary Morgan Stanley Investment Management Inc. ( MSIM ). The Company believes that the shares owned by Morgan Stanley are held for investment advisory clients and that Morgan Stanley disclaims beneficial ownership of those shares. The 7,475,367 shares owned by Morgan Stanley includes (i) 6,249,691 shares for which Morgan Stanley has sole voting power and 7,475,367 shares for which Morgan Stanley has sole dispositive power, and (ii) 6,249,691 shares for which MSIM has sole voting power, and 7,475,367 shares for which MSIM has sole dispositive power.

(6) Address: 280 Park Avenue, 10th Floor, New York, NY 10017. Share information is furnished in reliance on the Schedule 13G/A dated November 12, 2013 of Cohen & Steers, Inc. ( Cohen & Steers ) filed with the SEC, which represents holdings as of

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October 31, 2013. Based upon information included in the Schedule 13G/A filed by Cohen & Steers, the Company believes that such shares are held for investment advisory clients of Cohen & Steers, and pursuant to Rule 13d-4, Cohen & Steers disclaims beneficial ownership of those shares to the extent it does not have a pecuniary interest therein. This number represents shares beneficially owned by Cohen & Steers Capital Management, Inc. ( CSCM ) and Cohen & Steers UK Limited ( CSUK ), wholly owned subsidiaries of Cohen and Steers. The 6,939,094 shares owned by Cohen & Steers includes (i) 2,048,978 shares for which Cohen & Steers has sole voting power, (ii) 6,939,094 shares for which Cohen & Steers has sole dispositive power, (iii) 1,971,934 shares

for which CSCM has sole voting power, (iv) 6,831,858 shares for which CSCM has sole dispositive power, (v) 77,044 shares for which CSUK has sole voting power, and (vi) 107,236 shares for which CSUK has sole dispositive power.

(7) Address: 100 Vanguard Blvd., Malvern, PA, 19355. Share information is furnished in reliance on the Schedule 13G/A dated February 4, 2014 of Vanguard Specialized Funds Vanguard REIT Index Fund 23-2834924 ( Vanguard Fund ) filed with the SEC, which represents 5,652,753 shares beneficially owned by Vanguard Fund as of December 31, 2013.

## PROPOSAL NO. 1

### ELECTION OF DIRECTORS

The Company's articles of restatement (the Charter) divide the Company's Board of Directors into three classes which shall be as nearly equal in number as possible, with the members of each such class serving staggered three-year terms. The Board of Directors presently consists of eleven members as follows: Class II directors, Nathan Gantcher, David S. Mack, William L. Mack and Alan G. Philibosian, whose terms expire in 2014; Class III directors, Mitchell E. Hersh, Alan S. Bernikow and Irvin D. Reid whose terms expire in 2015; and Class I directors, Kenneth M. Duberstein, Jonathan Litt, Vincent Tese and Roy J. Zuckerberg, whose terms expire in 2016.

Stockholders will elect four directors to serve as Class II directors at the Annual Meeting. The Class II directors who are elected at the Annual Meeting will serve until the Annual Meeting of Stockholders to be held in 2017 and until such directors' respective successors are elected or appointed and qualify or until any such director's earlier resignation or removal, regardless of whether the stockholders approve the declassification of the Board of Directors described in Proposal No. 2. The Board of Directors, acting upon the unanimous recommendation of its Nominating and Corporate Governance Committee, has nominated Nathan Gantcher, David S. Mack, William L. Mack and Alan G. Philibosian for election as Class II directors at the Annual Meeting. In the event any nominee is unable or unwilling to serve as a Class II director at the time of the Annual Meeting, the proxies may be voted for the balance of those nominees named and for any substitute nominee designated by the present Board of Directors or the proxy holders to fill such vacancy or for the balance of those nominees named without nomination of a substitute, or the size of the Board of Directors may be further reduced in accordance with the bylaws of the Company. At the conclusion of the Annual Meeting, the Board of Directors will consist of eleven members with four Class I directors, four Class II directors and three Class III directors.

**Nathan Gantcher**, a Class II director nominee, has served as a member of the Board of Directors since 1999, as a member of the Audit Committee of the Board of Directors since 1999, and as a member of each of the Nominating and Corporate Governance Committee of the Board of Directors and the Executive Committee of the Board of Directors since 2000. Mr. Gantcher also served as a member of the board of directors of Liberty Acquisition Holdings Corp. from 2007 to December 2010, and as a member of its audit, compensation and governance, and nominating committees. Since October 2013, Mr. Gantcher has served as a member of the board of directors of Cambridge Capital Acquisition Corporation. The foregoing directorships and committee memberships are the only public company or registered investment company directorships and committee memberships currently held by Mr. Gantcher or which Mr. Gantcher held at any time during the past five years. Since December 2013, Mr. Gantcher has served as an advisor to Lebanthal Holdings. Mr. Gantcher has served as managing member of EXOP Capital LLC since 2005. Mr. Gantcher previously served as a member of the board of directors of Refco, Inc. from 2004 until 2006 and a member of the board of directors of Neuberger Berman, a NYSE listed company, and served as a member of its audit and compensation committees, from 2001 until 2003. Mr. Gantcher also served as the co-chairman, president and chief executive officer of Alpha Investment Management L.L.C. from 2001 until July 2004. Prior to joining Alpha Investment Management L.L.C., Mr. Gantcher was a private investor from 1999 to 2001. Mr. Gantcher served as vice chairman of CIBC Oppenheimer Corp. from 1997 to 1999. Prior to becoming vice chairman of CIBC Oppenheimer Corp., Mr. Gantcher served as co-chief executive officer and chief operating officer of Oppenheimer & Co., Inc. Mr. Gantcher currently serves as chairman of the board of trustees of Evermore Funds Trust and as chairman of its nominating and governance

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committee, and as a member of its audit and valuation committees. He previously served as chairman of the board of trustees of Tufts University and as a member of the Council of Foreign Relations and currently serves on the board of trustees of Montefiore Medical Center. Mr. Gantcher received his A.B. in economics and biology from Tufts University and his M.B.A. from the Columbia University Graduate School of Business. Based on Mr. Gantcher's familiarity with the Company as a long-standing member of the Company's Board of Directors, his experience as a director with several public companies and his investment banking, management and financial expertise, the Nominating and Corporate Governance Committee of the Board of Directors concluded that Mr. Gantcher has the requisite experience, qualifications, attributes and skills necessary to serve as a member of the Board of Directors.

**David S. Mack**, a Class II director nominee, has served as a member of the Board of Directors since 2004 and served as a member of the Company's Advisory Board from 1997 to 2004. Mr. Mack is a senior partner and vice president of The Mack Company, a real estate development company headquartered in Fort Lee, New Jersey with an office in Arizona, where he has been employed since 1966 and where he pioneered the development of large, Class A office properties and helped to increase The Mack Company's portfolio to approximately 20 million square feet. Mr. Mack serves as a member of the Board of Trustees of North Shore Long Island Jewish Health System and the Pratt Institute. Mr. Mack also serves as a member and secretary of the Board of Trustees of Hofstra University, where he previously served as Vice Chairman. Mr. Mack also serves as Vice Chairman of the Board of Directors of MorseLife, Inc. and Morse Geriatric Center, Inc. and is the Building Committee Chairman. Additionally, Mr. Mack serves on the Board of Governors of the Palm Beach Country Club where he is a former President and is currently the Chairman of Admissions. Mr. Mack also is a member of the Palm Beach Healthcare Foundation, Inc. Mr. Mack is a former deputy superintendent (colonel) of the New York State Police, having served for 14 years and currently donates his time as the First Assistant Commissioner of the Nassau County Police Department as well as the First Deputy Commissioner of the City of Long Beach, New York and Second Vice President of the Palm Beach Police Foundation. Mr. Mack previously served as a member of the Board of Directors and as Vice Chairman of the New York Metropolitan Transportation Authority and on the Board of Directors and as a Commissioner of the Port Authority of New York and New Jersey. Mr. Mack received his B.A. degree in Business Administration from Hofstra University. Mr. Mack serves as a member of the Board of Directors pursuant to an agreement with the Company entered into at the time of the Company's combination with The Mack Company in December 1997. See Certain Relationships and Related Transactions Mack Agreement. Mr. Mack is the brother of William L. Mack. Based on Mr. Mack's years of experience with The Mack Company and his extensive knowledge and expertise of commercial real estate markets and office REIT operations, the Nominating and Corporate Governance Committee of the Board of Directors concluded that Mr. Mack has the requisite experience, qualifications, attributes and skills necessary to serve as a member of the Board of Directors.

**William L. Mack**, a Class II director nominee, has served as a member of the Board of Directors since 1997 and as its Chairman since 2000. Mr. Mack also has served as Chairman of the Company's Executive Committee of the Board of Directors since 1997. Prior to December 1997, Mr. Mack served as President and Senior Managing Partner of The Mack Company, where he pioneered the development of large, Class A office properties and helped to increase The Mack Company's portfolio to approximately 20 million square feet. In addition, Mr. Mack is a founder and Chairman of Mack Real Estate Group. He also founded and was the former Chairman of AREA Property Partners (f/k/a Apollo Real Estate Advisors, L.P.) Mr. Mack currently serves as a member of the Board of Directors of Hudson's Bay Company, a company listed on the Toronto stock exchange. He previously served as a Board Member of the Regional Advisory Board of JPMorgan Chase from 1995 to 2013, and as a member of the Board of Directors of the Retail Opportunity Investments Corporation from 2009 to 2010. The foregoing directorships are the only public company or registered investment company directorships currently held by Mr. Mack or which Mr. Mack held at any time during the past five years. Mr. Mack also currently serves as a member of the Boards of Directors of Florida Community Bank (f/k/a: Premier American Bank, N.A.), a private national bank, and Bond Street Holdings, Inc. Previously, Mr. Mack served as a member of the Boards of Directors of City and Suburban Financial Corporation from 1988 to 2007, The Bear Stearns Companies Inc. from 1997 to 2004, Vail Resorts, Inc. from 1993 to 2004 and Wyndham International, Inc. from 1999 to 2005. Mr. Mack is a Vice Chairman of the North Shore Long Island Jewish Health System, and Chairman of the Board for the Solomon R. Guggenheim Foundation. He is also Chair of the Board of Overseers of The Wharton School of Business and Finance at the University of Pennsylvania. Mr. Mack attended The Wharton School and has a B.S. degree in business administration, finance and real estate from New York University. Mr. Mack serves as a member of the Board of Directors pursuant to an agreement with the Company entered into at the time of the Company's combination with The Mack Company in December 1997. See Certain Relationships and Related Transactions Mack Agreement. Mr. Mack is the brother of David S. Mack. Based on Mr. Mack's oversight of the Company's growth and development since his appointment as Chairman of the Board in 2000, his years of experience with The Mack Company and his extensive knowledge and expertise of commercial real estate markets and office REIT operations through over forty (40) years of experience, the Nominating and Corporate Governance Committee of the Board of Directors concluded that Mr. Mack has the requisite experience, qualifications, attributes and skills necessary to serve as a member of the Board of Directors.

**Alan G. Philibosian**, a Class II director nominee, has served as a member of the Board of Directors since 1997 and as a member of the Nominating and Corporate Governance Committee of the Board of Directors since 2000. In addition, Mr. Philibosian has served as a member of the Executive Compensation and Option Committee of the Board of Directors since 1997, and has served as the chairman of said Committee since 2004. Mr. Philibosian is an attorney practicing in Englewood, New Jersey, and since 1997 has had his own practice. Mr. Philibosian served as a commissioner of The Port Authority of New York and New Jersey from January 1995 through January 2003. While Commissioner, he served as chairman of the audit and construction committees and vice-chairman of the finance committee. Mr. Philibosian previously served on the board of directors of NorCrown Bank, Livingston, New Jersey, prior to its acquisition by Valley National



Bancorp of New Jersey in 2005. Mr. Philibosian graduated Phi Beta Kappa from Rutgers College, and received his J.D. degree from Boston College Law School and his LL.M. degree in taxation from New York University. Based on Mr. Philibosian's familiarity with the Company as a long-standing member of the Company's Board of Directors and his significant legal and financial background, and his experience as a director and his roles on various committees of the Board of Directors, together with his legal and financial background, the Nominating and Corporate Governance Committee of the Board of Directors concluded that Mr. Philibosian has the requisite experience, qualifications, attributes and skills necessary to serve as a member of the Board of Directors.

#### **Vote Required and Board of Directors Recommendation**

Assuming a quorum is present, the affirmative vote of a plurality of the votes cast at the Annual Meeting, either in person or by proxy, is required for the election of a director. For purposes of the election of directors, abstentions and broker non-votes will have no effect on the result of the vote. Under the Company's bylaws and Corporate Governance Principles, if, in any uncontested election of directors, a director nominee has a greater number of votes withheld from his or her election than votes cast for his or her election, such director nominee shall promptly tender his or her resignation for consideration by the Nominating and Corporate Governance Committee. A vote will be considered withheld from a director nominee if a stockholder withholds authority to vote for such director nominee in any proxy granted by such stockholder in accordance with instructions contained in the proxy statement or accompanying proxy card circulated for the meeting of stockholders at which the election of directors is to be held. See Policies Relating to the Election of Directors.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE *FOR* THE ELECTION OF ALL NOMINEES NAMED ABOVE.**

#### **PROPOSAL NO. 2**

#### **AMENDMENT OF CHARTER TO DECLASSIFY OUR BOARD OF DIRECTORS AND ADOPT ANNUAL CONCURRENT TERMS FOR DIRECTORS**

The Company's Charter divides the Company's Board of Directors into three classes which shall be as nearly equal in number as possible, with the members of each such class serving staggered three-year terms. The Board of Directors presently consists of eleven members as follows: Class II directors, Nathan Gantcher, David S. Mack, William L. Mack and Alan G. Philibosian, whose terms expire in 2014; Class III directors, Mitchell E. Hersh, Alan S. Bernikow and Irvin D. Reid whose terms expire in 2015; and Class I directors, Kenneth M. Duberstein, Jonathan Litt, Vincent Tese and Roy J. Zuckerberg, whose terms expire in 2016.

The Board of Directors wishes to declassify the Board of Directors of the Company such that subsequent to such declassification, directors standing for election at each annual meeting of stockholders will be elected for a term expiring at the next annual meeting following their election, rather than the third-succeeding annual meeting and until their respective successors are elected and qualify.

Proponents of classified boards of directors believe that they help maintain continuity of experience and, as a result, may assist a company in long-term strategic planning. Additionally, supporters argue that a classified board may encourage a person seeking control of a company to initiate arm's-length discussions with management and the board, who may be in a position to negotiate a higher price on more favorable terms for stockholders or to seek to prevent a takeover that the board believes is not in the best interests of stockholders.

Nevertheless, because classified board structures do not permit annual stockholder election of all directors, these structures have recently been subject to criticism from a corporate governance perspective. Opponents of classified structures believe that they limit the ability of stockholders to elect directors and exercise influence over a company and may discourage takeover proposals and proxy contests that could have the effect of increasing stockholder value. A non-classified board structure enables stockholders to hold all directors accountable on an annual basis, rather than over a three-year period. In light of these views, a number of corporations have determined that principles of good corporate governance dictate that all directors of a corporation should be elected annually.

In considering whether a proposal to declassify the Board of Directors was advisable, the Board of Directors determined that annual elections of directors will give the stockholders of the Company a greater opportunity to evaluate the performance of the Company's directors by allowing them to vote on each director annually rather than once every three years.



In order to declassify the Company's Board of Directors, Section 1 of Article V of the Charter, and Section 2 of Article III of the Company's amended and restated bylaws, as further amended (the Bylaws), will need to be amended. Amendments to the Charter need to be declared advisable by resolution duly adopted by the Board of Directors, and approved by the stockholders of the Company at an annual or special meeting by the affirmative vote of at least a majority of all votes entitled to be cast on the matter; and once approved by the stockholders such amendment will become effective upon filing with, and acceptance by, the State Department of Assessments and Taxation of Maryland (the SDAT) of articles of amendment setting forth the amendment. The Board of Directors may amend the Bylaws without a vote of the stockholders. By resolutions adopted as of March 11, 2014, the Board of Directors declared advisable the Charter amendment attached hereto as Annex A (the Charter Amendment) which provides for declassification of our Board of Directors and adoption of annual concurrent terms for our directors, and directed that the Charter Amendment be submitted for consideration by our stockholders at the Annual Meeting. By resolutions adopted on that same date, the Board of Directors adopted the amendment to the Bylaws attached hereto as Annex B (the Bylaw Amendment) which deletes from the Bylaws the provision relating to the classification of our Board of Directors and which will become effective if and when the Charter Amendment becomes effective.

If the Charter Amendment is approved by the stockholders of the Company by the requisite vote at the Annual Meeting, then following the Annual Meeting, articles of amendment setting forth the Charter Amendment will be filed with, and will become effective upon acceptance by, the SDAT, and upon the Charter Amendment becoming effective the Bylaws Amendment shall take effect. If elected, the four (4) Class II directors standing for election at the Annual Meeting would have been elected for a term of office of three (3) years before the proposed Charter Amendment and proposed Bylaws Amendment become effective, and would thus continue to serve for their respective three-year terms and until their successors are elected and qualify.

Once the Charter Amendment becomes effective, the directors whose terms of office expire at annual meetings of stockholders subsequent to the Annual Meeting, and any successors to such directors, will be elected to hold office until the next annual meeting of stockholders following their election instead of the third-succeeding annual meeting and until their successors are elected and qualify so that: (i) at the 2015 Annual Meeting the three (3) Class III directors whose term expires at the 2015 Annual Meeting, or their successors, will stand for election for a term that expires at the 2016 Annual Meeting; (ii) at the 2016 Annual Meeting the three (3) directors elected at the 2015 Annual Meeting, or their successors, as well as the four (4) Class I directors whose term expires at the 2016 Annual Meeting, or their successors, will stand for election for a term that expires at the 2017 Annual Meeting; and (iii) at the 2017 Annual Meeting, all directors will stand for election for a term that expires at the 2018 Annual Meeting, and upon such election at the 2017 Annual Meeting, the declassification of the Company's Board of Directors will be completed and all directors thereafter will serve terms expiring upon the next annual meeting of the Company following their election and until their respective successors are elected and qualify.

If the Charter Amendment is not approved by the stockholders of the Company by the requisite vote at the Annual Meeting, the Company will continue to have a classified Board of Directors. In addition, if stockholders approve the declassification of the Board of Directors at the Annual Meeting and the Charter Amendment and Bylaw Amendment become effective, the Board of Directors will retain the authority under certain provisions of Maryland law to which the Company is subject to reclassify the Board of Directors without stockholder approval.

#### **Vote Required and Board of Directors Recommendation**

Assuming a quorum is present, the affirmative vote of a majority of the votes entitled to be cast by the stockholders on this proposal at the Annual Meeting is required for approval of this Proposal No. 2, meaning that the total votes cast for this proposal must represent over 50% of the outstanding Common Stock of the Company. For purposes of the vote on this Proposal No. 2, an abstention or a broker non-vote will have the effect of a vote against this proposal.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE *FOR* APPROVAL OF THE AMENDMENT OF THE CHARTER TO DECLASSIFY OUR BOARD OF DIRECTORS AND ADOPT ANNUAL CONCURRENT TERMS FOR DIRECTORS.**

**DIRECTORS AND EXECUTIVE OFFICERS**

Set forth below is certain information as of April 1, 2014, including information with respect to the beneficial ownership of the Company's Common Stock, for (i) the members of the Board of Directors, (ii) the executive officers of the Company and (iii) the directors and executive officers of the Company as a group:

Name and Position	Age	First Elected	Term Expires	Number of Shares(1)(2)	Percent of Shares Outstanding (%) (3)	Percent of Shares Outstanding calculated on a full-diluted basis)(%) (4)
William L. Mack, Chairman of the Board(5)(6)	74	1997	2014	2,475,048(10)	2.72%	2.47%
Mitchell E. Hersh, President, Chief Executive Officer and Director(5)(6)	63	1997	2015	816,063(11)	*	*
Anthony Krug, Chief Accounting Officer and Acting Chief Financial Officer	56			31,092	*	*
Alan S. Bernikow, Lead Independent Director(7)	73	2004	2015	27,434(12)	*	*
Kenneth M. Duberstein, Director(8)	69	2005	2016	14,657(13)	*	*
Nathan Gantcher, Director(5)(7)(9)	73	1999	2014	37,434(14)	*	*
Jonathan Litt, Director	49	2014	2016	478,400(15)	*	*
David S. Mack, Director(6)	72	2004	2014	2,001,181(16)	2.21%	2.00%
Alan G. Philibosian, Director(8)(9)	60	1997	2014	21,534(17)	*	*
Irvin D. Reid, Director(7)	73	1994	2015	22,934	*	*
Vincent Tese, Director(8)(9)	71	1997	2016	14,051	*	*
Roy J. Zuckerberg, Director(5)(7)	77	1999	2016	49,934	*	*
All directors and executive officers as a group (12 individuals)				5,989,762(18)	6.43%	5.98%

\* Beneficial Ownership of less than 1.0% is omitted.

(1) The limited partners of the Operating Partnership share with the Company, as general partner, in the net income or loss and any distributions of the Operating Partnership. Pursuant to the partnership agreement of the Operating Partnership, common Units are redeemable into shares of Common Stock on a one-for-one basis.

(2) Except as otherwise noted below, all shares of Common Stock, common Units, preferred Units (as converted into common Units), vested options and all restricted Common Stock are owned beneficially by the individual listed with sole voting and/or investment power.

(3) Assumes redemption or conversion of only the Units in the Operating Partnership beneficially owned by such owner into shares of Common Stock and the exercise of vested options and all restricted Common Stock held only by such owner.

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(4) Assumes redemption or conversion of all outstanding Units in the Operating Partnership into shares of Common Stock and the exercise of all vested options and all restricted Common Stock.

(5) Member of the Executive Committee of the Board of Directors.

(6) In connection with the Company's combination with The Mack Company in December 1997, as more fully described under Certain Relationships and Related Transactions - Mack Agreement, William L. Mack, Mitchell E. Hersh and Earle I. Mack were appointed to the Board of Directors. Pursuant to the Mack Agreement, the Company has agreed, for as long as members of the Mack Group maintain at least the Mack Significant Interest, to nominate Messrs. Mack, Mack and Hersh (or their successors) for successive terms upon the expiration of each term. As of January 15, 2004, Earle I. Mack resigned from the Board of Directors and pursuant to the terms of the Mack Agreement, David S. Mack was designated as Earle I. Mack's successor and appointed to the Board of Directors. The Company elected to nominate William L. Mack and David S. Mack, designees of the Mack Group, for election at the annual meeting of stockholders held on June 23, 2005 (the 2005 Annual Meeting) and at the annual meeting of stockholders held on May 21, 2008 (the 2008 Annual Meeting), and Messrs. Mack and Mack

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were so elected at each of the 2005 Annual Meeting and the 2008 Annual Meeting. For the definition of Mack Significant Interest, see Certain Relationships and Related Transactions Mack Agreement.

(7) Member of the Audit Committee of the Board of Directors.

(8) Member of the Executive Compensation and Option Committee of the Board of Directors.

(9) Member of the Nominating and Corporate Governance Committee of the Board of Directors.

(10) Includes 1,577,017 shares of Common Stock that may be issued upon the redemption of all of William L. Mack's limited partnership interests in the Operating Partnership. Also includes 100,000 shares of Common Stock that may be issued upon the redemption of all of the limited partnership interests in the Operating Partnership held by the William & Phyllis Mack Foundation, Inc., a charitable foundation of which Mr. Mack is a trustee, and 770,097 shares of Common Stock that may be issued upon the redemption of all of the limited partnership interests in the Operating Partnership held by trusts that are members of a Section 13(d) group with Mr. Mack. Pursuant to Rule 13d-4 under the Exchange Act, Mr. Mack has specifically disclaimed beneficial ownership of the shares held by such foundation and trusts.

(11) Includes 121,424 shares of Common Stock that may be issued upon the redemption of all of Mitchell E. Hersh's limited partnership interests in the Operating Partnership.

(12) Includes vested options to purchase 5,000 shares of Common Stock.

(13) Includes vested options to purchase 5,000 shares of Common Stock.

(14) Includes 2,500 shares of Common Stock held by a partnership and 2,500 shares of Common Stock held by a charitable foundation over which Mr. Gantcher possesses sole or shared dispositive or voting power. Mr. Gantcher disclaims beneficial ownership of the shares owned by such foundation.

(15) Includes 477,400 shares of Common Stock indirectly beneficially owned by Mr. Litt through Land & Buildings Capital Growth Fund, L.P. and Land & Buildings Investment Management, LLC, entities which he owns and controls, and 1,000 unvested shares of restricted Common Stock. The amount reported excludes unvested options to purchase 5,000 shares of Common Stock.

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(16) Includes 1,756,947 shares of Common Stock that may be issued upon the redemption of all of David S. Mack's limited partnership interests in the Operating Partnership, 25,000 shares of Common Stock held by The David and Sondra Mack Foundation (the Foundation), of which Mr. Mack is a trustee, and 200,000 shares of Common Stock that may be issued upon the redemption of all of the limited partnership interests in the Operating Partnership held by the Foundation. Pursuant to Rule 13d-4 under the Exchange Act, Mr. Mack has specifically disclaimed beneficial ownership of the shares of Common Stock and limited partnership interests owned by the Foundation.

(17) Includes 250 shares of Common Stock owned by Mr. Philiposian's family of which Mr. Philiposian disclaims beneficial ownership.

(18) Includes all restricted Common Stock held by all twelve executive officers and directors, together with 3,455,389 shares of Common Stock that may be issued upon the redemption of all of the executive officers' and directors' limited partnership interests in the Operating Partnership. Also includes 1,070,097 shares of Common Stock that may be issued upon the conversion and/or redemption of all of the limited partnership interests in the Operating Partnership held by members of the directors' and executive officers' immediate families, trusts or charitable foundations of which they or their wives are trustees or entities over which they possess sole or shared dispositive or voting power. Also includes vested options to purchase 10,000 shares of Common Stock held by directors and executive officers.

Biographical information concerning the director nominees is set forth above under the caption "Proposal No. 1 Election of Directors." Biographical information concerning the remaining directors and executive officers is set forth below.

**Mitchell E. Hersh** has served as a member of the Board of Directors and as a member of the Executive Committee of the Board of Directors since 1997. Mr. Hersh also has served as Chief Executive Officer of the Company since 1999 and

as President of the Company since 2004. Mr. Hersh is responsible for the strategic direction and long-term planning for the Company. He is also responsible for creating and implementing the Company's capital markets strategy and overall investment strategy. Additionally, Mr. Hersh serves as Chairman, President and Chief Executive Officer of The Gale Company, a subsidiary of the Company, as well as Chairman and Chief Executive Officer of Roseland Management Services, L.P., a subsidiary of the Company. Previously, Mr. Hersh held the position of President and Chief Operating Officer of the Company from 1997 to 1999. Prior to joining the Company, Mr. Hersh served as a partner of The Mack Company since 1982 and as chief operating officer of The Mack Company since 1990, where he was responsible for overseeing the development, operations, leasing and acquisitions of The Mack Company's office and industrial portfolio. Mr. Hersh is a member of the New Jersey Real Estate Advisory Board and is a member of New Jersey Governor Chris Christie's Economic Development and Growth Transition Subcommittee. Mr. Hersh formerly served on the board of governors of the National Association of Real Estate Investment Trusts (NAREIT) and currently serves on the board of directors of the New Jersey Chapter of the National Association of Industrial and Office Properties (NAIOP). Mr. Hersh also serves on the Board of Trustees of Montclair State University and is a founding member of Baruch College Newman Real Estate Institute's Real Estate Advisory Board. In addition, Mr. Hersh is a board member of the Commerce and Industry Association of New Jersey (CIANJ). In 2013, Mr. Hersh was named number two (2) on NJBIZ's list of the *50 Most Influential People in New Jersey Real Estate*, as well as number 25 on their list of the *100 Most Powerful People in New Jersey Business*. In addition, in 2012, he was named as one of New Jersey's real estate icons by *Real Estate Forum Magazine*. Mr. Hersh has a B.A. degree in architecture from Ohio University. Mr. Hersh serves as a member of the Board of Directors pursuant to an agreement with the Company entered into at the time of the Company's combination with The Mack Company in December 1997. See Certain Relationships and Related Transactions Mack Agreement. Based on Mr. Hersh's oversight of the Company's strategic direction and growth since his appointment as Chief Executive Officer in 1999, his extensive knowledge and expertise in the commercial real estate industry over a thirty (30) year period in general and office REITs in particular, the Nominating and Corporate Governance Committee of the Board of Directors concluded that Mr. Hersh has the requisite experience, qualifications, attributes and skills necessary to serve as a member of the Board of Directors.

**Anthony Krug** has served as Chief Accounting Officer since October 2012 and Acting Chief Financial Officer since March 31, 2014. As Chief Accounting Officer, Mr. Krug oversees the Company's corporate consolidation and financial accounting matters, as well as financial compliance, accounting integration of mergers and acquisitions, cash management, real estate tax assessments and the financial reporting requirements of the Company. As Chief Financial Officer, Mr. Krug is responsible for strategic financial planning and forecasting, financial accounting and reporting, capital markets activities, investor relations and information technology systems. Mr. Krug has been with the Company and its predecessor companies for over 25 years, serving as Senior Vice President, Finance for the Company from 2001 to 2012. Prior to 2001, Mr. Krug held positions with the Company and its predecessors including Vice President, Finance and Controller. Mr. Krug is a certified public accountant, and is a member of the American Institute of Certified Public Accountants (AICPA) and the New Jersey Society of Certified Public Accountants (NJSCPA). Mr. Krug holds a B.S. degree in business administration from Richard Stockton State College of New Jersey.

**Alan S. Bernikow**, has served as a member of the Board of Directors and as chairman of the Audit Committee of the Board of Directors since 2004 and was appointed as Lead Independent Director in March 2014. Previously, Mr. Bernikow served as the Deputy Chief Executive Officer at Deloitte & Touche LLP from 1998 to 2003, where he was responsible for assisting the firm on special projects such as firm mergers and acquisitions, partner affairs and litigation matters. Mr. Bernikow joined Touche Ross, the predecessor firm of Deloitte & Touche LLP, in 1977, prior to which Mr. Bernikow was the National Administrative Partner in Charge for the accounting firm of J.K. Lasser & Company. Mr. Bernikow is currently a member of the board of directors of Revlon, Inc. and Revlon Consumer Products Corporation and is chairman of the audit committee and compensation and stock plan committee of Revlon, Inc. Mr. Bernikow also currently serves as a member of the board of directors and the audit and nominating and corporate governance committees of the Destination XL Group, Inc., formerly the Casual Male Retail Group Inc. Mr. Bernikow is also a member of the board of directors of UBS Global Asset Management (US) Inc. (UBS) and currently serves as chairman of its audit committee, and has also served as a member of the boards of directors of investment funds managed by UBS, including Global High Income Dollar Fund Inc., Insured Municipal Income Fund Inc., Investment Grade Municipal Income Fund Inc., Managed High Yield Plus Fund Inc., and Strategic Global Income Fund, Inc. The foregoing directorships and committee memberships are the only public company or registered investment company directorships and committee memberships currently held by Mr. Bernikow or which Mr. Bernikow held at any time during the past five years. Mr. Bernikow is also a member of the Board of Directors of Florida Community Bank (f/k/a: Premier American Bank, N.A.), a private national bank, and is chairman of its audit committee and is a member of its compensation committee. Mr. Bernikow is also a member of the board of directors and chairman of the audit committee of the FOJP Service Corporation; a member of the board of directors of the United Jewish Appeal Federation of Jewish Philanthropies of New York, Inc.; the former treasurer, a past member of the board of directors and former chairman of the audit committee of the Jewish Communal Fund; a member of the board of





directors of Saint Vincent Catholic Medical Centers, where he also serves as a member of the governance and executive committees and as chairman of the audit committee; and past chairman and current member of the board of directors of The Heart Institute of Staten Island. Mr. Bernikow is also a past President of the Richmond County Country Club. Mr. Bernikow has a B.B.A. degree from Baruch College and is a member of the American Institute of Certified Public Accountants (AICPA) and the New York State Society of Certified Public Accountants (NYSSCPA). Based on Mr. Bernikow's significant financial and accounting background and thirty (30) years of experience in public accounting, his status as an audit committee financial expert, and his experience serving as a director and audit committee member of several public companies, the Nominating and Corporate Governance Committee of the Board of Directors concluded that Mr. Bernikow has the requisite experience, qualifications, attributes and skills necessary to serve as a member of the Board of Directors.

**Kenneth M. Duberstein** has served as a member of the Board of Directors since 2005, when he was appointed to fill the seat vacated by Martin Gruss. In addition, Mr. Duberstein has served as a member of the Executive Compensation and Option Committee of the Board of Directors since March 2006. Mr. Duberstein has served as Chairman and Chief Executive Officer of The Duberstein Group, an independent strategic planning and consulting company, since 1989. In addition, Mr. Duberstein has served as a member of the board of directors of The Boeing Company since 1997, and is also the lead director and the chairman of its governance, organization and nominating committee and member of the compensation committee. Mr. Duberstein has also served as a member of the board of directors of the Travelers Companies, Inc. since 1998, and is also a member of its compensation and investment and capital markets committees and is Chairman of its governance committee. Mr. Duberstein was a director of Dell Inc. from 2011 to 2012 and was a member of its governance and nominating committee. Mr. Duberstein previously served as director of ConocoPhillips from 2002 to 2012 and was a member of its public policy committee and presiding director from 2002 to 2008. Mr. Duberstein previously served as a director of Federal National Mortgage Association (Fannie Mae) from 1998 to February 2007, and is a former member of the Board of Governors of the NASD. Mr. Duberstein also previously served as Chief of Staff to President Ronald Reagan from 1988 to 1989. He also served in the White House as Deputy Chief of Staff in 1987, as well as both the Assistant and the Deputy Assistant to the President for Legislative Affairs from 1981 to 1983. Mr. Duberstein previously served as a member of the board of directors of Collegiate Funding Services, Inc. from 2004 to 2006, and was chairman of its audit committee and a member of its compensation and nominating and governance committees. The foregoing directorships and committee memberships are the only public company or registered investment company directorships and committee memberships currently held by Mr. Duberstein or which Mr. Duberstein held at any time during the past five years. Mr. Duberstein earned an A.B. degree from Franklin and Marshall College and an M.A. degree from American University. Based on Mr. Duberstein's strategic planning and consulting background, his experience serving as a director of several public companies, and his extensive government, business expertise and NASD experience, the Nominating and Corporate Governance Committee of the Board of Directors concluded that Mr. Duberstein has the requisite experience, qualifications, attributes and skills necessary to serve as a member of the Board of Directors.

**Jonathan Litt** was appointed to the Board of Directors on February 28, 2014. Mr. Litt is the portfolio manager of Land & Buildings Investment Management, LLC, a registered investment advisor specializing in publically traded real estate and real estate related securities, which he founded in 2008. Mr. Litt also currently serves as a director for the Children with Dyslexia Scholarship Fund, where he has served since 1998, and Land & Buildings Offshore Fund, Ltd., where he has served since 2008. Prior to founding Land & Buildings, Mr. Litt was Managing Director and Senior Global Real Estate Analyst at Citigroup, where he was responsible for Global Property Investment Strategy, coordinating a 44 person team of research analysts located across 16 countries. Mr. Litt received his bachelor's degree in Economics from Columbia University in 1987 and received his M.B.A. from New York University in 1990. Based on Mr. Litt's experience as a director of various private entities, his lengthy history in the real estate investment industry, and his expertise gained as the founding partner and portfolio manager of Land & Buildings, the Nominating and Corporate Governance Committee of the Board of Directors concluded that Mr. Litt has the requisite experience, qualifications, attributes and skills necessary to serve as a member of the Board of Directors.

**Irvin D. Reid** has served as a member of the Board of Directors since 1994 and as a member of the Audit Committee of the Board of Directors since 1998. During this time, specifically from 1998 through 2002, Dr. Reid served as chairman of the Audit Committee. In January 2010, Dr. Reid has been a member of the board of directors and a member of the audit committee of A. Schulman, Inc. since 2010. Dr. Reid also has served as a member of the board of directors and as a member of both the audit committee and nomination and governance committee of The Pep Boys Manny, Moe & Jack, from 2007 to 2012. Previously, Dr. Reid served as a member of the board of directors of the Handleman Company from 2003 to 2004 and from 2005 to 2008, and served as a member of the audit committee and the nominating and corporate governance Committee of the Handleman Company. The foregoing directorships and committee memberships are the only public company or registered investment company directorships and committee memberships currently held by Dr. Reid or which Dr. Reid held at any time during the past five years. Dr. Reid has served on the Board of the Downtown Economic Development Corporation of the City of Detroit since 1999.

Dr. Reid also has served as a member of the board of directors of

Fleet Bank, N.A., from 1990 to 2002 and as a member of the Federal Reserve Board of Chicago-Detroit Branch, from 2003 to 2004 and from 2005 to 2008. From 2000 to 2011, Dr. Reid served as a member of The Michigan Economic Development Corporation Board, Executive and Finance Committees. Dr. Reid also previously served on the boards of First Tennessee Bank of Chattanooga and NatWest Bank, New Jersey and as a member of the board and chair of the trust committee of NatWest Bank, USA. Dr. Reid is president emeritus of Wayne State University in Michigan, having served as president from 1997 to 2008. Dr. Reid left the presidency of Wayne State University in 2008 to become inaugural holder of the Eugene Applebaum Chair in Community Engagement and Director for the Forum on Contemporary Issues in Society (FOCIS). Prior to becoming the president of Wayne State University, Dr. Reid served as president of Montclair State University (formerly Montclair State College) in New Jersey from 1989 to 1997, and held positions of dean, School of Business Administration, and John Stagmaier Professor of Economics and Business Administration at the University of Tennessee at Chattanooga. Dr. Reid received his B.S. degree and M.S. degree in general and experimental psychology from Howard University. He earned his M.A. and Ph.D. degrees in business and applied economics from The Wharton School of Business and Finance at the University of Pennsylvania. Based on Dr. Reid's familiarity with the Company as a long-standing member of the Company's Board of Directors and his experience as a director of several public and private companies, the Nominating and Corporate Governance Committee of the Board of Directors concluded that Dr. Reid has the requisite experience, qualifications, attributes and skills necessary to serve as a member of the Board of Directors.

**Vincent Tese** has served as a member of the Board of Directors since 1997, has served as chairman of the Nominating and Corporate Governance Committee of the Board of Directors since 2000, and has served as a member of the Executive Compensation and Option Committee of the Board of Directors since 1998, and served as chairman of said committee from 1998 until 2004. Mr. Tese served as New York State Superintendent of Banks from 1983 to 1985, chairman and chief executive officer of the Urban Development Corporation from 1985 to 1994, director of economic development for New York State from 1987 to 1994 and commissioner and vice chairman of the Port Authority of New York and New Jersey from 1991 to 1995. Mr. Tese also served as a partner in the law firm of Tese & Tese, a partner in the Sinclair Group, a commodities trading and investment management company, and a co-founder of Cross Country Cable TV. Mr. Tese is the former chairman of Cross Country Wireless. He currently serves as a member of the board of directors of Cablevision Systems Corporation, is chairman of its compensation committee and a member of its audit committee. Mr. Tese also serves as a member of the board of directors of Madison Square Garden, Inc., is chairman of its audit committee and a member of its compensation committee. Mr. Tese also serves as a member of the board of directors of Intercontinentalexchange, Inc. and is chairman of its compensation committee. Previously, Mr. Tese served as a member of the boards of directors of Bowne & Company, Inc. and Retail Opportunity Investments Corporation. The foregoing directorships and committee memberships are the only public company or registered investment company directorships and committee memberships currently held by Mr. Tese or which Mr. Tese held at any time during the past five years. Mr. Tese is also a member of the boards of directors of New York Racing Association, Inc. and is chairman of Bond Street Holdings LLC and ICE Clear Credit LLC, an affiliate of Intercontinentalexchange, Inc. and executive chairman of Florida Community Bank (f/k/a Premier American Bank, N.A.), a private national bank. Mr. Tese also is a trustee of New York University School of Law and New York Presbyterian Hospital and is a member of the hospital's audit committee. Mr. Tese previously served as a member of the board of directors of Custodial Trust Company from 1996 to 2010, Xanboo, Inc. from 2000 to 2010, and Gamco Investors Inc. Et Al. from 2003 to 2007 and of The Bear Stearns Companies Inc. from 1994 to 2008. Mr. Tese has a B.A. degree in accounting from Pace University, a J.D. degree from Brooklyn Law School and a L.L.M. degree in taxation from New York University School of Law. Based on Mr. Tese's familiarity with the Company as a long-standing member of the Board of Directors, his legal and investment management background, and his experience from serving as a director of several public companies, the Nominating and Corporate Governance Committee of the Board of Directors concluded that Mr. Tese has the requisite experience, qualifications, attributes and skills necessary to serve as a member of the Board of Directors.

**Roy J. Zuckerberg** has served as a member of the Board of Directors since 1999, as a member of the Audit Committee of the Board of Directors since 1999, and as a member of the Executive Committee of the Board of Directors since 2000. Mr. Zuckerberg is currently a Senior Director of The Goldman Sachs Group, Inc. after stepping down as Vice Chairman of the firm, a member of its Executive Committee and head of its Equities Division in 1998. He joined Goldman Sachs in 1967 and in 1976 became a General Partner. In 2004, Mr. Zuckerberg became a Founder and Chairman of Samson Capital Advisors. Mr. Zuckerberg also currently serves as a trustee of Cold Spring Harbor Laboratory and as a Director of the Community Foundation for Palm Beach and Martin Counties. He is a past Chairman of the Board of Governors of Ben-Gurion University of the Negev in Israel. Mr. Zuckerberg is a past Chairman of the Securities Industry Association and is a former Chairman of the Board of Trustees and presently is a member of the Executive Committee of North Shore-Long Island Jewish Health System, Inc. From 2000 to 2009, Mr. Zuckerberg chaired the Investment Committee of the University of Massachusetts Foundation. Mr. Zuckerberg received a B.S. from Lowell Technological Institute in 1958 and served in the United States Army. In June 1994, he received The Distinguished Alumni Award, in 1999, he received a Doctor of Humane Letters and in 2002, he received the President's Medal from the University of Massachusetts. In May 2009, Mr. Zuckerberg received a Doctor Philosophiae Horis Causa from Ben-Gurion University of the Negev. Based on Mr. Zuckerberg's



familiarity with the Company as a long-standing member of the Board of Directors, his significant investment banking and management background and his experience as a director of several investment management institutions, the Nominating and Corporate Governance Committee of the Board of Directors concluded that Mr. Zuckerberg has the requisite experience, qualifications, attributes and skills necessary to serve as a member of the Board of Directors.

#### **Certain Relationships and Related Transactions**

*Mack Agreement.* In connection with the Company's combination with The Mack Company in December 1997, William L. Mack, Mitchell E. Hersh and Earle I. Mack were appointed to the Company's Board of Directors. If any of Messrs. Mack, Mack or Hersh shall withdraw from the Board of Directors for any reason during their terms, the members of the Mack Group are entitled to designate their successors. The Mack Group includes William L. Mack, chairman of the Board of Directors, David S. Mack, director, Earle I. Mack, a former director of the Company, Frederic Mack, a member of the Advisory Board of the Company, and Mitchell E. Hersh, President, Chief Executive Officer and director. Effective January 15, 2004, Earle I. Mack resigned from the Board of Directors. Pursuant to the terms of the Mack Agreement, the Mack Group designated David S. Mack as the successor to Earle I. Mack's seat on the Board of Directors, and effective January 15, 2004, David S. Mack was appointed by the Board of Directors to fill Earle I. Mack's seat on the Board of Directors for the remainder of its term and was re-elected to the Board of Directors both at the 2005 Annual Meeting and the 2008 Annual Meeting. In addition, for as long as members of the Mack Group maintain at least the Mack Significant Interest (as defined below), the Mack Group has the right to re-nominate, and the Company will support, Messrs. Mack, Mack and Hersh (or their successors) for re-election to the Board of Directors for successive terms upon the expiration of each term. Mack Significant Interest means legal and beneficial ownership, in the aggregate, of not less than 3,174,603 shares of Common Stock and/or Units by Earle I. Mack, David S. Mack, Frederic Mack and William L. Mack, subject to certain restrictions and to adjustment for stock splits and other customary and similar stock dilutions.

*Tax Protection Agreements.* The Company may not dispose of or distribute certain of its properties, currently comprising 7 properties with an aggregate net book value of approximately \$124 million (as of December 31, 2013), which were originally contributed by members of either the Mack Group (which includes William L. Mack, director, David S. Mack, director, Mitchell E. Hersh, President, Chief Executive Officer and director, Earle I. Mack, a former director, and Frederic Mack, a member of the Company's Advisory Board), the Robert Martin Group (which includes Robert F. Weinberg, former director and current member of the Company's Advisory Board, Timothy Jones, a former President of the Company, and Michael Grossman, a former Executive Vice President of the Company), the Cali Group (which includes John R. Cali, a former director and current member of the Company's Advisory Board, and Brant Cali, a former director) or certain other Unitholders, without the express written consent of a representative of the Mack Group, the Robert Martin Group, the Cali Group or the specific certain other Unitholders, as applicable, except in a manner which does not result in recognition of any built-in-gain (which may result in an income tax liability) or which reimburses the appropriate Mack Group, Robert Martin Group, Cali Group members or the specific certain other Unitholders for the tax consequences of the recognition of such built-in-gains (collectively, the Property Lock-Ups). The aforementioned restrictions do not apply in the event that the Company sells all of its properties or in connection with a sale transaction which the Company's Board of Directors determines is reasonably necessary to satisfy a material monetary default on any unsecured debt, judgment or liability of the Company or to cure any material monetary default on any mortgage secured by a property. The Property Lock-Ups expire periodically through 2016. Upon the expiration of the Property Lock-Ups, the Company generally is required to use commercially reasonable efforts to prevent any sale, transfer or other disposition of the subject properties from resulting in the recognition of built-in gain to the appropriate Mack Group, Robert Martin Group, Cali Group members or the specific certain other Unitholders. 121 of the Company's properties, with an aggregate net book value of approximately \$1.5 billion, have Property Lock-Up restrictions that have lapsed and are therefore subject to these conditions.

*Acquisitions and Other Transactions.* Certain directors and executive officers of the Company (or members of their immediate families or related trusts) and persons who hold more than 5% of the outstanding shares of Common Stock (or Units in the Operating Partnership) had direct or indirect interests in certain transactions involving the Company, the Operating Partnership or their affiliates in the last fiscal year as follows:

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- William L. Mack, Chairman of the Board of Directors, David S. Mack, a director of the Company, and Earle I. Mack, a former director of the Company, are the executive officers, directors and stockholders of a corporation that leases approximately 717 square feet at one of the Company's office properties on a month-to-month basis and 6,317 square feet at one of the Company's office properties which is scheduled to expire in November 2014. The Company recognized \$226,000 in revenue under this lease for the year ended December 31, 2013, and had no accounts receivable from the corporation as of December 31, 2013.

- In 2013, William L. Mack, Nathan Gantcher, David S. Mack, Alan G. Philibosian, Irvin D. Reid, Vincent Tese, and Roy J. Zuckerberg earned deemed stock dividends, calculated based upon the number of deferred stock

units owned by each director as of the record date for each quarterly dividend earned in 2013, in the amounts of 928,347, 1,180,250, 820,707, 687,055, 1,210,047, 1,409,158 and 1,180,250, respectively, pursuant to the Director's Deferred Compensation Plan, whereby each non-employee director is entitled to defer all or a specified portion of the annual compensation to be paid to such director. See Compensation of Directors Directors Deferred Compensation Plan herein below.

*Policies and Procedures.* The Company has a written policy with respect to the review, approval and ratification of related person transactions. This policy applies to any transaction, arrangement or relationship (including any indebtedness or guarantee of indebtedness) or any series of similar transactions, arrangements or relationships in which (i) the Company is a participant and (ii) any related person (defined as an employee, director, director nominee, an executive officer or someone who owns more than 5% of our common shares, or an immediate family member of any of the foregoing persons, with certain exceptions) has or will have a direct or indirect interest. Under the policy, the Company's Chief Executive Officer will determine whether a transaction meets the definition of a related person transaction that will require review by the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee will review all related person transactions referred to them and, based on the relevant facts and circumstances, will decide whether or not to approve such transactions. Only those transactions that are in, or are not inconsistent with, the best interests of the Company and its stockholders will be approved. If the Company becomes aware of an existing related person transaction that was not approved under this policy, the matter will be referred to the Nominating and Corporate Governance Committee and it will evaluate all options available, including ratification, amendment or termination of the transaction.

The Company has determined that, under the policy, the following types of transactions will be deemed to be pre-approved: (i) employment of an executive officer if the related compensation is required to be reported in the Company's proxy statement; (ii) employment of an executive officer if he or she is not an immediate family member of another executive officer or director of the Company, the related compensation would have been reported in the Company's proxy statement if he or she was a named executive officer and the Company's Executive Compensation and Option Committee approved (or recommended that the Board approve) such compensation; (iii) compensation paid to a director if the compensation is required to be reported in the Company's proxy statement; (iv) any transaction where the related person's interest arises solely from the ownership of the Company's Common Stock and all holders of the Company's Common Stock received the same benefit on a *pro rata* basis; (v) any transaction in which the rates or charges incurred are subject to governmental regulation; and (vi) any transaction involving bank depositary of funds, transfer agent, registrar, trustee under a trust indenture or similar services.

Under the policy, the Chief Executive Officer's determination of whether a transaction meets the definition of a related person transaction is based upon his assessment of the transaction under Item 404 of Regulation S-K without regard to the amounts involved. The Company's policy provides that any related person transaction referred to the Nominating and Corporate Governance Committee for consideration is evaluated based on all of the relevant facts and circumstances available, including (if applicable) but not limited to: (i) the benefits to the Company; (ii) the impact on a director's independence in the event the related person is a director, an immediate family member of a director or an entity in which a director is a partner, shareholder or executive officer; (iii) the availability of other sources for comparable products or services; (iv) the terms of the transaction; and (v) the terms available to unrelated third parties or to employees generally.

The policy prohibits a director from participating in any review, consideration or approval of any related person transaction with respect to which the director or any of his or her immediate family members is the related person. The policy also provides that the only transactions that may be approved are those transactions that are in, or are not inconsistent with, the best interests of the Company and its stockholders.

### **Independence of the Board of Directors**

The Board of Directors has adopted the NYSE's standards for determining the independence of its members and believes that it interprets these requirements conservatively. In applying these standards, the Board of Directors considers commercial, industrial, banking, consulting, legal,

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accounting, charitable and familial relationships, among others, in assessing the independence of directors, and must disclose any basis for determining that a relationship is not material. The Board of Directors has determined that eight of eleven of its current members, namely Alan S. Bernikow, Nathan Gantcher, Kenneth M. Duberstein, Jonathan Litt, Alan G. Philiposian, Irvin D. Reid, Vincent Tese and Roy J. Zuckerberg, are independent directors within the meaning of such NYSE independence standards in terms of independence from management. In making this determination, the Board of Directors did not exclude from consideration as immaterial any relationship potentially compromising the independence of any of the above directors.



### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act, requires the Company's executive officers, directors and persons who beneficially own more than 10% of the Company's Common Stock to file initial reports of ownership and reports of changes of ownership (Forms 3, 4 and 5) of the Common Stock with the SEC and the NYSE. Executive officers, directors and greater than 10% holders are required by SEC regulations to furnish the Company with copies of such forms that they file.

To the Company's knowledge, based solely on the Company's review of the copies of such reports received by the Company, the Company believes that for the fiscal year 2013, its executive officers, directors and greater than 10% beneficial owners complied with all Section 16(a) filing requirements applicable to such persons.

### **Board of Directors Governance Matters**

During 2013, the entire Board of Directors met five times. In 2013, no director attended fewer than 75% of the total number of meetings of the Board of Directors and all Committees of the Board of Directors on which he served. The Company does not have a formal policy regarding attendance by members of the Board of Directors at the annual meetings of stockholders, but the Company strongly encourages all members of the Board of Directors to attend its annual meetings and expects such attendance except in the event of exigent circumstances. All of the members of the Board of Directors at the time of the 2013 annual meeting of stockholders (the 2013 Annual Meeting) were in attendance at the 2013 Annual Meeting.

Currently, the Company has separated the roles of Chief Executive Officer and Chairman of the Board. The Company believes that at this time the separation of these roles permits the Chairman of the Board to focus on oversight of the Company's long-term corporate development goals while the Chief Executive Officer focuses on the strategic direction of the Company and oversees the day to day performance of the other executive officers in executing the Company's business plan. In addition, on March 11, 2014, the Board of Directors appointed Alan S. Bernikow as its Lead Independent Director. The Lead Independent Director acts as a liaison between the Chairman of the Board and the independent directors and advises the Chairman of the Board with respect to the quality, quantity and timeliness of the flow of information from management as necessary for the independent directors to perform their duties effectively and responsibly, including requesting that certain material be included in materials prepared for the Board of Directors, approving agendas for meetings of the Board of Directors, and ensuring that there is sufficient time for discussion of all agenda items at meetings of the Board of Directors. Stockholders may contact the Lead Independent Director as further described below under the heading "Stockholder Communications," and if requested by significant stockholders, the Lead Independent Director shall be available for consultation. The Board of Directors believes that its Lead Independent Director structure, including the duties and responsibilities described above, provides the same independent leadership, oversight, and benefits for the company and the Board of Directors that would be provided by an independent Chairman of the Board.

The Lead Independent Director also shall preside at all meeting of the Board of Directors at which the Chairman of the Board is not present and all Executive Sessions of the Board of Directors consisting only of non-management directors. Such Executive Sessions will be held at least once per year, periodically as determined by the non-management directors, and will typically occur immediately following the regularly scheduled quarterly meetings of the Board of Directors, or at any other time and place as the Lead Independent Director or non-management directors may determine. Interested parties may submit matters for consideration to the non-management directors by utilizing the procedures identified under "Stockholder Communications" in this Proxy Statement. During 2013, the non-management directors met in Executive Session four times.

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Pursuant to authority vested in the Audit Committee of the Board of Directors pursuant to its charter, the Audit Committee is responsible for overseeing the Company's financial risk exposure and the Company's risk assessment and risk management policies and procedures. The Audit Committee discharges its risk oversight responsibilities as part of its quarterly reviews of the Company's quarterly and annual financial statements by discussing with management, the Company's independent auditors and outside legal counsel the Company's risk profile, its financial risk exposure and its risk mitigation policies and procedures. In addition, under the direction of the Executive Compensation and Option Committee, the Company's President and Chief Executive Officer and the compensation consultant to the Executive Compensation and Option Committee conducted an annual risk assessment of the Company's compensation programs as described under "Compensation Risk Assessment" in this Proxy Statement. The Company does not believe that the performance of these oversight functions by these Committees has any effect on the leadership structure of the Board of Directors.

In December 2009, the Board of Directors adopted equity ownership guidelines that require each non-employee director to own an aggregate of \$200,000 of shares of Common Stock of the Company, units of limited partnership interest of

Mack-Cali Realty, L.P. redeemable for shares of Common Stock of the Company or units under the Company's Deferred Compensation Plan for Directors as of and from the later to occur of (i) January 1, 2013, or (ii) to the extent a director was not a director as of the date the equity ownership guidelines were adopted, the three year anniversary of the date the director is elected to the Board of Directors. All directors of the Company are in compliance with the equity ownership guidelines for directors.

In March 2012, the Board of Directors, on the recommendation of its Nominating and Corporate Governance Committee, adopted a retirement policy for directors. Pursuant to this policy, the Board of Directors has amended the Company's Corporate Governance Principles to provide that a director may neither stand nor be nominated for re-election to the Board of Directors after attaining the age of 80. The Board of Directors proactively considers the overall size and composition of the Board of Directors and reviews and monitors management development and succession planning activities. The President and Chief Executive Officer regularly presents management's perspective on business objectives and discusses his perspective on the Company's deep pool of talented employees and succession planning for the Company. Most recently, this process resulted in the promotion of Anthony Krug to Chief Accounting Officer in October 2012.

The Board of Directors believes that continued growth of stockholder value in a socially responsible manner is consistent with the Company's overall strategy to continue to enhance the Company's reputation as a property manager of choice and promotes an environmental strategy that supports green building initiatives. The Environmental Protection Agency (the EPA) encourages companies to reduce greenhouse gas emissions and conserve energy through what is now a voluntary program, Energy Star. In 1999, the EPA introduced its national energy performance rating systems for buildings. The program provides assessment tools to help building managers achieve greater energy efficiency and realize associated cost savings. The Company has been an Energy Star partner since the inception of the program in 1999. As such, the Company is required to, among other things, further track and benchmark its energy performance and broaden its plan to reduce energy intensity across its properties by following the energy management strategy available through Energy Star. In the last two years, 18 Company properties received Energy Star awards, four properties received Leadership in Energy and Environmental Design (LEEDs) certifications and four properties received environmental awards from the Building Owners and Managers Association (BOMA).

The Board of Directors also has adopted a policy that provides that executive officers, employees, and directors may not acquire securities issued by the Company or any of its affiliates using borrowed funds, may not use margin in respect of securities issued by the Company or any of its affiliates, may not pledge securities issued by the Company or any of its affiliates as collateral, and may not engage in hedging or other transactions with respect to their ownership of securities issued by the Company or its affiliates, each of which the Board of Directors believes would be inconsistent with the purposes and intent of the stock ownership guidelines applicable to directors and the Chief Executive Officer.

#### **Meetings of Committees of the Board of Directors**

The Board of Directors has four Committees: the Executive Committee, the Audit Committee, the Executive Compensation and Option Committee, and the Nominating and Corporate Governance Committee.

*Executive Committee.* The Executive Committee consists of William L. Mack, chairman, Alan S. Bernikow, Nathan Gantcher, Mitchell E. Hersh and Roy J. Zuckerberg. The Executive Committee acts for the Board of Directors in between regularly scheduled meetings of the Board of Directors, within certain parameters prescribed by the Board of Directors. The Executive Committee met three times during 2013.

*Audit Committee.* The Company has an Audit Committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. The Audit Committee consists of Alan S. Bernikow, chairman, Nathan Gantcher, Irvin D. Reid and Roy J. Zuckerberg. The Audit Committee authorizes and approves the engagement of the Company's independent registered public accountants, reviews with the Company's independent registered

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public accountants the scope and results of the audit engagement, approves or establishes pre-approval policies for all professional audit and permissible non-audit services provided by the Company's independent registered public accountants, considers the range of audit and non-audit fees, and reviews the adequacy of the Company's internal control over financial reporting, disclosure controls and procedures and internal audit function. The Audit Committee also assists the Board of Directors in overseeing (1) the integrity of the Company's financial statements, (2) the Company's compliance with legal and regulatory requirements, (3) the quarterly evaluation of the performance of the internal audit functions performed by the Company's internal auditors, (4) the Company's independent registered public accounting firm's qualifications and independence, and (5) the performance of the Company's independent registered public accountants. See Report of the Audit Committee of the Board of Directors below. The Board of Directors has determined that each of the members of the Audit Committee is an independent director

within the meaning of the NYSE Independence Standards and Rule 10A-3 promulgated by the SEC under the Exchange Act. The Board of Directors also has determined that each of Alan S. Bernikow, Nathan Gantcher, Irvin D. Reid and Roy J. Zuckerberg satisfies applicable financial literacy standards of the NYSE, and that Alan S. Bernikow qualifies as an Audit Committee Financial Expert under applicable SEC Rules. In addition to serving on the Audit Committee, Mr. Bernikow currently serves as a member of the audit committee of three other public companies. The Board of Directors has determined that Mr. Bernikow's simultaneous service on the audit committees of these other public companies will not impair his ability to effectively serve on the Company's Audit Committee and fulfill his duties as its chairman. The Audit Committee met five times during 2013.

*Executive Compensation and Option Committee.* The Executive Compensation and Option Committee consists of Alan G. Philibosian, chairman, Kenneth M. Duberstein and Vincent Tese. The Executive Compensation and Option Committee is responsible for implementing the Company's compensation philosophies and objectives, establishing remuneration levels for executive officers of the Company and implementing the Company's incentive programs, including the Company's stock option and incentive plans. The Board of Directors has determined that each of the members of the Executive Compensation and Option Committee is an independent director within the meaning of the NYSE Independence Standards, Rule 10C-1 promulgated by the SEC under the Exchange Act, and meets the outside director requirements of Section 162(m) of the Internal Revenue Code, as amended (the Code), and is a non-employee director under Rule 16b-3 under Section 16 of the Exchange Act. The Executive Compensation and Option Committee met five times in 2013.

Pursuant to its charter, the primary purposes of the Executive Compensation and Option Committee are (i) to assist the Board of Directors in discharging its responsibilities in respect of compensation of the Company's President and Chief Executive Officer; (ii) to discuss with the President and Chief Executive Officer the compensation of other senior executive officers; and (iii) to review and administer the Company's compensation and benefit programs. In addition, pursuant to its charter, the Executive Compensation and Option Committee is responsible for establishing and reviewing annual and long term corporate goals and objectives relevant to compensation of the Company's President and Chief Executive Officer and evaluating the performance of the President and Chief Executive Officer in light of the approved performance goals and objectives. The Executive Compensation and Option Committee has sole authority to determine and approve the compensation level of the President and Chief Executive Officer based upon the evaluation of the performance of the President and Chief Executive Officer. Except for the delegation of authority to the President and Chief Executive Officer to grant certain de minimis equity compensation awards to non-executive employees of the Company, the Executive Compensation and Option Committee has not delegated any of its responsibilities to any other person.

The Executive Compensation and Option Committee may establish fixed performance targets in advance of a particular fiscal year if in its discretion it deems it necessary or appropriate for the purpose of determining the amounts of compensation to be paid to its executive officers in such fiscal year in the form of bonuses or other short-term incentive compensation. Bonus and equity compensation awards are designed to reward executive officers for the achievement of certain business objectives and are paid based primarily on the actual and anticipated performance of the Company and its executive officers with respect to such business objectives. The performance of the Company's President and Chief Executive Officer is determined toward the end of each fiscal year by the Executive Compensation and Option Committee in consultation with Gressle & McGinley, LLC, independent compensation consultants to the Executive Compensation and Option Committee (the Compensation Consultant). The performance of the Company's other executive officers is determined toward the end of each fiscal year by the Executive Compensation and Option Committee in consultation with the Company's President and Chief Executive Officer as well as with the Compensation Consultant, which parties collectively evaluate the Company's and the individual executives' performance. The Compensation Consultant furnishes the Company with analytical data with respect to: (i) the Company's performance relative to peer REITs in terms of stockholder return (defined as dividends plus or minus stock price performance); and (ii) market ranges for salaries, as well as the nature and ranges of bonus and incentive compensation payments paid by peer REITs. Following such performance analysis in 2013, the Executive Compensation and Option Committee, in consultation with the Company's President and Chief Executive Officer, as well as with the Compensation Consultant, determined the appropriate combination of cash and stock-based compensation to pay to the Company's executives in light of its primary objectives with respect to executive compensation.

*Nominating and Corporate Governance Committee.* The Nominating and Corporate Governance Committee consists of Vincent Tese, chairman, Nathan Gantcher and Alan G. Philibosian. The Board of Directors has determined that each of the members of the Nominating and Corporate Governance Committee is an independent director within the meaning of the NYSE Independence Standards. The Nominating and Corporate Governance Committee met once in 2013.

The Nominating and Corporate Governance Committee identifies individuals qualified to become members of the Board of Directors and recommends to the Board of Directors the slate of directors to be nominated at the Annual Meeting. The Nominating and Corporate Governance Committee will consider recommendations for nominees for directorships

submitted by stockholders, provided that the Nominating and Corporate Governance Committee will not entertain stockholder nominations from stockholders who do not meet the eligibility criteria for submission of stockholder proposals under SEC Rule 14a-8 of Regulation 14A under the Exchange Act. Stockholders may submit written recommendations for Committee appointments or recommendations for nominees to the Board of Directors, together with appropriate biographical information and qualifications of such nominees, to the Company's Chief Legal Officer following the same procedures as described in "Stockholder Communications" in this Proxy Statement. In order for the Nominating and Corporate Governance Committee to consider a nominee for directorship submitted by a stockholder, such recommendation must be received by the Chief Legal Officer by the time period set forth in the Company's most recent proxy statement for the submission of stockholder proposals under SEC Rule 14a-8 of Regulation 14A under the Exchange Act. The Chief Legal Officer shall then deliver any such communications to the Chairman of the Nominating and Corporate Governance Committee.

The Nominating and Corporate Governance Committee analyzes, on an annual basis, Board member skills and attributes, and recommends to the Board of Directors appropriate individuals for nomination as Board members. Based on the Company's strategic plan, the Nominating and Corporate Governance Committee developed a skills matrix to assist it in considering the appropriate balance of experience, skills and attributes required of a director and to be represented on the Board as a whole. The skills matrix is periodically reviewed and updated by the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee evaluates potential Board candidates against the skills matrix.

The skills matrix has two sections—a list of core criteria that every member of the Board should meet and a list of skills and attributes desired to be represented collectively on the Board. The skills matrix reflects the following core director criteria that should be satisfied by each director or nominee:

- Service on no more than six other public company boards;
- High integrity and ethical standards;
- Standing and reputation in the individual's field;
- Risk oversight ability with respect to the particular skills of the individual director;
- Understanding of and experience with complex public companies or like organizations; and
- Ability to work collegially and collaboratively with other directors and management.

The skills matrix reflects the following skills and attributes desired to be represented collectively on the Board as a whole:

- Independence under the Company's Standards for Director Independence and NYSE listing requirements, subject to waiver based on the Nominating and Corporate Governance Committee's business judgment;
- Corporate governance expertise;
- Financial expertise;
- Commercial real estate industry expertise;
- Diversity;
- Legal expertise;
- Capital markets expertise;
- Political/land use/environmental policy expertise; and
- Technology/business process expertise.

Our Nominating and Corporate Governance Committee strives to maintain a balance of tenure on the Board of Directors. Long-serving directors bring valuable experience with our company and familiarity with the challenges it has faced over the years, while newer directors bring fresh perspective and new ideas.

Although the Nominating and Corporate Governance Committee does not have a formal diversity policy, it endeavors to comprise the Board of Directors of members with a broad mix of professional and personal backgrounds. Thus, the Nominating and Corporate Governance Committee accords some weight to the individual professional background and experience of each director. Further, in considering nominations, the Nominating and Corporate Governance Committee



takes into account how a candidate's professional background would fit into the mix of experiences represented by the then-current Board of Directors. When evaluating a nominee's overall qualifications, the Nominating and Corporate Governance Committee does not assign specific weights to particular criteria, and no particular criterion is necessarily required of all prospective nominees. In addition to the aforementioned criteria, when evaluating a director for re-nomination to the Board of Directors, the Nominating and Corporate Governance Committee will also consider the director's history of attendance at board and Committee meetings, the director's preparation for and participation in such meetings, and the director's tenure as a member of the Board of Directors.

#### **Available Information**

The Board of Directors has adopted written charters for the Audit Committee, the Executive Compensation and Option Committee, and the Nominating and Corporate Governance Committee. The Company makes available free of charge on or through its internet website items related to corporate governance matters, including, among other things, the Company's corporate governance principles, charters of various Committees of the Board of Directors, and the Company's code of business conduct and ethics applicable to all employees, officers and directors. The Company's internet website is [www.mack-cali.com](http://www.mack-cali.com). The Company intends to disclose on its internet website any amendments to or waivers from its code of business conduct and ethics as well as any amendments to its corporate governance principles or the charters of various Committees of the Board of Directors. Any stockholder also may obtain copies of these documents, free of charge, by sending a request in writing to: Mack-Cali Realty Corporation, Investor Relations Department, 343 Thornall Street, Edison, New Jersey 08837-2206.

#### **Stockholder Communications**

All stockholder communications must (i) be addressed to the Chief Legal Officer of the Company, Mack-Cali Realty Corporation, 343 Thornall Street, Edison, New Jersey 08837-2206 or at the Chief Legal Officer's internet e-mail address at [chieflegallofficer@mack-cali.com](mailto:chieflegallofficer@mack-cali.com); (ii) be in writing either in print or electronic format; (iii) be signed by the stockholder sending the communication; (iv) indicate whether the communication is intended for a specific director(s), the entire Board of Directors, the Nominating and Corporate Governance Committee, the Lead Independent Director, or all non-management directors; (v) if the communication relates to a stockholder proposal or director nominee, identify the number of shares held by the stockholder, the length of time such shares have been held, and the stockholder's intention to hold or dispose of such shares, provided that the Board of Directors and the Nominating and Corporate Governance Committee will not entertain stockholder proposals or stockholder nominations from stockholders who do not meet the eligibility and procedural criteria for submission of shareholder proposals under SEC Rule 14a-8 of Regulation 14A under the Exchange Act; and (vi) if the communication relates to a director nominee being recommended by the stockholder, must include appropriate biographical information of the candidate.

Upon receipt of a stockholder communication that is compliant with the requirements identified above, the Chief Legal Officer shall promptly deliver such communication to the appropriate board or Committee member(s) identified by the stockholder as the intended recipient of such communication by forwarding the communication to either the Chairman of the Board of Directors with a copy to the Chief Executive Officer, the Chairman of the Nominating and Corporate Governance Committee, or the Lead Independent Director or all non-management directors, as the case may be.

The Chief Legal Officer may, in his sole discretion and acting in good faith, provide copies of any such stockholder communication to any one or more directors and executive officers of the Company, except that in processing any stockholder communication addressed to the Lead Independent Director of the Executive Sessions of non-management directors, the Chief Legal Officer may not copy any member of management in forwarding such communication to the Lead Independent Director.

**Policies Relating to the Election of Directors**

Elections of the Board of Directors are conducted in accordance with the Company's Charter, Bylaws and the laws of the state of Maryland and provide that directors are to be elected at a meeting of the Company's stockholders by a plurality of the votes cast. Under the Company's Bylaws and Corporate Governance Principles, if in any uncontested election of directors, a director nominee has a greater number of votes withheld from his or her election than votes cast for his or her election, such director nominee shall promptly tender his or her resignation for consideration by the Nominating and Corporate Governance Committee. A vote will be considered withheld from a director nominee if a stockholder withholds authority to vote for such director nominee in any proxy granted by such stockholder in accordance with instructions contained in the proxy statement or accompanying proxy card circulated for the meeting of stockholders at which the election of directors is to be held. The Nominating and Corporate Governance Committee will then promptly evaluate all relevant

factors relating to the election results, including, but not limited to: (i) the underlying reasons why a majority of affirmative votes was not received (if ascertainable); (ii) the director's background, experience and qualifications; (iii) the director's length of service on the Board of Directors and contributions to the Company; and (iv) whether the director's service on the Board of Directors is consistent with applicable regulatory requirements, listing standards, the Company's Corporate Governance Principles and the corporate governance guidelines of independent voting advisory services such as Institutional Shareholder Services.

Subject to any applicable legal or regulatory requirements, the Nominating and Corporate Governance Committee shall, within ninety (90) days from the date of the stockholder vote, decide whether to accept the resignation, reject the resignation or, if appropriate, conditionally reject the resignation and retain the director in office only if the underlying causes of the withheld votes can be promptly and completely cured. A full explanation of the Nominating and Corporate Governance Committee's decision will be promptly publicly disclosed in a periodic or current report filed with the Securities and Exchange Commission. Any director who tenders his or her resignation pursuant to this principle and any non-independent director will not participate in the deliberations and decisions made hereunder. In addition, a director shall tender his or her resignation for consideration by the Nominating and Corporate Governance Committee if such director's principal occupation or business association changes substantially during his or her tenure as a director.

#### **Report of the Audit Committee of the Board of Directors**

The Audit Committee of the Board of Directors, on behalf of the Board of Directors, serves as an independent and objective party to monitor and provide general oversight of the Company's financial accounting and reporting process, selection of critical accounting policies, system of internal control, internal audit function, audit process for monitoring compliance with laws and regulations and the Company's standards of business conduct. The Audit Committee performs these oversight responsibilities in accordance with its charter.

The Company's management has primary responsibility for preparing the Company's financial statements and the Company's financial reporting process, including its system of internal control over financial reporting. The Company's independent registered public accountants, PricewaterhouseCoopers LLP, are responsible for expressing opinions on the conformity of the Company's 2013 audited financial statements to accounting principles generally accepted in the United States of America and the effectiveness of the Company's internal control over financial reporting as of December 31, 2013. The Audit Committee discussed with the Company's independent registered public accountants the overall scope and plans for its audits. The Audit Committee met with the Company's independent registered public accountants, with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal control over financial reporting, and the overall quality of the Company's financial reporting.

In this context, the Audit Committee hereby reports as follows:

1. The Audit Committee has reviewed and discussed the fiscal 2013 audited financial statements with the Company's management, including the quality, not just the acceptability, of the Company's accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements;

2. The Audit Committee has discussed with the Company's independent registered public accountants their judgments as to the quality, not just the acceptability, of the Company's accounting principles and such other matters as are required to be discussed by Auditing Standard No. 16, *Communications with Audit Committees*, as may be modified or supplemented;

3. The Audit Committee has received the written disclosures and the letter from the Company's independent registered public accountants required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accountant's communications with the Audit Committee concerning independence, and has discussed with the Company's independent registered public accountants the independent registered public accountants' independence from management and the Company; and

4. Based on the review and discussions referred to in paragraphs (1) through (3) above, the Audit Committee recommended to the Board of Directors (and the Board of Directors has approved) that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013, for filing with the SEC.

The foregoing Audit Committee Report does not constitute soliciting material and shall not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933, as amended, or Exchange Act, except to the extent the Company specifically incorporates this Audit Committee Report by reference therein. Each of the members of the Audit Committee is independent as defined under the standards of the NYSE and the SEC, and meets all other requirements of such exchange and of such rules of the SEC.

AUDIT COMMITTEE

Alan S. Bernikow, Chairman

Nathan Gantcher

Irvin D. Reid

Roy J. Zuckerberg

## COMPENSATION DISCUSSION AND ANALYSIS

### Executive Compensation Overview

The primary objectives of the Company and the Executive Compensation and Option Committee (the Compensation Committee) are: (i) to attract, reward and retain executives of the highest caliber; and (ii) to provide such executives with appropriate short and long-term incentives to create value for the Company's stockholders.

In 2012, the Company announced a new strategy to transition a portion of the Company's property portfolio from commercial office properties to multi-family residential properties and acquired the real estate development and management businesses of Roseland Partners, L.L.C. (Roseland). Throughout 2013, the Company has continued this strategy by divesting commercial office properties and acquiring multi-family residential properties and developments, and as of December 31, 2013 the Company owned or had interests in 12 multi-family residential properties containing over 3,600 residential units, plus developable land. The Company believes that the opportunity to invest in multi-family development properties at higher returns on cost will position the Company to potentially produce higher levels of net operating income than if the Company were to purchase only stabilized multi-family properties at market returns. The Company anticipates that it will be several years before most of its multi-family development projects are income-producing. The long-term nature of the Company's multi-family rental strategy coupled with the continued weakness in the Company's core office markets and the disposition of income-producing, non-core office properties to fund the Company's multi-family rental acquisitions and development will likely result in declining net operating income and cash flows relative to historical returns. As the Company continues to execute its multi-family residential strategy, the Company believes that over the long-term its net operating income and cash flows will stabilize at levels less than historical returns but at levels higher than the Company expects in the commercial office sector. The Compensation Committee and the Board of Directors believe that it is important to support management during this transition.

In May 2013, ISS Governance, a subsidiary of MSCI, Inc. (ISS), published a report recommending a vote against the Company's executive compensation plans in the say-on-pay advisory vote at the 2013 Annual Meeting. Although approximately 65% of votes cast at the 2013 Annual Meeting were in favor of the Company's executive compensation plans, this level of support was down from approximately 96% in 2012 and 2011. In 2013, the Company communicated with certain of its institutional stockholders representing approximately 30% of the issued and outstanding shares of the Company's common stock to discuss the Company's executive compensation programs and stockholder concerns regarding the Company's stock price and three and five year total shareholder return (TSR) in 2013. As a result of the stockholder outreach and the say-on-pay vote results in 2013, the Compensation Committee and the Board of Directors have:

- Extended the initial performance period, increased the performance thresholds and narrowed the calculation of TSR under the TSR Awards as further described below under the heading LTIP Awards - TSR Awards;
- Reduced the amount of total bonuses paid to Messrs. Hersh, Lefkowitz and Thomas in 2013 by 37% to 64% as compared to 2012, resulting in the total compensation paid to Messrs. Hersh, Lefkowitz and Thomas in 2013 being in the lower one-third of the range of total compensation paid to executives at the Peer Group REITs (as defined below);
- Determined not to vest the first tranche of the Multi-Year Performance Awards resulting in the actual, realized pay of Messrs. Hersh, Lefkowitz and Thomas in 2013 being approximately 26% to 32% less than their reportable compensation in the Summary Compensation Table;

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- Adopted a formulaic bonus program for the President and Chief Executive Officer based on pre-determined performance metrics for annual cash and stock bonus awards;
- Appointed a Lead Independent Director;
- Increased the minimum equity ownership requirement for the Chief Executive Officer from 100,000 shares to 250,000 shares;
- Authorized the de-staggering of the Company's Board of Directors, subject to stockholder approval at the Annual Meeting; and

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- Adopted a policy prohibiting employees, officers or directors from engaging in any margin, hedging, pledging activities in respect of the Company's securities.

In addition, the Compensation Committee and the Board of Directors have committed to undertake the following actions:

- Promptly upon adopting of final SEC and NYSE rules under Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, adopt a clawback policy for executive officers; and
- Align the Company's equity compensation awards with the median amounts awarded to chief executive officers and named executive officers in a group of peer companies selected on the basis of the Company's global industry classification standard ( GICS ) indices developed by Standard & Poor's and Morgan Stanley Capital International.

The Compensation Committee is working toward compliance with the equity compensation limits tied to GICS as a long-term goal of the Company, and the Compensation Committee believes meaningful progress was made toward these goals in 2013 in the form of the significant reductions in named executive officer equity compensation in 2013.

In addition, the Compensation Committee believes that the Company's overall executive compensation program incorporates many compensation elements that are considered best practices, including:

- All of the Company's equity compensation plans prohibit the repricing of underwater options and do not contain any evergreen features;
- No current equity compensation awards for any executive officers provide for tax gross-up payments;
- Executive perquisites are limited to only a few, de minimis items;
- None of the equity incentive awards for executive officers are guaranteed and all amounts under such awards are at risk;
- There are no minimum or mandatory bonus amounts for any executive officers; and



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- Since 1999, the Compensation Committee has not authorized the entry into or material amendment of any agreements with any executive officers that provide for change in control payments in excess of three times the executive's base salary.

### Summary of Key 2013 Compensation Actions

The Compensation Committee established flexible performance criteria for 2013 (the 2013 Performance Criteria ) on March 11, 2013 as advance guidelines for determining the vesting of the Multi-Year Performance Awards. The 2013 Performance Criteria consisted of the following factors:

- (i) Implementation of the strategic diversification of the Company's business into multi-family residential properties;
- (ii) Strength of the Company's balance sheet;
- (iii) Occupancy and leasing rates and performance relative to the market, taking into account current market conditions;
- (iv) Funds From Operations ( FFO ) relative to the market and historical performance and those of other REITs, taking into account current market conditions;
- (v) The Company's overall ability to access the capital markets and the maintenance of adequate liquidity in light of current market conditions;
- (vi) The Company's total debt-to-undepreciated asset ratios;

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- (vii) Maintenance of the Company's investment grade debt ratings relative to the Company's Peer Group REITs, which are listed below, in light of current market conditions;
- (viii) The Company's stock price and general financial condition relative to current economic and market conditions in general and such conditions of the REIT market in particular;
- (ix) Performance of the Company relative to the 2013 budget presented to the Board of Directors;
- (x) Maintaining the Company's conservative risk management profile;
- (xi) Maintaining an efficient operating structure with low senior executive overhead relative to the Company's Peer Group REITs; and
- (xii) Such additional criteria, or supplemental criteria in lieu of some or all of the foregoing criteria, that shall be adopted by the Compensation Committee upon its determination that such new or supplemental criteria are necessary or appropriate in light of actual 2013 Company and individual performance, dynamic market conditions, changes in the national and regional office and flex property markets in which the Company competes, or unforeseen or non-ordinary course events throughout the year.

As described under the heading "LTIP Awards Multi-Year Performance Awards" below, on December 10, 2013, the Compensation Committee recommended and the Board of Directors ratified the determination that the 2013 Performance Criteria were not satisfied in 2013 and did not vest the first tranche of restricted Common Stock under the Multi-Year Performance Awards. In making this determination, it was noted that the Company's stock price was significantly down in 2013, the Company had negative three and five year TSR, and occupancy rates were down due to continued weak demand for commercial office properties in the Company's core Northeast markets. Based primarily upon the Company's stock price performance and recent occupancy rates in weak suburban office markets, the Compensation Committee determined that the 2013 Performance Criteria were not satisfied and did not vest the first tranche of the Multi-Year Performance Awards that were otherwise eligible to vest on January 2, 2014. The Compensation Committee balanced stockholder concerns over the stock price and TSR with the Company's overall achievements in 2013. Specifically, the Compensation Committee noted that management continued to execute the Company's strategic plan to diversify the Company's portfolio with multi-family residential properties in 2013. The Compensation Committee also noted as positive factors in judging management's performance in 2013 that the Company was able to access the capital markets with a successful underwritten public offering of \$275 million of 3.15% ten-year unsecured notes in May 2013, the Company's successful refinancing of its \$600 million unsecured revolving credit facility in July 2013 and maintaining a low balance on the revolving credit facility, and the Company sustained its conservative risk profile and kept low executive overhead relative to the Company's Peer Group REITs. Accordingly, on December 10, 2013, the Compensation Committee authorized granting Messrs. Hersh, Lefkowitz, Thomas and Krug incentive and merit-based awards for fiscal year 2013 in the amounts set forth in the table below, which includes comparative incentive and merit-based awards paid to the named executive officers in fiscal year 2012:

Name and Principal Position	Year	Cash Bonus(\$)	Cash Value of Stock Bonus(\$)	Total Bonus (\$)
Mitchell E. Hersh President and Chief Executive Officer	2013	500,000	512,403	1,012,403
	2012	1,000,000	613,040	1,613,040
Barry Lefkowitz Former Executive Vice President and Chief Financial Officer	2013	255,000	163,969	418,969
	2012	505,000	256,373	761,373
Roger W. Thomas Former Executive Vice President, General Counsel and Secretary	2013	120,000	81,984	201,843
	2012	400,000	167,188	567,188
Anthony Krug Chief Accounting Officer and Acting Chief Financial Officer	2013	250,000	122,977	372,977
	2012	200,000		200,000



2013 was the fourth consecutive year that the amount of total bonuses had been reduced for the Messrs. Hersh, Lefkowitz and Thomas. The amounts of the total annual bonuses in 2013 were 37% to 64% less than the total annual bonuses paid in 2012 and 44% to 67% less than the total annual bonuses paid in 2009 for Messrs. Hersh, Lefkowitz and Thomas, respectively. As a result, the total compensation of Messrs. Hersh, Lefkowitz and Thomas in 2013 was in the lower one-third of compensation paid to executive officers serving in comparable positions at the Company's Peer Group REITs. The Compensation Committee believed that it was necessary to reward the named executive officers for the Company's performance in 2013 in executing the Company's multi-family residential strategy and maintaining a strong balance sheet and operating fundamentals. However, the Compensation Committee determined to reduce total annual bonuses as compared to 2012 and prior years in light of the Company's stock price and negative three and five year TSR in 2013. Mr. Krug's total annual bonus paid in 2013 was higher than in prior years as a result of 2013 being his first full fiscal year being compensated as an executive officer.

In September 2012 the Compensation Committee approved and the Board of Directors ratified the grant of the new Multi-Year Performance Awards for each of Messrs. Hersh, Lefkowitz and Thomas, which were issued on January 2, 2013, in the amounts of 210,000, 68,667 and 41,000 shares to Messrs. Hersh, Lefkowitz and Thomas, respectively. As described in greater detail under the heading "LTIP Awards Multi-Year Performance Awards" below, the Multi-Year Performance Awards (i) are subject to the attainment of annual performance criteria to be established each year by the Compensation Committee; (ii) are subject to equal vesting each year in 20% increments over a five-year performance period from 2013 through 2017; and (iii) provide that dividends on unvested shares shall be held in escrow and shall only be payable to the executive officers upon vesting. As described under the heading "LTIP Awards Multi-Year Performance Awards" below, on December 10, 2013, the Compensation Committee recommended and the Board of Directors ratified the determination not to vest the first tranche of restricted Common Stock under the Multi-Year Performance Awards as of January 1, 2014, in the amounts of 42,000, 13,733 and 8,200 shares for Messrs. Hersh, Lefkowitz and Thomas, respectively. These unvested shares will remain eligible to vest on future vesting dates under the awards, subject to the attainment of performance criteria for future performance periods to be fixed by the Compensation Committee.

In September 2012, the Compensation Committee also implemented a new long-term incentive program designed to provide our management team with the potential to earn equity awards subject to our achieving superior performance. This kind of program is generally referred to as an "outperformance plan" and the Company believes that it has become quite common in the REIT industry in recent years. The outperformance program is designed to reward management for shareholder value creation in terms of TSR above predetermined absolute and industry index thresholds over a five-year period. These TSR Awards were issued in the amounts of 3,375, 1,125 and 660 performance shares (the "Performance Shares") to Messrs. Hersh, Lefkowitz and Thomas, respectively. The Performance Shares may vest in 20% increments over performance periods that may be established by the Compensation Committee from 2013 through 2017 subject to the attainment of a minimum stock price and either an absolute TSR Performance Target or a relative TSR Performance Target (the "TSR Performance Targets") in comparison to a selection of peer group REITs (the "TSR Peer Companies"), in each case as shall be fixed by the Compensation Committee for each performance period. For the initial two-year performance period, the Compensation Committee recommended and the Board of Directors ratified the selection of the companies that comprise the SNL U.S. REIT Equity Index as the TSR Peer Companies for the TSR Performance Targets and fixed the minimum stock price at \$30.00. Similar to the Multi-Year Performance Awards, (i) vesting of Performance Shares eligible to vest in a performance year will be accelerated in the event of a change of control of the Company, termination of employment by the Company without cause, or termination of employment by the award recipient for good reason, death or disability; and (ii) the executive officers are entitled to dividend equivalent payments on Performance Shares, which are only payable upon vesting of such Performance Shares.

Also in September 2012, the Compensation Committee implemented a new deferred retirement compensation plan for executive officers pursuant to which the Company will make annual contributions of stock units representing shares of the Company's Common Stock on January 1 of each year from 2013 through 2017 into a deferred compensation account maintained on behalf of each Messrs. Hersh, Lefkowitz and Thomas. The annual contribution for all five years under the plan for Messrs. Hersh, Lefkowitz and Thomas shall be in an amount of stock units equal to \$500,000, \$160,000 and \$100,000, respectively. For 2013, the number of stock units was determined using a fixed grant date price of \$30.00 per share. Annual contributions on January 1 of future years will be determined based on the closing price of the Company's Common Stock the last trading day of the year prior to the grant date. Vesting of stock units eligible to vest in a performance year will be accelerated in the event of a change of control of the Company, termination of employment by the Company without cause, or termination of employment by the award recipient for good reason, death or disability. In addition, the executive officers are entitled to dividend equivalent payments on stock units, which are only payable upon vesting of such stock units.

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During 2013, the Company paid base salaries to its executive officers in the following amounts: \$1,050,000 to Mr. Hersh, \$420,000 to Mr. Lefkowitz, \$370,000 to Mr. Thomas and \$300,000 to Mr. Krug. Mr. Krug's base salary was

increased from \$275,000 to \$300,000 for 2013 in light of his promotion to chief accounting officer in October 2012, but no other base salary adjustments were made for 2013 for the other named executive officers.

The total compensation paid to Messrs. Hersh, Lefkowitz and Thomas in 2013 was generally in the lower one-third of the range of total compensation paid to executives at the Peer Group REITs, as described below, and slightly below the 50th percentile for Mr. Krug.

### **Stockholder Say-on-Pay Advisory Vote**

In 2013, we sought a stockholder say-on-pay advisory vote regarding executive compensation, and approximately 65% of the votes cast were in favor of our executive compensation. Although the Company's executive compensation received approximately 96% approval in 2012 and 2011, the Company believes the decline in stockholder support of the Company's executive compensation at the 2013 annual meeting was the result of the negative recommendation contained in the ISS report published on May 2, 2013. The Compensation Committee viewed this vote of 65% approval as being supportive of the actions undertaken by the Compensation Committee in 2013 described above under the heading "Executive Compensation Philosophy and Overview." The Compensation Committee believes these changes, demonstrate meaningful progress toward and the ongoing commitment of the Board of Directors to address the primary concerns expressed by ISS and the Company's institutional investors and aligned the Company's executive compensation plans with stockholder expectations. We currently intend to continue to provide an annual, stockholder say-on-pay advisory vote regarding executive compensation.

### **Process for Determining Compensation**

The Company has a pay for performance philosophy that it believes is reflected in its compensation programs. Through annual cash bonus awards and restricted Common Stock awards, the Company ties a substantial portion of total compensation to Company and individual performance. The Company follows this approach because it believes its executive officers should be compensated commensurate with the success of the Company and each executive officer's contribution to that success. Base salaries are generally fixed in advance of each fiscal year based on existing contractual agreements and the recommendations of the Compensation Committee with respect to the President and Chief Executive Officer and the President and Chief Executive Officer with respect to the other named executive officers at levels that are generally within the median range of base salaries paid to executives at our Peer Group REITs described below and in all cases ratified by the Board of Directors.

Also in 2012, the Compensation Committee adopted three new multi-year compensation awards that were granted effective January 1, 2013 to accomplish the Company's pay-for-performance philosophy and provide incentive compensation for management during the Company's strategic transition into the multi-family residential sector. These awards consisted of (i) multi-year restricted share awards (the "Multi-Year Performance Awards"); (ii) multi-year total stockholder return (TSR) based performance awards (the "TSR Awards"); and (iii) deferred retirement compensation plan awards (the "Deferred Retirement Awards"). The Multi-Year Performance Awards and TSR Awards are equity-based performance awards that may be earned over varying performance periods established by the Compensation Committee, subject to the attainment of performance criteria to be established by the Compensation Committee. The Deferred Retirement Awards provide for deferred retirement compensation in the form of stock units whose value is tied to the performance of the Company's Common Stock. These awards also are designed to promote the success and enhance the value of the Company by linking the personal interests of the named executive officers to those of the Company's stockholders by providing such individuals with an incentive for outstanding performance to generate superior returns to the Company's stockholders. These awards, together with base salary and annual cash and stock bonuses, constitute the primary components of our executives compensation in 2013.

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The performance of the Company's President and Chief Executive Officer is evaluated toward the end of each fiscal year by the Compensation Committee with assistance from Gressle & McGinley, LLC, independent compensation consultants to the Compensation Committee (the Compensation Consultant). The performance of the Company's other executive officers is evaluated toward the end of each fiscal year by the Compensation Committee in consultation with the Company's President and Chief Executive Officer as well as with assistance from the Compensation Consultant, which parties collectively evaluate the Company's and the individual executives' performance. As President and Chief Executive Officer responsible for the strategic direction and long-term planning for the Company, Mr. Hersh oversees the day to day performance of the other named executive officers. As such, the Compensation Committee believes that Mr. Hersh is best suited to evaluate the performance of the other named executive officers and make recommendations for their compensation packages.

Following such performance analysis, the Compensation Committee, in consultation with the Company's President and Chief Executive Officer, as well as with assistance from the Compensation Consultant, and based upon the recommendations of the President and Chief Executive Officer with respect to the other named executive officers, determines the appropriate combination of cash and stock-based compensation to pay to the Company's executives in light of its primary objectives with respect to executive compensation. In determining the appropriate mix of such compensation and the appropriate amounts of any discretionary components, the Compensation Committee considers the competitiveness of the Company's overall compensation arrangements in relation to fourteen comparable office REITs identified by the Compensation Consultant. Based on an analysis conducted by the Compensation Consultant, the Compensation Committee determined that office REITs represent the most appropriate peers against which a comparative analysis is most meaningful because office REITs are the most likely source to recruit management talent. In addition, the office sector tends to pay a premium relative to other sectors of real estate for the skills required to manage an office portfolio. The office REIT peer sample was selected with median total assets of approximately \$5.99 billion and median square footage of properties of approximately 30.5 million (both metrics similar to the Company). The Company's Peer Group REITs consist of the following REITs: Alexandria Real Estate Equities, Inc., BioMed Realty Trust, Boston Properties, Inc., Brandywine Realty Trust, Corporate Office Properties Trust, Inc., Digital Realty Trust, Douglas Emmett, Inc., Duke Realty Corporation, Highwoods Properties, Inc., Kilroy Realty Corporation, Liberty Property Trust, Parkway Properties, Inc., SL Green Realty Corp. and Vornado Realty Trust (collectively, the Peer Group REITs).

In 2013, compensation awards were not tied to a particular percentile relative to compensation paid by the Peer Group REITs and the Compensation Committee retained complete discretion with respect to the amount and allocation of compensation awards. Beginning in 2014, the Compensation Committee has adopted a formulaic bonus program for the President and Chief Executive Officer based on pre-determined performance metrics for annual cash and stock bonus awards set forth in the table below.

**2014 President and Chief Executive Officer Performance Metrics**

<b>Metric</b>	<b>Weight</b>	<b>Threshold</b>	<b>Target</b>	<b>Maximum</b>
2014 Absolute TSR	20%	8.0%	10.0%	12.0%
2014 FFO per Share	20%	\$ 1.75*	\$ 1.85*	\$ 1.95*