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SISSEL GEORGE A
Form 4
October 09, 2001

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 4

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934,
Section 17(a) of the Public Utility Holding Company Act of 1935 or
Section 30(f) of the Investment Company Act of 1940

Check box if no longer subject to Section 16. Form 4 or Form 5 obligations
may continue. See Instruction 1(b).

1. Name and Address of Reporting Person*

Sissel	George	A
-----	-----	-----
(Last)	(First)	(Middle)
3545 West 110th Place		

(Street)		
Westminster	CO	80030
-----	-----	-----
(City)	(State)	(Zip)

2. Issuer Name and Ticker or Trading Symbol

First Merchants Corporation - FRME

3. IRS Identification Number of Reporting Person, if an Entity (Voluntary)

119-26-2480

4. Statement for Month/Year

September/2001

5. If Amendment, Date of Original (Month/Year)

6. Relationship of Reporting Person to Issuer
(Check all applicable)

<input checked="" type="checkbox"/> Director	<input type="checkbox"/> 10% Owner
<input type="checkbox"/> Officer (give title below)	<input type="checkbox"/> Other (specify below)

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7. Individual or Joint/Group Filing (Check applicable line)

- Form filed by one Reporting Person
- Form filed by more than one Reporting Person

Table I -- Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (mm/dd/yy)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	
		Code	V	Amount	Price
Common					

* If the Form is filed by more than one Reporting Person, see Instruction 4(b) (v).

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

(Print or Type Response)

(Over)

FORM 4 (continued)

Table II -- Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

1.	2. Conver- sion or Exer- cise Price of	3. Trans- action Code	4. Trans- action Code	5. Number of Derivative Securities Acquired (A) or Disposed of (D)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)
						Amount

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Title of Derivative Security (Instr. 3)	Deriv- ative Secur- ity	Date (Month/ Day/ Year)	(Instr. 8) ----- Code V	(Instr. 3, 4 and 5) ----- (A) (D)	----- Date Exer- cisable	Expira- tion Date	Title	or Number of Shares
--------------------------------------------------	----------------------------------	----------------------------------	----------------------------------	--------------------------------------------	-----------------------------------	-------------------------	-------	------------------------------

Non-Employee
Director Stock
Option (Right to
Buy)

Explanation of Responses: On August 14, 2001, the Board of Directors of First Merchants Corporation declared a stock dividend payable to all holders of record of common stock on September 3, 2001 of one share of common stock for each 20 shares of common stock outstanding to be distributed on September 24, 2001. Fractional shares were distributed in cash. Pursuant to anti-dilution provisions of First Merchants Corporation's various stock option plans, options previously reported were also adjusted to reflect the stock dividend.

/s/ Larry R. Helms

October 9, 2001

**Signature of Reporting Person
George A. Sissel
(Confirming Statement on File)

Date

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations.

See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed.
If space provided is insufficient, see Instruction 6 for procedure.

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Continuing operations attributable to common unitholders

\$
0.18

\$
(0.05
)

\$
0.56

\$
(0.06
)
Discontinued operations attributable to common unitholders
—

0.03

0.06

0.31

Total
\$
0.18

\$
(0.02
)

\$
0.62

\$
0.25

Diluted net income (loss) per Common Unit:

Continuing operations attributable to common unitholders
\$
0.18

\$
(0.05
)

\$
0.56

\$
(0.06
)

Discontinued operations attributable to common unitholders

—

0.03

0.06

0.31

Total
\$
0.18

\$
(0.02
)

\$
0.62

\$
0.25

Weighted average number of Common Units outstanding
345,545

329,283

337,777

325,203

Weighted average number of Common Units and potential dilutive securities
345,826

329,283

338,057

325,380

Comprehensive income:

Net income

\$

71,557

\$

1,337

\$

233,655

\$

115,292

Other comprehensive income (loss):

Amortization of interest contracts

(287

)

(116

)

(861

)

567

Other

—

(54

)

55

522

Total other comprehensive income (loss)

(287

)

(170

)

(806

)

1,089

Comprehensive income

\$

71,270

\$

1,167

\$

232,849

\$

116,381

See accompanying Notes to Consolidated Financial Statements

DUKE REALTY LIMITED PARTNERSHIP AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the nine months ended September 30,

(in thousands)

(Unaudited)

	2014	2013
Cash flows from operating activities:		
Net income	\$233,655	\$115,292
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of buildings and tenant improvements	216,963	214,118
Amortization of deferred leasing and other costs	73,942	89,359
Amortization of deferred financing costs	7,423	9,913
Straight-line rental income and expense, net	(16,419)	(12,421)
Impairment charges	8,891	3,777
Gain on acquisitions	—	(962)
Gains on land and depreciated property sales	(163,689)	(105,525)
Third-party construction contracts, net	(4,397)	27,117
Other accrued revenues and expenses, net	18,059	11,405
Operating distributions received less than equity in earnings from unconsolidated companies	(53,429)	(34,411)
Net cash provided by operating activities	320,999	317,662
Cash flows from investing activities:		
Development of real estate investments	(385,088)	(320,698)
Acquisition of real estate investments and related intangible assets	(94,032)	(372,934)
Acquisition of undeveloped land	(37,579)	(30,101)
Second generation tenant improvements, leasing costs and building improvements	(69,475)	(60,052)
Other deferred leasing costs	(24,948)	(26,647)
Other assets	514	(14,725)
Proceeds from land and depreciated property sales, net	386,215	330,740
Capital distributions from unconsolidated companies	70,054	106,306
Capital contributions and advances to unconsolidated companies	(5,874)	(38,959)
Net cash used for investing activities	(160,213)	(427,070)
Cash flows from financing activities:		
Contributions from the General Partner	255,962	632,531
Payments for redemption/repurchase of Preferred Units	(113,797)	(177,955)
Proceeds from unsecured debt	—	500,000
Payments on unsecured debt	(1,556)	(426,462)
Proceeds from secured debt financings	—	1,933
Payments on secured indebtedness including principal amortization	(93,036)	(112,097)
Borrowings (payments) on line of credit, net	52,000	(75,000)
Distributions to common unitholders	(172,153)	(167,092)
Distributions to preferred unitholders	(20,789)	(24,261)
Contributions from (distributions to) noncontrolling interests, net	192	(449)
Buyout of noncontrolling interests	(7,803)	—
Change in book overdrafts	(12,450)	(44,225)
Deferred financing costs	(499)	(7,292)
Net cash provided by (used for) financing activities	(113,929)	99,631
Net increase (decrease) in cash and cash equivalents	46,857	(9,777)
Cash and cash equivalents at beginning of period	19,275	33,889
Cash and cash equivalents at end of period	\$66,132	\$24,112

Non-cash investing and financing activities:

Assumption of indebtedness and other liabilities in real estate acquisitions	\$54	\$106,555
Carrying amount of pre-existing ownership interest in acquired property	\$—	\$630
Conversion of Limited Partner Units to common shares of the General Partner	\$56	\$338
See accompanying Notes to Consolidated Financial Statements		

DUKE REALTY LIMITED PARTNERSHIP AND SUBSIDIARIES

Consolidated Statement of Changes in Equity

For the nine months ended September 30, 2014

(in thousands, except per unit data)

(Unaudited)

	Common Unitholders			Accumulated Other Comprehensive Income	Total Partners' Equity	Noncontrolling Interests	Total Equity
	General Partner Common Equity	Preferred Equity	Limited Partners' Common Equity				
Balance at December 31, 2013	\$2,565,370	\$447,683	\$20,158	\$4,119	\$3,037,330	\$7,055	\$3,044,385
Net income	210,617	20,155	2,738	—	233,510	145	233,655
Other comprehensive income (loss)	—	—	—	(806)	(806)	—	(806)
Capital contribution from the General Partner	255,962	—	—	—	255,962	—	255,962
Stock-based compensation plan activity	9,486	—	—	—	9,486	—	9,486
Conversion of Limited Partner Units to common shares of the General Partner	56	—	(56)	—	—	—	—
Distributions to Preferred Unitholders	—	(20,155)	—	—	(20,155)	—	(20,155)
Redemption/repurchase of Preferred Units	1,101	(114,898)	—	—	(113,797)	—	(113,797)
Distributions to Partners (\$0.51 per Common Unit)	(169,917)	—	(2,236)	—	(172,153)	—	(172,153)
Contributions from noncontrolling interests, net	—	—	—	—	—	192	192
Buyout of noncontrolling interests	(2,637)	—	21	—	(2,616)	(5,187)	(7,803)
Balance at September 30, 2014	\$2,870,038	\$332,785	\$20,625	\$3,313	\$3,226,761	\$2,205	\$3,228,966

See accompanying Notes to Consolidated Financial Statements

DUKE REALTY CORPORATION AND DUKE REALTY LIMITED PARTNERSHIP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. General Basis of Presentation

The interim consolidated financial statements included herein have been prepared by Duke Realty Corporation (the "General Partner") and Duke Realty Limited Partnership (the "Partnership"). In this Report, unless the context indicates otherwise, the terms "Company," "we," "us" and "our" refer to the General Partner and the Partnership, collectively, and those entities owned or controlled by the General Partner and/or the Partnership. The 2013 year-end consolidated balance sheet data included in this Quarterly Report on Form 10-Q (this "Report") was derived from the audited financial statements in the combined Annual Report on Form 10-K of the General Partner and the Partnership for the year ended December 31, 2013, but does not include all disclosures required by accounting principles generally accepted in the United States of America ("GAAP"). The financial statements have been prepared in accordance with GAAP for interim financial information and in accordance with Rule 10-01 of Regulation S-X of the Securities Exchange Act of 1934, as amended. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and revenue and expenses during the reporting period. Our actual results could differ from those estimates and assumptions. These financial statements should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations included herein and the consolidated financial statements and notes thereto included in the combined Annual Report on Form 10-K of the General Partner and the Partnership for the year ended December 31, 2013. The General Partner was formed in 1985, and we believe that it qualifies as a real estate investment trust ("REIT") under the provisions of the Internal Revenue Code of 1986, as amended (the "Code"). The Partnership was formed on October 4, 1993, when the General Partner contributed all of its properties and related assets and liabilities, together with the net proceeds from an offering of additional shares of its common stock, to the Partnership. Simultaneously, the Partnership completed the acquisition of Duke Associates, a full-service commercial real estate firm operating in the Midwest whose operations began in 1972.

The General Partner is the sole general partner of the Partnership, owning approximately 98.7% of the common partnership interests of the Partnership ("General Partner Units") at September 30, 2014. The remaining 1.3% of the common partnership interests ("Limited Partner Units" and, together with the General Partner Units, the "Common Units") are owned by limited partners. As the sole general partner of the Partnership, the General Partner has full, exclusive and complete responsibility and discretion in the day-to-day management and control of the Partnership. The General Partner and the Partnership are operated as one enterprise. The management of the General Partner consists of the same members as the management of the Partnership. As the sole general partner with control of the Partnership, the General Partner consolidates the Partnership for financial reporting purposes, and the General Partner does not have any significant assets other than its investment in the Partnership. Therefore, the assets and liabilities of the General Partner and the Partnership are substantially the same.

Limited Partners have the right to redeem their Limited Partner Units, subject to certain restrictions. Pursuant to the Fifth Amended and Restated Agreement of Limited Partnership (the "Partnership Agreement"), as amended, the General Partner is obligated to redeem the Limited Partner Units in shares of its common stock, unless it determines in its reasonable discretion that the issuance of shares of its common stock could cause it to fail to qualify as a REIT. Each Limited Partner Unit shall be redeemed for one share of the General Partner's common stock, or, in the event that the issuance of shares could cause the General Partner to fail to qualify as a REIT, cash equal to the fair market value of one share of the General Partner's common stock at the time of redemption, in each case, subject to certain adjustments described in the Partnership Agreement. The Limited Partner Units are not required, per the terms of the Partnership Agreement, to be redeemed in registered shares of the General Partner. The General Partner also owns preferred partnership interests in the Partnership ("Preferred Units").

We own and operate a portfolio primarily consisting of industrial, office and medical office properties and provide real estate services to third-party owners. Substantially all of our Rental Operations (see Note 10) are conducted through the Partnership. We conduct our Service Operations (see Note 10) through Duke Realty Services, LLC, Duke Realty Services Limited Partnership and Duke Construction Limited Partnership ("DCLP"), which are consolidated entities that are 100% owned by a combination of the General Partner and the Partnership. DCLP is owned through a taxable REIT subsidiary. The consolidated financial statements include our accounts and the accounts of our majority-owned or controlled subsidiaries.

2. New Accounting Pronouncements

Discontinued Operations

In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity ("ASU 2014-08"). Under ASU 2014-08, only disposals representing a strategic shift in operations (for example, a disposal of a major geographic area or a major line of business) will be presented as discontinued operations, while significant continuing involvement with such dispositions will no longer preclude discontinued operations classification. As current GAAP generally requires companies that sell a single investment property to report the sale as a discontinued operation, the implementation of ASU 2014-08 will result in us reporting only sales that represent strategic shifts in operations as discontinued operations. ASU 2014-08 will also require additional disclosures for discontinued operations as well as for material property dispositions that do not meet the new criteria for discontinued operation classification.

ASU 2014-08 is effective for fiscal years beginning on or after December 15, 2014, with early adoption permitted only for disposals or classifications as held-for-sale that have not been reported in financial statements previously issued or available for issuance. We adopted ASU 2014-08 early and have applied it with respect to such items since April 1, 2014.

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"). ASU 2014-09 is a comprehensive revenue recognition standard that will supersede nearly all existing GAAP revenue recognition guidance as well as impact the existing GAAP guidance governing the sale of nonfinancial assets. The standard's core principle is that a company will recognize revenue when it satisfies performance obligations, by transferring promised goods or services to customers, in an amount that reflects the consideration to which the company expects to be entitled in exchange for fulfilling those performance obligations. In doing so, companies will need to exercise more judgment and make more estimates than under existing GAAP guidance.

ASU 2014-09 will be effective for public entities for annual and interim reporting periods beginning after December 15, 2016 and early adoption is not permitted. ASU 2014-09 allows for either recognizing the cumulative effect of application (i) at the start of the earliest comparative period presented (with the option to use any or all of three practical expedients) or (ii) at the date of initial application, with no restatement of comparative periods presented. We have not yet selected a transition method nor have we determined the effect of ASU 2014-09 on our ongoing financial reporting.

3. Reclassifications

Certain amounts in the accompanying consolidated financial statements for 2013 have been reclassified to conform to the 2014 consolidated financial statement presentation.

4. Variable Interest Entities

In June 2014, one of our unconsolidated joint ventures, which we had previously determined to be a variable interest entity ("VIE"), sold its sole property and repaid all of its third-party debt. The sale of this property caused the joint venture to no longer meet the criteria to be considered a VIE. As such, at September 30, 2014, there was

one remaining unconsolidated joint venture that met the criteria to be considered a VIE. This unconsolidated joint venture was formed with the sole purpose of developing, constructing, leasing, marketing and selling or operating properties. The business activities of this unconsolidated joint venture have been financed through a combination of equity contributions, partner/member loans, and third-party debt that we have guaranteed. All significant decisions for this unconsolidated joint venture, including those decisions that most significantly impact its economic performance, require unanimous approval of the joint venture's partners or members. In certain cases, these decisions also require lender approval. Unanimous approval requirements for this unconsolidated joint venture include entering into new leases, setting annual operating budgets, selling underlying properties, and incurring additional indebtedness. Because no single entity exercises control over the decisions that most significantly affect this joint venture's economic performance, we determined there to be no individual primary beneficiary and that the equity method of accounting is appropriate.

The following table provides a summary of the carrying value in our consolidated balance sheet, as well as our maximum loss exposure under the guarantee of debt, for the one unconsolidated subsidiary that we have determined to be a VIE at September 30, 2014 (in millions):

	Carrying Value	Maximum Loss Exposure
Investment in unconsolidated companies	\$6.0	\$ 6.0
Guarantee obligations (1)	\$(5.0) \$ (99.4

We are party to a guarantee of the third-party debt of the joint venture that we have determined is a VIE, and our (1) maximum loss exposure is equal to the outstanding borrowings on the joint venture's debt. The carrying value of our recorded guarantee obligation is included in other liabilities in our Consolidated Balance Sheets.

Our maximum loss exposure for guarantees of joint venture indebtedness, including guarantees of the debt of joint ventures that are not VIEs, totaled \$235.1 million at September 30, 2014.

5. Acquisitions and Dispositions

2014 Acquisitions

We acquired three industrial properties, a building in Atlanta, Georgia, a building in the Lehigh Valley region of Pennsylvania, and a building in Phoenix, Arizona during the nine months ended September 30, 2014. The following table summarizes the fair value of amounts recognized for each major class of asset and liability (in thousands) for these acquisitions:

Real estate assets	\$86,988
Lease related intangible assets	12,450
Total acquired assets	99,438
Other liabilities	54
Total assumed liabilities	54
Fair value of acquired net assets	\$99,384

The leases in the acquired properties had an average remaining life at acquisition of approximately 8.7 years.

We have included \$3.2 million in rental revenues and \$45,000 in earnings from continuing operations during 2014 for these properties since their respective dates of acquisition.

Fair Value Measurements

The fair value estimates used in allocating the aggregate purchase price of each acquisition among the individual components of real estate assets and liabilities were determined primarily through calculating the "as-if vacant" value of each building, using the income approach, and relied significantly upon internally determined assumptions.

We have determined these estimates to have been primarily based upon Level 3 inputs, which are unobservable inputs based on our own assumptions. The range of most significant assumptions utilized in making the lease-up and future disposition estimates used in calculating the "as-if vacant" value of each building acquired during the nine months ended September 30, 2014 were as follows:

	Low	High	
Discount rate	7.38	% 9.96	%
Exit capitalization rate	5.98	% 8.36	%
Lease-up period (months)	12	12	
Net rental rate per square foot – Industrial	\$2.75	\$9.36	

Acquisition-Related Activity

The acquisition-related activity in our Consolidated Statements of Operations and Comprehensive Income for the nine months ended September 30, 2014 and 2013 consisted of transaction costs related to completed acquisitions, which are expensed as incurred, as well as gains or losses related to acquisitions where we had a pre-existing non-controlling ownership interest. We expensed \$871,000 and \$3.5 million, respectively, for acquisition-related transaction costs incurred in the nine months ended September 30, 2014 and 2013. During the nine months ended September 30, 2013, we also recognized a gain of \$962,000 on the pre-existing ownership interest that we held in an industrial property we acquired in that period.

Dispositions

We disposed of 23 consolidated income-producing real estate assets and 159 acres of undeveloped land during the nine months ended September 30, 2014. We received net cash proceeds from property and land dispositions of \$386.2 million and \$330.7 million during the nine months ended September 30, 2014 and 2013, respectively.

Income tax expense from continuing operations of \$2.6 million was the result of the sale of a property, prior to the adoption of ASU 2014-08, which was partially owned by our taxable REIT subsidiary. Due to continuing involvement in managing the property, it was not classified as a discontinued operation. Income tax expense included in discontinued operations of \$3.0 million was also the result of the sale of a property, also prior to the adoption of ASU 2014-08, that was partially owned by our taxable REIT subsidiary where we have no continuing involvement.

During the nine months ended September 30, 2014, five office properties and 11 industrial properties were sold by four of our unconsolidated joint ventures, for which our capital distributions totaled \$70.1 million and our share of gains, which are included in equity in earnings, totaled \$75.5 million. These five office properties included a 436,000 square foot office tower in Atlanta, Georgia and a three-building portfolio sale in central Florida totaling 415,000 square feet. The industrial disposition activity related to a sale from an unconsolidated joint venture, in which we did not hold a significant ownership interest, totaling 2.1 million square feet.

6. Indebtedness

All debt is held directly or indirectly by the Partnership. The General Partner does not have any indebtedness, but does guarantee some of the unsecured debt of the Partnership. The following table summarizes the book value and changes in the fair value of our debt for the nine months ended September 30, 2014 (in thousands):

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	Book Value at 12/31/13	Book Value at 9/30/14	Fair Value at 12/31/13	Issuances and Assumptions	Payments/Payoffs	Adjustments to Fair Value	Fair Value at 9/30/14
Fixed rate secured debt	\$ 1,081,035	\$ 1,000,451	\$ 1,145,717	\$—	\$ (77,347)	\$ 22,044	\$ 1,090,414
Variable rate secured debt	19,089	3,400	19,089	—	(15,689)	—	3,400
Unsecured debt	3,066,252	3,064,696	3,250,518	—	(1,556)	57,476	3,306,438
Unsecured line of credit	88,000	140,000	88,383	52,000	—	96	140,479
Total	\$ 4,254,376	\$ 4,208,547	\$ 4,503,707	\$ 52,000	\$ (94,592)	\$ 79,616	\$ 4,540,731

Secured Debt

Because our fixed rate secured debt is not actively traded in any marketplace, we utilized a discounted cash flow methodology to determine its fair value. Accordingly, we calculated fair value by applying an estimate of the current market rate to discount the debt's remaining contractual cash flows. Our estimate of a current market rate, which is the most significant input in the discounted cash flow calculation, is intended to replicate debt of similar maturity and loan-to-value relationship. The estimated rates ranged from 2.20% to 4.40%, depending on the attributes of the specific loans. The current market rates we utilized were internally estimated; therefore, we have concluded that our determination of fair value for our fixed rate secured debt was primarily based upon Level 3 inputs.

During the nine months ended September 30, 2014, we repaid seven secured loans, totaling \$82.8 million. These loans had a weighted average stated interest rate of 5.55%.

Unsecured Debt

At September 30, 2014, with the exception of one variable rate term note, all of our unsecured debt bore interest at fixed rates and primarily consisted of unsecured notes that are publicly traded. We utilized broker estimates in estimating the fair value of our fixed rate unsecured debt. Our unsecured notes are thinly traded and, in certain cases, the broker estimates were not based upon comparable transactions. The broker estimates took into account any recent trades within the same series of our fixed rate unsecured debt, comparisons to recent trades of other series of our fixed rate unsecured debt, trades of fixed rate unsecured debt from companies with profiles similar to ours, as well as overall economic conditions. We reviewed these broker estimates for reasonableness and accuracy, considering whether the estimates were based upon market participant assumptions within the principal and most advantageous market and whether any other observable inputs would be more accurate indicators of fair value than the broker estimates. We concluded that the broker estimates were representative of fair value. We have determined that our estimation of the fair value of our fixed rate unsecured debt was primarily based upon Level 3 inputs. The estimated trading values of our fixed rate unsecured debt, depending on the maturity and coupon rates, ranged from 99.00% to 125.00% of face value.

We utilize a discounted cash flow methodology in order to estimate the fair value of our \$250.0 million variable rate term loan. The net present value of the difference between future contractual interest payments and future interest payments based on our estimate of a current market rate represents the difference between the book value and the fair value. Our estimate of a current market rate was based on estimated market spreads and the quoted yields on federal government treasury securities with similar maturity dates. Our estimate of the current market rate for our variable rate term loan was 1.31% and was based primarily upon Level 3 inputs.

The indentures (and related supplemental indentures) governing our outstanding series of notes also require us to comply with financial ratios and other covenants regarding our operations. We were in compliance with all such covenants at September 30, 2014.

Unsecured Line of Credit

Our unsecured line of credit at September 30, 2014 is described as follows (in thousands):

Description	Maximum Capacity	Maturity Date	Outstanding Balance at September 30, 2014
Unsecured Line of Credit - Partnership	\$ 850,000	December 2015	\$ 140,000

The Partnership's unsecured line of credit has an interest rate on borrowings of LIBOR plus 1.25% (equal to 1.41% for outstanding borrowings at September 30, 2014) and a maturity date of December 2015. Subject to certain conditions, the terms also include an option to increase the facility by up to an additional \$400.0 million, for a total of up to \$1.25 billion. This line of credit provides us with an option to obtain borrowings from financial institutions that participate in the line at rates that may be lower than the stated interest rate, subject to certain restrictions.

This line of credit contains financial covenants that require us to meet certain financial ratios and defined levels of performance, including those related to fixed charge coverage, unsecured interest expense coverage and debt-to-asset value (with asset value being defined in the Partnership's unsecured line of credit agreement). At September 30, 2014, we were in compliance with all covenants under this line of credit.

To the extent that there are outstanding borrowings, we utilize a discounted cash flow methodology in order to estimate the fair value of our unsecured line of credit. The net present value of the difference between future contractual interest payments and future interest payments based on our estimate of a current market rate represents the difference between the book value and the fair value. Our estimate of a current market rate is based upon the rate, considering current market conditions and our specific credit profile, at which we estimate we could obtain similar borrowings. The current market rate of 1.41% that we utilized was internally estimated; therefore, we have concluded that our determination of fair value for our unsecured line of credit was primarily based upon a Level 3 input.

7. Shareholders' Equity of the General Partner and Partners' Capital of the Partnership

General Partner

In the first nine months of 2014, pursuant to the share repurchase plan approved by our board of directors, the General Partner repurchased 750,243 preferred shares from among our three outstanding series. The preferred shares repurchased had a total redemption value of approximately \$18.8 million and were repurchased for \$17.7 million. In conjunction with the repurchases, approximately \$618,000 of initial issuance costs, the ratable portion of such costs associated with the repurchased shares, were charged against income attributable to common shareholders. As the result of these repurchases, an adjustment of approximately \$483,000 was included as an increase to net income attributable to common shareholders.

In August 2014, the General Partner redeemed all 384,530 shares of its outstanding 6.625% Series J Cumulative Redeemable Preferred Shares ("Series J Shares"). The cash redemption price for the Series J Shares was \$96.1 million, or \$250.00 per share, plus dividends accrued through the date of redemption. Original offering costs of \$3.2 million were included as a reduction to net income attributable to common shareholders in conjunction with the redemption of these shares.

During the nine months ended September 30, 2014, the General Partner issued 14.6 million common shares pursuant to its at the market equity program, generating gross proceeds of approximately \$258.6 million and, after deducting commissions and other costs, net proceeds of approximately \$256.0 million. The proceeds from these offerings were used for general corporate purposes, which include the funding of development costs.

In April 2014, the General Partner's shareholders approved an increase in the number of authorized shares of the General Partner's common stock from 400 million to 600 million.

Partnership

For each common share or preferred share that the General Partner issues, the Partnership issues a corresponding General Partner Unit or Preferred Unit, as applicable, to the General Partner in exchange for the contribution of the proceeds from the stock issuance. Similarly, when the General Partner redeems or repurchases common shares or preferred shares, the Partnership redeems the corresponding Common Units or Preferred Units held by the General Partner at the same price.

8. Related Party Transactions

We provide property management, asset management, leasing, construction and other tenant-related services to unconsolidated companies in which we have equity interests. We recorded the corresponding fees based on contractual terms that approximate market rates for these types of services and have eliminated our ownership percentage of these fees in the consolidated financial statements. The following table summarizes the fees earned from these companies, prior to the elimination of our ownership percentage, for the three and nine months ended September 30, 2014 and 2013, respectively (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Management fees	\$2,233	\$2,246	\$6,569	\$6,872
Leasing fees	572	310	3,085	1,432
Construction and development fees	1,529	681	4,911	3,258

9. Net Income (Loss) Per Common Share or Common Unit

Basic net income (loss) per common share or Common Unit is computed by dividing net income (loss) attributable to common shareholders or common unitholders, less dividends or distributions on share-based awards expected to vest (referred to as "participating securities" and primarily composed of unvested restricted stock units), by the weighted average number of common shares or Common Units outstanding for the period.

Diluted net income (loss) per common share is computed by dividing the sum of basic net income (loss) attributable to common shareholders and the noncontrolling interest in earnings allocable to Limited Partner Units (to the extent the Limited Partner Units are dilutive) by the sum of the weighted average number of common shares outstanding and, to the extent they are dilutive, Units outstanding and any potential dilutive securities for the period. Diluted net income (loss) per Common Unit is computed by dividing the basic net income (loss) attributable to common unitholders by the sum of the weighted average number of Common Units outstanding and any potential dilutive securities for the period. The following table reconciles the components of basic and diluted net income per common share or Common Unit for the three and nine months ended September 30, 2014 and 2013, respectively (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
General Partner				
Net income (loss) attributable to common shareholders	\$61,533	\$(6,067)	\$207,904	\$83,470
Less: Dividends on participating securities	(651)	(650)	(1,941)	(2,024)
Basic net income (loss) attributable to common shareholders	60,882	(6,717)	205,963	81,446
Noncontrolling interest in earnings of common unitholders	795	—	2,738	1,142
Diluted net income (loss) attributable to common shareholders	\$61,677	\$(6,717)	\$208,701	\$82,588
Weighted average number of common shares outstanding	341,165	324,895	333,393	320,810
Weighted average Limited Partner Units outstanding	4,380	—	4,384	4,393
Other potential dilutive shares	281	—	280	177
Weighted average number of common shares and potential dilutive securities	345,826	324,895	338,057	325,380
Partnership				
Net income (loss) attributable to common unitholders	\$62,328	\$(6,159)	\$210,642	\$84,612
Less: Distributions on participating securities	(651)	(650)	(1,941)	(2,024)
Basic and diluted net income (loss) attributable to common unitholders	\$61,677	\$(6,809)	\$208,701	\$82,588
Weighted average number of Common Units outstanding	345,545	329,283	337,777	325,203
Other potential dilutive units	281	—	280	177
Weighted average number of Common Units and potential dilutive securities	345,826	329,283	338,057	325,380

Substantially all potential shares related to our stock-based compensation plans are anti-dilutive for all periods presented. The following table summarizes the data that is excluded from the computation of net income per common share or Common Unit as a result of being anti-dilutive (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
General Partner and Partnership				
Potential dilutive shares or units:				
Anti-dilutive outstanding potential shares or units under fixed stock option and other stock-based compensation plans	1,215	1,373	1,215	1,373
Outstanding participating securities	3,867	3,866	3,867	3,866

10. Segment Reporting

Reportable Segments

We have four reportable operating segments at September 30, 2014, the first three of which consist of the ownership and rental of (i) industrial, (ii) office and (iii) medical office real estate investments. The operations of our industrial, office and medical office properties, along with our retail properties, are collectively referred to as "Rental Operations." Our retail properties, as well as any other properties not included in our reportable segments, do not by themselves meet the quantitative thresholds for separate presentation as a reportable segment and are referred to as non-reportable Rental Operations. The fourth reportable segment consists of various real estate services such as property management, asset management, maintenance, leasing, development, general contracting and construction management to third-party property owners and joint ventures, and is collectively referred to as "Service Operations." Our reportable segments offer different products or services and are managed separately because each segment requires different operating strategies and management expertise.

Revenues by Reportable Segment

The following table shows the revenues for each of the reportable segments, as well as a reconciliation to consolidated revenues, for the three and nine months ended September 30, 2014 and 2013, respectively (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenues				
Rental Operations:				
Industrial	\$131,212	\$122,643	\$394,209	\$354,468
Office	60,672	63,120	194,236	187,973
Medical Office	36,715	32,542	104,979	94,571
Non-reportable Rental Operations	1,698	1,765	5,414	5,807
Service Operations	59,739	62,807	185,072	161,004
Total segment revenues	290,036	282,877	883,910	803,823
Other revenue	1,025	1,585	3,352	4,023
Consolidated revenue from continuing operations	291,061	284,462	887,262	807,846
Discontinued operations	454	11,140	2,415	39,807
Consolidated revenue	\$291,515	\$295,602	\$889,677	\$847,653

Supplemental Performance Measure

Prior to 2014, we evaluated the profitability of our reportable segments using net earnings excluding depreciation and other items that were not allocated to our operating segments. As the result of a shift in the focus of our executive management team on the metrics used to evaluate the performance of, and to allocate resources among, our reportable segments, we elected to change our segment measurement of profitability beginning with the period

ended March 31, 2014. We have also revised prior period information in order to provide period-over-period comparability.

Property level net operating income, on a cash basis ("PNOI") is the non-GAAP supplemental performance measure that we now use to evaluate the performance of, and to allocate resources among, the real estate investments in the reportable and operating segments that comprise our Rental Operations. PNOI for our Rental Operations segments is comprised of rental revenues from continuing operations less rental expenses and real estate taxes from continuing operations, along with certain other adjusting items (collectively referred to as "Rental Operations revenues and expenses excluded from PNOI," as shown in the table below). Additionally, we do not allocate interest expense, depreciation expense and certain other non-property specific revenues and expenses (collectively referred to as "Non-Segment Items," as shown in the table below) to our individual operating segments.

We evaluate the performance of our Service Operations reportable segment using net income or loss, as allocated to that segment ("Earnings from Service Operations").

The following table shows a reconciliation of our segment-level measures of profitability to consolidated income from continuing operations before income taxes for the three and nine months ended September 30, 2014 and 2013, respectively (in thousands and excluding discontinued operations):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
PNOI				
Industrial	\$97,324	\$88,968	\$284,191	\$254,849
Office	34,894	30,982	100,237	94,959
Medical Office	23,228	18,239	65,592	51,764
Non-reportable Rental Operations	929	1,087	3,234	3,138
Total PNOI	156,375	139,276	453,254	404,710
Earnings from Service Operations	7,211	3,415	21,415	18,079
Rental Operations revenues and expenses excluded from PNOI:				
Straight-line rental income and expense, net	5,527	2,942	16,929	11,040
Revenues related to lease buyouts	145	2,936	4,365	9,615
Amortization of lease concessions and above and below market rents	(1,220)	(2,267)	(5,376)	(6,485)
Intercompany rents and other adjusting items	(1,221)	(1,125)	(3,323)	(3,470)
PNOI from sold/held-for-sale properties included in continuing operations	807	9,332	11,568	25,449
Non-Segment Items:				
Equity in earnings (loss) of unconsolidated companies	19,178	(27)	82,325	50,442
Interest expense	(53,343)	(56,618)	(163,479)	(171,365)
Depreciation expense	(95,000)	(101,191)	(290,700)	(289,508)
Gain on sale of properties	47,143	—	133,617	1,108
Impairment charges on non-depreciable properties	(6,368)	—	(8,891)	(3,777)
Interest and other income, net	356	145	936	1,219
Other operating expenses	(56)	(47)	(277)	(150)
General and administrative expenses	(10,573)	(10,373)	(35,632)	(33,225)
Gain on land sales	3,167	3,365	7,208	3,365
Undeveloped land carrying costs	(1,773)	(2,108)	(5,755)	(6,837)
Loss on extinguishment of debt	—	—	(139)	—
Acquisition-related activity	(110)	(726)	(871)	(2,506)
Other non-segment revenues and expenses, net	(269)	(31)	(1,041)	491
Income (loss) from continuing operations before income taxes	\$69,976	\$(13,102)	\$216,133	\$8,195

The most comparable GAAP measure to PNOI is income from continuing operations before income taxes. PNOI excludes expenses that materially impact our overall results of operations and, therefore, should not be considered as a substitute for income from continuing operations before income taxes or any other measures derived in accordance with GAAP. Furthermore, PNOI may not be comparable to other similarly titled measures of other companies.

Assets by Reportable Segment

The assets for each of the reportable segments at September 30, 2014 and December 31, 2013 were as follows (in thousands):

	September 30, 2014	December 31, 2013
Assets		
Rental Operations:		
Industrial	\$4,673,507	\$4,414,740
Office	1,378,083	1,524,501
Medical Office	1,172,615	1,170,420
Non-reportable Rental Operations	76,736	81,056
Service Operations	157,815	145,222
Total segment assets	7,458,756	7,335,939
Non-segment assets	425,439	416,675
Consolidated assets	\$7,884,195	\$7,752,614

11. Discontinued Operations, Assets Held-for-Sale and Impairments

The following table illustrates the number of sold or held-for-sale properties included in, or excluded from, discontinued operations:

	Held-for-Sale at September 30, 2014	Sold in 2014	Sold in 2013	Total
Industrial	0	11	6	17
Office	0	0	12	12
Medical Office	1	1	6	8
Retail	0	0	1	1
Total properties included in discontinued operations	1	12	25	38
Properties excluded from discontinued operations	2	11	13	26
Total properties sold or classified as held-for-sale	3	23	38	64

As described in Note 2, we adopted ASU 2014-08 beginning April 1, 2014. Three properties were designated as held-for-sale at March 31, 2014, and met the criteria for discontinued operations that were applicable prior to the adoption of ASU 2014-08. Two of these properties were sold during the three months ended June 30, 2014, while one of these properties continues to be designated as held-for-sale at September 30, 2014. No new properties, whether having been disposed of or designated as held-for-sale, have met the criteria for classification as discontinued operations since the adoption of ASU 2014-08.

For the properties that were classified in discontinued operations prior to the adoption of ASU 2014-08, we allocated interest expense to discontinued operations and have included such interest expense in computing income from discontinued operations. Interest expense allocable to discontinued operations includes interest on any secured debt for properties included in discontinued operations and an allocable share of our consolidated unsecured interest expense for unencumbered properties. The allocation of unsecured interest expense to discontinued operations was

based upon the gross book value of the unencumbered real estate assets included in discontinued operations as it related to the total gross book value of our unencumbered real estate assets.

The following table illustrates the operational results of the buildings reflected in discontinued operations for the three and nine months ended September 30, 2014 and 2013, respectively (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Revenues	\$454	\$11,140	\$2,415	\$39,807
Operating expenses	(297)	(4,144)	(1,282)	(14,983)
Depreciation and amortization	—	(3,247)	(205)	(13,969)
Operating income	157	3,749	928	10,855
Interest expense	(137)	(2,251)	(706)	(9,310)
Income before gain on sales	20	1,498	222	1,545
Gain on sale of depreciable properties	564	8,441	22,864	101,052
Income from discontinued operations before income taxes	584	9,939	23,086	102,597
Income tax benefit (expense)	555	—	(2,969)	—
Income from discontinued operations	\$1,139	\$9,939	\$20,117	\$102,597

The income tax expense or benefit included in discontinued operations during the three and nine months ended September 30, 2014 was triggered by the sale of a property that was partially owned by our taxable REIT subsidiary. The income tax benefit of \$442,000 and income tax expense of \$2.6 million from continuing operations for the three and nine months ended September 30, 2014, respectively, as presented in the Consolidated Statements of Operations and Comprehensive Income, was related to the sale of another property that was partially owned by our taxable REIT subsidiary but, due to continuing involvement in managing the property, was not classified as a discontinued operation.

Dividends or distributions on preferred shares or Preferred Units and adjustments for the redemption or repurchase of preferred shares or Preferred Units are allocated entirely to continuing operations for both the General Partner and the Partnership.

Allocation of Noncontrolling Interests - General Partner

The following table illustrates the General Partner's share of the income (loss) attributable to common shareholders from continuing operations and discontinued operations, reduced by the allocation of income or loss between continuing and discontinued operations to the Limited Partner Units, for the three and nine months ended September 30, 2014 and 2013, respectively (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Income (loss) from continuing operations attributable to common shareholders	\$60,408	\$(15,874)	\$188,048	\$(17,741)
Income from discontinued operations attributable to common shareholders	1,125	9,807	19,856	101,211
Net income (loss) attributable to common shareholders	\$61,533	\$(6,067)	\$207,904	\$83,470

Allocation of Noncontrolling Interests - Partnership

Substantially all of the income from discontinued operations for all periods presented in the Partnership's Consolidated Statements of Operations and Comprehensive Income is attributable to the common unitholders.

Properties Held-for-Sale

At September 30, 2014, one in-service property, which was classified in discontinued operations prior to the adoption of ASU 2014-08, met the criteria for designation as held-for-sale. Additionally, two in-service properties met the criteria for designation as held-for-sale subsequent to the adoption of ASU 2014-08, but did not meet the criteria to be classified within discontinued operations. The following table illustrates aggregate balance sheet information of these properties at September 30, 2014 (in thousands):

	September 30, 2014		
	Properties Included in Continuing Operations	Properties Included in Discontinued Operations	Total Held-For-Sale Properties
Real estate investment, net	\$14,940	\$14,643	\$29,583
Other assets	473	5,358	5,831
Total assets held-for-sale	\$15,413	\$20,001	\$35,414
Accrued expenses	\$356	\$262	\$618
Other liabilities	87	—	87
Total liabilities held-for-sale	\$443	\$262	\$705
Impairment Charges			

The following table illustrates impairment charges recognized during the three and nine months ended September 30, 2014 and 2013, respectively (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Impairment charges - land	\$5,915	\$—	\$8,438	\$3,777
Impairment charges - building	453	—	453	—
Impairment charges	\$6,368	\$—	\$8,891	\$3,777

During 2014, we refined our strategy for selected parcels of land, whereby we decided that we would dispose of such parcels in the near future as opposed to holding them for development. The change in strategy for this land triggered the requirement to conduct an impairment analysis, which resulted in a determination that these parcels were impaired. We recognized impairment charges of \$8.4 million in the nine months ended September 30, 2014, primarily as the result of writing down this land to its fair value. As part of determining the fair value of the non-strategic land in connection with the impairment analysis, we considered comparable transactions and, in certain cases, estimates made by national and local independent real estate brokers who were familiar both with the land parcels subject to evaluation as well as with conditions in the specific markets where the land is located. In all cases, members of our senior management who were responsible for the individual markets where the land is located and members of the Company's accounting and financial management team reviewed the broker's estimates for factual accuracy and reasonableness. In all cases, we were ultimately responsible for all valuation estimates made in determining the extent of the impairment. Our valuation estimates primarily relied upon Level 3 inputs, as defined in our Annual Report on Form 10-K for the year ended December 31, 2013.

12. Subsequent Events

Declaration of Dividends/Distributions

The General Partner's board of directors declared the following dividends/distributions at its regularly scheduled board meeting held on October 29, 2014:

Class of stock/units	Quarterly Amount per Share or Unit	Record Date	Payment Date
Common	\$0.17	November 14, 2014	November 28, 2014
Preferred (per depositary share or unit):			
Series K	\$0.406250	November 14, 2014	November 28, 2014
Series L	\$0.412500	November 14, 2014	November 28, 2014

Amended and Restated Unsecured Line of Credit Agreement

In October 2014, we extended the Partnership's line of credit through January 2019 (with two six-month extension options) while increasing its borrowing capacity from \$850.0 million to \$1.2 billion, with the accordion feature remaining at \$400.0 million for an aggregate total possible commitment of up to \$1.6 billion, and reducing the interest rate on outstanding borrowings from LIBOR plus 1.25% to LIBOR plus 1.05%. Additionally, the amendment extended the term of the Partnership's existing variable rate term loan until January 2019 (with a one-year extension option), and such variable rate term loan now bears interest at a rate equal to LIBOR plus 1.15% based on the Partnership's current credit ratings.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations is intended to help the reader understand our operations and our present business environment. Management's Discussion and Analysis is provided as a supplement to and should be read in conjunction with our consolidated financial statements and the notes thereto, contained in Part I, Item I of this Quarterly Report on Form 10-Q (this "Report") and the consolidated financial statements and notes thereto, contained in Part IV, Item 15 of our combined Annual Report on Form 10-K for the year ended December 31, 2013, as filed with the Securities and Exchange Commission (the "SEC") on February 21, 2014 for Duke Realty Corporation (the "General Partner") and Duke Realty Limited Partnership (the "Partnership"). As used herein, the terms the "Company," "we," "us" and "our" refer to the General Partner and the Partnership, collectively, and those entities owned or controlled by the General Partner and/or the Partnership.

Cautionary Notice Regarding Forward-Looking Statements

Certain statements contained in or incorporated by reference into this Report, including, without limitation, those related to our future operations, constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The words "believe," "estimate," "expect," "anticipate," "intend," "plan," "seek," "may," "could" and similar expressions or statements regarding future periods are intended to identify forward-looking statements, although not all forward-looking statements contain such words.

These forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause our actual results, performance or achievements, or industry results, to differ materially from any predictions of future results, performance or achievements that we express or imply in this Report. Some of the risks, uncertainties and other important factors that may affect future results include, among others:

- Changes in general economic and business conditions, including the financial condition of our tenants and the value of our real estate assets;

- The General Partner's continued qualification as a real estate investment trust ("REIT") for U.S. federal income tax purposes;

- Heightened competition for tenants and potential decreases in property occupancy;

- Potential changes in the financial markets and interest rates;

- Volatility in the General Partner's stock price and trading volume;

- Our continuing ability to raise funds on favorable terms;

- Our ability to successfully identify, acquire, develop and/or manage properties on terms that are favorable to us;

- Potential increases in real estate construction costs;

- Our ability to successfully dispose of properties on terms that are favorable to us, including, without limitation, through one or more transactions that are consistent with our previously disclosed strategic plans;

- Our ability to retain our current credit ratings;

- Inherent risks in the real estate business, including, but not limited to, tenant defaults, potential liability relating to environmental matters and liquidity of real estate investments; and

- Other risks and uncertainties described herein, as well as those risks and uncertainties discussed from time to time in our other reports and other public filings with the SEC.

Although we presently believe that the plans, expectations and results expressed in or suggested by the forward-looking statements are reasonable, all forward-looking statements are inherently subjective, uncertain and subject to change, as they involve substantial risks and uncertainties, including those beyond our control. New factors emerge from time to time, and it is not possible for us to predict the nature, or assess the potential impact, of each new factor on our business. Given these uncertainties, we caution you not to place undue reliance on these forward-looking statements. We undertake no obligation to update or revise any of our forward-looking statements for events or circumstances that arise after the statement is made, except as otherwise may be required by law.

The above list of risks and uncertainties is only a summary of some of the most important factors and is not intended to be exhaustive. Additional information regarding risk factors that may affect us is included in our combined Annual Report on Form 10-K for the fiscal year ended December 31, 2013, which we filed with the SEC on February 21, 2014 for the General Partner and the Partnership. The risk factors contained in our Annual Report are updated by us from time to time in Quarterly Reports on Form 10-Q and other public filings.

Business Overview

The General Partner is a self-administered and self-managed REIT that began operations in 1986 and is the sole general partner of the Partnership. The Partnership is a limited partnership formed in 1993, at which time all of the properties and related assets and liabilities of the General Partner, as well as proceeds from a secondary offering of the General Partner's common shares, were contributed to the Partnership. Simultaneously, the Partnership completed the acquisition of Duke Associates, a full-service commercial real estate firm operating in the Midwest whose operations began in 1972. We operate the General Partner and the Partnership as one enterprise, and therefore, our discussion and analysis refers to the General Partner and its consolidated subsidiaries, including the Partnership, collectively. A more complete description of our business, and of management's philosophy and priorities, is included in our 2013 Annual Report on Form 10-K.

At September 30, 2014, we:

Owned or jointly controlled 733 industrial, office, medical office and other properties, of which 709 properties with more than 146.2 million square feet were in service and 24 properties with more than 8.3 million square feet were under development. The 709 in-service properties were comprised of 617 consolidated properties with more than 125.2 million square feet and 92 jointly controlled unconsolidated properties with more than 21.0 million square feet. The 24 properties under development consisted of 22 consolidated properties with approximately 7.1 million square feet and two jointly controlled unconsolidated properties with more than 1.2 million square feet.

Owned, including through ownership interests in unconsolidated joint ventures, more than 3,700 acres of land and controlled more than 1,650 acres through purchase options.

A key component of our overall strategy is to increase our investment in quality industrial properties in both existing and select new markets and to reduce our investment in suburban office properties and other non-strategic assets.

We have four reportable operating segments at September 30, 2014, the first three of which consist of the ownership and rental of (i) industrial, (ii) office and (iii) medical office real estate investments. The operations of our industrial, office and medical office properties, along with our retail properties, are collectively referred to as "Rental Operations." Our retail properties, as well as any other properties not included in our reportable segments, do not by themselves meet the quantitative thresholds for separate presentation as a reportable segment. The fourth reportable segment consists of various real estate services such as property management, asset management, maintenance, leasing, development, general contractor and construction management to third-party property owners and joint ventures, and is collectively referred to as "Service Operations." Our reportable segments offer different products or services and are managed separately because each segment requires different operating strategies and management expertise. Our Service Operations segment also includes our taxable REIT subsidiary, a legal entity through which certain of the segment's operations are conducted.

Key Performance Indicators

Our operating results depend primarily upon rental income from our Rental Operations. The following discussion highlights the areas of Rental Operations that we consider critical drivers of future revenues.

Occupancy Analysis

Our ability to maintain high occupancy rates is a principal driver of maintaining and increasing rental revenue. The following table sets forth percent leased and average net effective rent information regarding our in-service portfolio of rental properties, including properties classified within both continuing and discontinued operations, at September 30, 2014 and 2013, respectively (in thousands, except percentage data):

Type	Total Square Feet		Percent of Total Square Feet		Percent Leased*		Average Annual Net Effective Rent**	
	2014	2013	2014	2013	2014	2013	2014	2013
Industrial	106,503	103,310	85.1	% 82.8	% 96.4	% 94.7	% \$3.99	\$3.91
Office	13,572	15,950	10.8	% 12.8	% 87.7	% 87.2	% \$13.25	\$13.40
Medical Office	4,778	5,172	3.8	% 4.1	% 93.4	% 93.4	% \$23.58	\$21.93
Other	348	348	0.3	% 0.3	% 85.2	% 83.7	% \$19.85	\$19.80
Total Consolidated	125,201	124,780	100.0	% 100.0	% 95.3	% 93.7	% \$5.69	\$5.82
Unconsolidated Joint Ventures	21,039	22,224			96.1	% 92.7	% \$7.09	\$7.39
Total Including Unconsolidated Joint Ventures	146,240	147,004			95.4	% 93.5	% \$5.77	\$5.91

*Represents the percentage of total square feet leased based on executed leases and without regard to whether the leases have commenced.

**Represents average annual base rental payments per leased square foot, on a straight-line basis for the term of each lease, from space leased to tenants at the end of the most recent reporting period. This amount excludes additional amounts paid by tenants as reimbursement for operating expenses.

Vacancy Activity

The following table sets forth vacancy activity, shown in square feet, regarding our in-service rental properties, including properties classified within both continuing and discontinued operations, at September 30, 2014, (in thousands):

	Consolidated Properties	Unconsolidated Joint Venture Properties	Total Including Unconsolidated Joint Venture Properties
Vacant square feet at December 31, 2013	7,368	1,165	8,533
Completed Development	70	—	70
Dispositions	(130) (178) (308
Expirations	6,331	877	7,208
Early lease terminations	1,764	128	1,892
Property structural changes/other	(17) —	(17
Leasing of previously vacant space	(9,489) (1,163) (10,652
Vacant square feet at September 30, 2014	5,897	829	6,726

Total Leasing Activity

The initial leasing of development projects or vacant space in acquired properties is referred to as first generation lease activity. The leasing of such space that we have previously held under lease is referred to as second generation lease activity. The total leasing activity for our consolidated rental properties, expressed in square feet of leases signed during the period, is as follows for the three and nine months ended September 30, 2014 and 2013, respectively (in

thousands):

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
New Leasing Activity - First Generation	690	1,461	4,619	3,307
New Leasing Activity - Second Generation	3,236	1,759	7,424	6,088
Renewal Leasing Activity	1,608	2,143	5,658	7,015
Total Consolidated Leasing Activity	5,534	5,363	17,701	16,410
Unconsolidated Joint Venture Leasing Activity	379	863	2,719	2,174
Total Including Unconsolidated Joint Venture Leasing Activity	5,913	6,226	20,420	18,584

New leasing activity for first generation leases increased for the nine months ended September 30, 2014, when compared to the same period in 2013, due to new build-to-suit development starts and the lease-up of speculative developments. New leasing activity for second generation leases increased for the three and nine month periods ended September 30, 2014 due to backfilling a significant portion of expiring leases that were not renewed. The increase in the leasing volume within unconsolidated joint ventures for the nine months ended September 30, 2014 was also mainly the result of build-to-suit development activity.

New Second Generation Leases

The following table sets forth the estimated costs of tenant improvements and leasing commissions, on a per square foot basis, that we are obligated to fulfill under the new second generation leases signed for our rental properties during the three and nine months ended September 30, 2014 and 2013, respectively (square feet data in thousands):

	Square Feet of New Second Generation Leases Signed		Average Term in Years		Estimated Tenant Improvement Cost per Square Foot		Leasing Commissions per Square Foot	
	2014	2013	2014	2013	2014	2013	2014	2013
Three Months								
Industrial	2,885	1,462	7.1	4.6	\$1.87	\$1.72	\$1.52	\$1.28
Office	345	293	6.9	6.0	\$21.04	\$14.21	\$7.59	\$6.80
Medical Office	6	4	7.7	4.2	\$28.10	\$10.00	\$10.95	\$2.80
Total Consolidated	3,236	1,759	7.0	4.9	\$3.96	\$3.82	\$2.18	\$2.20
Unconsolidated Joint Ventures	134	157	5.2	7.2	\$0.71	\$5.19	\$1.21	\$2.66
Total Including Unconsolidated Joint Ventures	3,370	1,916	7.0	5.0	\$3.83	\$3.93	\$2.14	\$2.24
Nine Months								
Industrial	6,627	5,125	7.2	5.0	\$2.45	\$2.18	\$1.78	\$1.42
Office	765	931	6.2	6.7	\$18.35	\$16.97	\$6.78	\$7.34
Medical Office	32	32	6.9	4.6	\$29.08	\$10.05	\$8.30	\$1.43
Total Consolidated	7,424	6,088	7.1	5.2	\$4.21	\$4.48	\$2.33	\$2.32
Unconsolidated Joint Ventures	631	650	4.7	5.6	\$1.96	\$3.95	\$1.62	\$1.99
Total Including Unconsolidated Joint Ventures	8,055	6,738	6.9	5.3	\$4.03	\$4.43	\$2.27	\$2.29

Lease Renewals

The following table summarizes our lease renewal activity within our rental properties for the three and nine months ended September 30, 2014 and 2013, respectively (square feet data in thousands):

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	Square Feet of Leases Renewed		Percent of Expiring Leases Renewed		Average Term in Years		Growth (Decline) in Net Effective Rents*		Estimated Tenant Improvement Cost per Square Foot		Leasing Commissions per Square Foot	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Three Months												
Industrial	1,387	1,459	54.5 %	51.8 %	4.9	4.2	7.1 %	8.8 %	\$1.12	\$0.92	\$1.17	\$1.18
Office	173	669	75.0 %	78.5 %	4.6	5.0	6.7 %	(2.7) %	\$8.70	\$7.21	\$4.70	\$5.28
Medical Office	48	15	82.2 %	61.2 %	4.9	4.0	15.3 %	2.5 %	\$4.19	\$4.25	\$5.26	\$2.04
Total Consolidated	1,608	2,143	56.7 %	58.0 %	4.9	4.4	7.8 %	1.9 %	\$2.03	\$2.91	\$1.67	\$2.47
Unconsolidated Joint Ventures	242	670	63.9 %	99.0 %	5.5	4.9	22.1 %	7.1 %	\$1.25	\$1.07	\$1.59	\$1.27
Total Including Unconsolidated Joint Ventures	1,850	2,813	57.6 %	64.4 %	5.0	4.5	9.0 %	2.7 %	\$1.92	\$2.47	\$1.66	\$2.18
Nine Months												
Industrial	5,042	5,461	62.0 %	54.7 %	4.5	4.3	7.0 %	3.5 %	\$0.69	\$0.68	\$1.08	\$0.85
Office	539	1,524	66.3 %	81.7 %	4.7	4.8	8.1 %	(1.2) %	\$6.10	\$5.53	\$3.76	\$4.70
Medical Office	77	30	66.8 %	27.3 %	4.8	4.0	14.7 %	1.7 %	\$2.63	\$4.96	\$4.60	\$3.74
Total Consolidated	5,658	7,015	62.4 %	58.7 %	4.6	4.4	7.6 %	1.1 %	\$1.23	\$1.75	\$1.39	\$1.70
Unconsolidated Joint Ventures	1,456	1,386	76.5 %	83.3 %	5.7	4.4	9.4 %	8.1 %	\$5.11	\$1.80	\$4.20	\$1.47
Total Including Unconsolidated Joint Ventures	7,114	8,401	64.9 %	61.7 %	4.8	4.4	8.0 %	2.1 %	\$2.03	\$1.76	\$1.96	\$1.66

* Represents the percentage change in net effective rent between the original leases and the renewal leases. Net effective rents represent average annual base rental payments, on a straight-line basis for the term of each lease, excluding operating expense reimbursements.

Growth in net effective rents on renewal leases improved when compared to activity during the comparable periods in 2013, and reflects what we believe to be increased asking rents across many of our markets.

Lease Expirations

Our ability to maintain and improve occupancy rates and net effective rents primarily depends upon our continuing ability to re-lease expiring space. The table below reflects our consolidated in-service portfolio lease expiration schedule, including the number of expiring leases, as well as the square footage and annualized net effective rent for expiring leases by property type, at September 30, 2014 (in thousands, except percentage data and number of leases):

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Year of Expiration	Total Consolidated Portfolio			Industrial	Office			Medical Office	Other			
	Square Feet	Ann. Rent Revenue*	No. of Leases	Square Feet	Ann. Rent Revenue*	Square Feet	Ann. Rent Revenue*	Square Feet	Ann. Rent Revenue*	Square Feet	Ann. Rent Revenue*	
Remainder of 2014	1,412	\$7,848	120	1,127	\$4,630	237	\$2,546	48	\$672	—	\$—	
2015	10,701	53,701	307	9,197	34,900	1,458	17,949	38	676	8	176	
2016	14,264	68,746	334	12,659	46,282	1,383	17,928	201	4,119	21	417	
2017	15,425	74,812	325	13,916	53,248	1,258	16,061	181	3,811	70	1,692	
2018	11,808	69,699	292	9,768	38,262	1,584	20,314	380	9,678	76	1,445	
2019	13,497	74,322	286	11,637	46,388	1,542	20,218	306	7,432	12	284	
2020	12,438	71,488	164	10,672	43,736	1,264	17,745	491	9,731	11	276	
2021	8,882	47,694	136	7,739	30,785	901	11,256	229	5,381	13	272	
2022	6,950	34,584	81	6,386	23,818	223	3,603	319	6,717	22	446	
2023	2,783	22,597	55	2,093	10,531	368	5,371	316	6,546	6	149	
2024 and Thereafter	21,143	152,760	142	17,445	76,807	1,687	24,698	1,955	50,518	56	737	
Total Leased	119,303	\$678,251	2,242	102,639	\$409,387	11,905	\$157,689	4,464	\$105,281	295	\$5,894	
Total Portfolio Square Feet	125,201			106,503			13,572			4,778		348
Percent Leased	95.3 %			96.4 %			87.7 %			93.4 %		85.2%

* Annualized rental revenue represents average annual base rental payments, on a straight-line basis for the term of each lease, from space leased to tenants at the end of the most recent reporting period. Annualized rental revenue excludes additional amounts paid by tenants as reimbursement for operating expenses.

Information on current market rents can be difficult to obtain, is highly subjective, and is often not directly comparable between properties. As a result, we believe the increase or decrease in net effective rent on lease renewals, as previously defined, is the most objective and meaningful relationship between rents on leases expiring in the near-term and current market rents.

Acquisition Activity

Our decision process in determining whether or not to acquire a target property or portfolio of properties involves several factors, including expected rent growth, multiple yield metrics, property locations and expected demographic growth in each location, current occupancy of the target properties, tenant profile and remaining terms of the in-place leases in the target properties. We pursue both brokered and non-brokered acquisitions, and it is difficult to predict which markets and product types may present acquisition opportunities that align with our strategy. Because of the numerous factors considered in our acquisition decisions, we do not establish specific target yields for future acquisitions.

We acquired three properties during the nine months ended September 30, 2014 and 17 properties during the year ended December 31, 2013. The following table summarizes the acquisition price, percent leased at time of acquisition and in-place yields, by product type, for these acquisitions (in thousands, except percentage data):

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Type	Year-to-Date 2014 Acquisitions			Full Year 2013 Acquisitions				
	Acquisition Price*	In-Place Yield**	Percent Leased at Acquisition Date***	Acquisition Price*	In-Place Yield**	Percent Leased at Acquisition Date***		
Industrial	\$99,438	6.2	% 100.0	% \$532,808	6.1	% 100.0	%	
Medical Office	—	—	% —	% 20,500	6.9	% 82.3	%	
Total	\$99,438	6.2	% 100.0	% \$553,308	6.2	% 99.8	%	

* Includes real estate assets and net acquired lease-related intangible assets, including above or below market leases, but excludes other acquired working capital assets and liabilities.

** In-place yields of completed acquisitions are calculated as the current annualized net rental payments from space leased to tenants at the date of acquisition, divided by the acquisition price of the acquired real estate. Annualized net rental payments are comprised of base rental payments, excluding additional amounts payable by tenants as reimbursement for operating expenses, less current annualized operating expenses not recovered through tenant reimbursements.

*** Represents percentage of total square feet leased based on executed leases and without regard to whether the leases have commenced, at the date of acquisition.

Disposition Activity

We regularly work to identify, consider and pursue opportunities to dispose of properties on an opportunistic basis and on a basis that is generally consistent with our strategic plans.

We sold 23 buildings during the nine months ended September 30, 2014 and 38 buildings during the year ended December 31, 2013. The following table summarizes the sales prices, in-place yields and percent leased, by product type, of these buildings (in thousands, except percentage data):

Type	Year-to-Date 2014 Dispositions			Full Year 2013 Dispositions				
	Sales Price	In-Place Yield*	Percent Leased**	Sales Price	In-Place Yield*	Percent Leased**		
Industrial	\$46,000	9.0	% 96.3	% \$16,499	6.3	% 50.1	%	
Office	278,450	7.8	% 91.6	% 219,254	8.3	% 91.6	%	
Medical Office	57,400	6.4	% 100.0	% 285,850	6.4	% 89.1	%	
Other	—	—	% —	% 188,000	5.0	% 89.8	%	
Total	\$381,850	7.7	% 94.1	% \$709,603	6.6	% 86.5	%	

* In-place yields of completed dispositions are calculated as current annualized net rental payments from space leased to tenants at the date of sale, divided by the sales price of the real estate. Annualized net rental payments are comprised of base rental payments, excluding additional amounts payable by tenants as reimbursement for operating expenses, less current annualized operating expenses not recovered through tenant reimbursements.

** Represents percentage of total square feet leased based on executed leases where the leases have commenced.

The majority of the industrial disposition activity during the nine months ended September 30, 2014 related to the sale of light industrial, also known as flex industrial, properties. The higher in-place yield on these property sales was in large part the result of the pricing for a nine-building portfolio of light industrial properties in Indianapolis, Indiana that had a significant amount of its leases expiring in the near future.

During the nine months ended September 30, 2014, dispositions of office properties were comprised of a portfolio of six office properties, totaling more than 1.0 million square feet, located in Cincinnati, Ohio. The higher in-place yield on this portfolio sale was driven by a significant amount of the properties' leases expiring before the end of 2016.

Development

At September 30, 2014, we had 8.3 million square feet of property under development with total estimated costs upon completion of \$650.2 million compared to 2.3 million square feet with total estimated costs upon completion

of \$435.5 million at September 30, 2013. The square footage and estimated costs include both consolidated properties and unconsolidated joint venture development activity at 100%.

The following table summarizes our properties under development at September 30, 2014 (in thousands, except percentage data):

Ownership Type	Square Feet	Percent Leased	Total Estimated Project Costs	Total Incurred to Date	Amount Remaining to be Spent
Consolidated properties	7,075	66%	\$602,920	\$367,384	\$235,536
Unconsolidated joint venture properties	1,241	25%	47,310	14,480	32,830
Total	8,316	59%	\$650,230	\$381,864	\$268,366

Supplemental Performance Measures

In addition to net income (loss) computed in accordance with GAAP, we assess and measure the overall operating results of the General Partner and the Partnership using certain non-GAAP supplemental performance measures, which include (i) Funds From Operations ("FFO"), (ii) Property Level Net Operating Income - Cash Basis ("PNOI") and (iii) Same Property Net Operating Income - Cash Basis ("SPNOI").

These non-GAAP metrics are commonly used by industry analysts and investors as supplemental operating performance measures of REITs and are viewed by management to be useful indicators of operating performance. Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, many industry analysts and investors have considered presentation of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. Management believes that the use of FFO, PNOI and SPNOI, combined with net income (which remains the primary measure of performance), improves the understanding of operating results of REITs among the investing public and makes comparisons of REIT operating results more meaningful.

The most comparable GAAP measure to FFO is net income (loss) attributable to common shareholders or common unitholders, while the most comparable GAAP measure to PNOI and SPNOI is income from continuing operations before income taxes.

FFO, PNOI and SPNOI each exclude expenses that materially impact our overall results of operations and, therefore, should not be considered as a substitute for net income (loss) attributable to common shareholders or common unitholders, income from continuing operations before income taxes, or any other measures derived in accordance with GAAP. Furthermore, these metrics may not be comparable to other similarly titled measures of other companies.

Funds From Operations

The National Association of Real Estate Investment Trusts ("NAREIT") created FFO as a non-GAAP supplemental measure of REIT operating performance. FFO, as defined by NAREIT, represents GAAP net income (loss), excluding extraordinary items as defined under GAAP, gains or losses from sales of previously depreciated real estate assets, impairment charges related to depreciable real estate assets, plus certain non-cash items such as real estate asset depreciation and amortization, and after similar adjustments for unconsolidated partnerships and joint ventures. We calculate FFO in accordance with the definition that was adopted by the Board of Governors of NAREIT.

Management believes that the use of FFO as a performance measure enables investors and analysts to readily identify the operating results of the long-term assets that form the core of a REIT's activity and assists them in comparing these operating results between periods or between different companies that use the NAREIT definition of FFO.

The following table shows a reconciliation of net income attributable to common shareholders or common unitholders to the calculation of FFO attributable to common shareholders or common unitholders for the three and

nine months ended September 30, 2014 and 2013, respectively (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Net income (loss) attributable to common shareholders of the General Partner	\$61,533	\$(6,067)	\$207,904	\$83,470
Add back: Net income (loss) attributable to noncontrolling interests - common limited partnership interests in the Partnership	795	(92)	2,738	1,142
Net income (loss) attributable to common unitholders of the Partnership	62,328	(6,159)	210,642	84,612
Adjustments:				
Depreciation and amortization	95,000	104,438	290,905	303,477
Company share of joint venture depreciation and amortization	7,827	7,127	21,004	20,730
Impairment charges - depreciable property	453	—	453	—
Gains on depreciable property sales—wholly owned	(47,707)	(8,441)	(156,481)	(102,160)
Income tax (benefit) expense triggered by depreciable property sales	(997)	—	5,564	—
Gains on depreciable property sales—share of joint venture	(17,370)	(155)	(75,652)	(48,960)
Funds From Operations attributable to common unitholders of the Partnership	\$99,534	\$96,810	\$296,435	\$257,699
Additional General Partner Adjustments:				
Net (income) loss attributable to noncontrolling interests - common limited partnership interests in the Partnership	(795)	92	(2,738)	(1,142)
Noncontrolling interest share of adjustments	(475)	(1,384)	(1,114)	(2,339)
Funds From Operations attributable to common shareholders of the General Partner	\$98,264	\$95,518	\$292,583	\$254,218

Income tax expense or benefit, from both continuing and discontinued operations, for the three and nine months ended September 30, 2014, was the result of the sales of properties that were partially owned by our taxable REIT subsidiary. As such, the income tax expense for the period is excluded from FFO.

Property Level Net Operating Income - Cash Basis

PNOI is comprised of rental revenues from continuing operations less rental expenses and real estate taxes from continuing operations, along with certain other adjusting items that are detailed in the table below. As a performance metric that consists of only the cash-based revenues and expenses directly related to ongoing real estate rental operations, PNOI is narrower in scope than FFO.

PNOI, as we calculate it, may not be directly comparable to similarly titled, but differently calculated, measures for other REITs. We believe that PNOI is another useful supplemental performance measure, as it is an input in many REIT valuation models and it provides a means by which to evaluate the performance of the properties within our Rental Operations segments.

The major factors influencing PNOI are occupancy levels, acquisitions and sales, development properties that achieve stabilized operations, rental rate increases or decreases, and the recoverability of operating expenses. PNOI was calculated as follows for the three and nine months ended September 30, 2014 and 2013 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Rental and related revenue from continuing operations - Rental Operations segments	\$230,297	\$220,070	\$698,838	\$642,819
Rental and real estate tax expenses from continuing operations - Rental Operations segments	(69,884)	(68,976)	(221,421)	(201,960)
Less adjusting items, continuing operations:				
PNOI from sold/held-for-sale properties included in continuing operations	(807)	(9,332)	(11,568)	(25,449)
Straight-line rental income and expense, net	(5,527)	(2,942)	(16,929)	(11,040)
Revenues related to lease buyouts	(145)	(2,936)	(4,365)	(9,615)
Amortization of lease concessions and above and below market rents	1,220	2,267	5,376	6,485
Intercompany rents and other adjusting items	1,221	1,125	3,323	3,470
PNOI, Continuing Operations	\$156,375	\$139,276	\$453,254	\$404,710

A reconciliation of PNOI for our Rental Operations segments to income (loss) from continuing operations before income taxes is provided in Note 10 to the consolidated financial statements included in Part I, Item 1 of this Report. PNOI from continuing operations increased largely as the result of acquisitions and developments placed in service and improved occupancy, partially offset by the impact of property dispositions, as is described further in the Comparison of Three Months Ended September 30, 2014 to Three Months Ended September 30, 2013 and in the Comparison of Nine Months Ended September 30, 2014 to Nine Months Ended September 30, 2013, below.

Same Property Net Operating Income - Cash Basis

We also evaluate the performance of our properties, including our share of properties we jointly control, on a "same property" basis, using a metric referred to as SPNOI. We view SPNOI as a useful supplemental performance measure because it improves comparability between periods by eliminating the effects of changes in the composition of our portfolio.

On an individual property basis, with the exception that SPNOI includes revenues from lease buyouts that are individually less than \$250,000, SPNOI is computed in a consistent manner as PNOI.

We have defined our same property portfolio, for the three months ended September 30, 2014, as those properties that have been owned and in operation throughout the twenty-four months ended September 30, 2014. In addition to excluding properties that have not been owned and in operation for the twenty-four months ended September 30, 2014, we have also excluded properties from our same property portfolio where revenues from individual lease buyouts in excess of \$250,000 have been recognized. A reconciliation of SPNOI to PNOI and income or loss from continuing operations before income taxes is presented as follows (in thousands):

	Three Months Ended September 30,		Percent Change
	2014	2013	
SPNOI	\$127,202	\$119,959	6.0%
Less share of SPNOI from unconsolidated joint ventures	(9,757)	(9,226)	
Less lease buyouts (same property) individually less than \$250	(149)	(94)	
PNOI excluded from the same property population	39,079	28,637	
PNOI	\$156,375	\$139,276	
Earnings from Service Operations	7,211	3,415	
Rental Operations revenues and expenses excluded from PNOI	4,038	11,818	
Non-Segment Items	(97,648)	(167,611)	
Income (loss) from continuing operations before income taxes	\$69,976	\$(13,102)	

Note - SPNOI for the nine month period ended September 30, 2014 is not presented above, as it is not calculated by the Company and is not utilized by the Company's management to evaluate the performance of its properties.

The composition of the line items titled "Rental Operations revenues and expenses excluded from PNOI" and "Non-Segment Items" from the table above are shown in greater detail in Note 10 to the consolidated financial statements included in Part I, Item 1 of this Report.

We believe that the factors that impact SPNOI are generally the same as those that impact PNOI. The following table details the number of properties, square feet, average occupancy and cash rental rates for the properties included in SPNOI for the respective periods:

	Three Months Ended September 30,	
	2014	2013
Number of properties	617	617
Square feet (in thousands) (1)	104,908	104,908
Average commencement occupancy percentage (2)	93.9%	92.4%
Average rental rate - cash basis (3)	\$5.52	\$5.44

(1) Includes the total square feet of the consolidated properties that are in the same property population as well as 6.2 million square feet of space for unconsolidated joint ventures, which represents our ratable share of the 17.8 million total square feet of space for buildings owned by unconsolidated joint ventures that are in the same property population.

(2) Commencement occupancy represents the percentage of total square feet where the leases have commenced.

(3) Represents the average annualized contractual rent per square foot for the three-month periods ended September 30, 2014 and 2013 for tenants in occupancy in properties in the same property population. Cash rent does not include the tenant's obligation to pay property operating expenses and real estate taxes. If a tenant was within a free rent period at September 30, 2014 or 2013 its rent would equal zero for purposes of this metric.

Results of Operations

A summary of our operating results and property statistics for the three and nine months ended September 30, 2014 and 2013, respectively, is as follows (in thousands, except number of properties and per share or Common Unit data):

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	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Rental and related revenue from continuing operations	\$231,322	\$221,655	\$702,190	\$646,842
General contractor and service fee revenue	59,739	62,807	185,072	161,004
Operating income	123,073	44,097	379,686	180,847
General Partner				
Net income (loss) attributable to common shareholders	\$61,533	\$(6,067)	\$207,904	\$83,470
Weighted average common shares outstanding	341,165	324,895	333,393	320,810
Weighted average common shares and potential dilutive securities	345,826	324,895	338,057	325,380
Partnership				
Net income (loss) attributable to common unitholders	\$62,328	\$(6,159)	\$210,642	\$84,612
Weighted average Common Units outstanding	345,545	329,283	337,777	325,203
Weighted average Common Units and potential dilutive securities	345,826	329,283	338,057	325,380
General Partner and Partnership				
Basic income (loss) per common share or Common Unit:				
Continuing operations	\$0.18	\$(0.05)	\$0.56	\$(0.06)
Discontinued operations	\$—	\$0.03	\$0.06	\$0.31
Diluted income (loss) per common share or Common Unit:				
Continuing operations	\$0.18	\$(0.05)	\$0.56	\$(0.06)
Discontinued operations	\$—	\$0.03	\$0.06	\$0.31
Number of in-service consolidated properties at end of period	617	645	617	645
In-service consolidated square footage at end of period	125,201	124,780	125,201	124,780
Number of in-service joint venture properties at end of period	92	108	92	108
In-service joint venture square footage at end of period	21,039	22,224	21,039	22,224

Comparison of Three Months Ended September 30, 2014 to Three Months Ended September 30, 2013

Rental and Related Revenue

The following table sets forth rental and related revenue from continuing operations by reportable segment for the three months ended September 30, 2014 and 2013, respectively (in thousands):

	Three Months Ended September	
	2014	2013
Rental and related revenue:		
Industrial	\$131,212	\$122,643
Office	60,672	63,120
Medical Office	36,715	32,542
Other	2,723	3,350
Total rental and related revenue from continuing operations	\$231,322	\$221,655

The following factors contributed to the increase in rental and related revenue from continuing operations:

We acquired seven industrial properties and placed 22 developments in service from July 1, 2013 to September 30, 2014, which provided incremental revenues of \$13.5 million in the third quarter of 2014, as compared to the same period in 2013.

The sale of 13 medical office properties and eleven office properties since July 1, 2013, which did not meet the criteria to be classified within discontinued operations, partially offset the overall increase in rental and related revenue from continuing operations. The sale of these properties resulted in a \$12.0 million decrease

in rental and related revenue from continuing operations in the three months ended September 30, 2014, as compared to the same period in 2013.

Increased recoverable real estate tax expense for properties we have owned since prior to July 2013, totaling \$5.0 million, also contributed to the increase in rental and related revenue from continuing operations. The increased real estate tax expense was largely the result of increased tax rates and assessments across certain of our markets.

Rental and related revenue includes lease termination fees, which relate to specific tenants who pay a fee to terminate their lease obligation before the end of the contractual lease term. The overall increase in rental and related revenue from continuing operations was also partially offset by a decrease in lease termination fees of \$1.7 million in the third quarter of 2014, compared to the same period in 2013.

The remaining increase in rental and related revenue from continuing operations was primarily due to increased occupancy and rental rates within our same property portfolio.

Rental Expenses and Real Estate Taxes

The following table sets forth rental expenses and real estate taxes from continuing operations by reportable segment for the three months ended September 30, 2014 and 2013, respectively (in thousands):

	Three Months Ended September 30,	
	2014	2013
Rental expenses:		
Industrial	\$11,397	\$12,684
Office	18,232	18,830
Medical Office	7,467	8,123
Other	1,221	1,522
Total rental expenses from continuing operations	\$38,317	\$41,159
Real estate taxes:		
Industrial	\$21,125	\$18,770
Office	7,120	7,416
Medical Office	3,897	2,537
Other	719	710
Total real estate tax expense from continuing operations	\$32,861	\$29,433

Rental expenses from continuing operations decreased by \$2.8 million in the third quarter of 2014, compared to the same period in 2013. Dispositions of properties since July 1, 2013, which did not meet the criteria for classification in discontinued operations, resulted in a \$2.4 million decrease to rental expenses from continuing operations. The impact of dispositions was partially offset by \$872,000 of incremental rental expenses related to acquisitions or development properties placed in service since July 1, 2013.

Real estate taxes from continuing operations increased by \$3.4 million in the third quarter of 2014, compared to the same period in 2013. The increased real estate tax expense was largely the result of increased tax rates and assessments across certain of our markets. The impact of acquisitions and developments placed in service since July 1, 2013 was largely offset by the sales of properties since July 1, 2013 that did not meet the criteria to be classified within discontinued operations.

Service Operations

The following table sets forth the components of net earnings from the Service Operations reportable segment for the three months ended September 30, 2014 and 2013, respectively (in thousands):

	Three Months Ended September 30,	
	2014	2013
Service Operations:		
General contractor and service fee revenue	\$59,739	\$62,807
General contractor and other services expenses	(52,528) (59,392
Net earnings from Service Operations	\$7,211	\$3,415

Service Operations primarily consist of the leasing, property management, asset management, development, construction management and general contractor services for joint venture properties and properties owned by third parties. Service Operations are heavily influenced by the current state of the economy, as leasing and property management fees are dependent upon occupancy, while construction and development services rely on the expansion of business operations of third-party property owners and joint venture partners. Although our construction volume was slightly lower during the three months ended September 30, 2014, our third party construction projects were generally performed at higher margins than during the three months ended September 30, 2013.

Depreciation and Amortization

Depreciation and amortization expense decreased from \$101.2 million during the third quarter of 2013 to \$95.0 million for the same period in 2014, primarily due to shorter-lived assets from previous periods' acquisitions becoming fully depreciated.

Equity in Earnings

Equity in earnings represents our ownership share of net income or loss from investments in unconsolidated companies that generally own and operate rental properties. Equity in earnings increased from a loss of \$27,000 in the three months ended September 30, 2013 to earnings of \$19.2 million for the same period in 2014. During the third quarter of 2014, we sold all of the properties in two unconsolidated joint ventures, and as a result, we recorded \$17.4 million to equity in earnings for our share of the net gains on sale. There were no property sales within our unconsolidated joint ventures in the three months ended September 30, 2013.

Gain on Sale of Properties - Continuing Operations

Effective April 1, 2014, we early adopted ASU 2014-08, which will result in fewer real estate sales being classified within discontinued operations. The \$47.1 million recognized as gain on sale of properties in continuing operations for the three months ended September 30, 2014 is comprised of the gain from the sale of a portfolio of two office properties in South Florida. These properties did not meet the criteria for inclusion in discontinued operations under ASU 2014-08.

Impairment Charges

Impairment charges include the impairment of undeveloped land and buildings. Impairment charges of \$5.9 million and \$453,000 were recognized on one parcel of land and one office building, respectively, during the three months ended September 30, 2014. During the three months ended September 30, 2014, we refined our strategy for a parcel of land, whereby we determined we would dispose of it in the near future as opposed to holding it for development. The change in strategy for this land triggered the requirement to conduct an impairment analysis, which resulted in a determination that this parcel was impaired. There were no impairment charges recognized during the three months ended September 30, 2013.

General and Administrative Expenses

General and administrative expenses consist of two components. The first component includes general corporate expenses, and the second component includes the indirect operating costs not allocated to, or absorbed by, the development or Rental Operations of our wholly-owned properties or our Service Operations. The indirect operating

costs that are either allocated to, or absorbed by, the development or Rental Operations of our wholly owned properties, or our Service Operations, are primarily comprised of employee compensation, including related costs such as benefits and wage-related taxes, but also include other ancillary costs such as travel and information technology support. Total indirect operation costs, prior to any allocation or absorption, and general corporate expenses are collectively referred to as our overall pool of overhead costs.

Those indirect costs not allocated to or absorbed by these operations are charged to general and administrative expenses. We regularly review our total overhead cost structure relative to our leasing, development and construction volume and adjust the level of total overhead, generally through changes in our level of staffing in various functional departments, as necessary in order to control overall general and administrative expense.

General and administrative expenses increased from \$10.4 million for the third quarter of 2013 to \$10.6 million for the same period in 2014. The following table sets forth the factors that led to the increase in general and administrative expenses (in millions):

General and administrative expenses - three-month period ended September 30, 2013	\$ 10.4	
Increase to overall pool of overhead costs	2.3	
Increased absorption of costs by wholly owned leasing and development activities (1)	(1.0)
Increased allocation of costs to Service Operations and Rental Operations	(1.1)
General and administrative expenses - three-month period ended September 30, 2014	\$ 10.6	

(1) An increase in our pipeline of properties under construction during the three months ended September 30, 2014 resulted in a higher level of absorption of overhead costs than during the three months ended September 30, 2013. We capitalized \$5.9 million and \$8.8 million of our total overhead costs to leasing and development, respectively, for consolidated properties during the three months ended September 30, 2014, compared to capitalizing \$7.3 million and \$6.4 million of such costs, respectively, for the three months ended September 30, 2013. Combined overhead costs capitalized to leasing and development totaled 35.9% and 35.8% of our overall pool of overhead costs for the three months ended September 30, 2014 and 2013, respectively.

Interest Expense

Interest expense allocable to continuing operations decreased from \$56.6 million in the third quarter of 2013 to \$53.3 million in the third quarter of 2014. The reduction in interest expense is the result of using the proceeds from property dispositions and common equity issuances to reduce outstanding debt since the third quarter of 2013. We capitalized \$5.4 million of interest costs during the three months ended September 30, 2014 compared to \$3.5 million during the three months ended September 30, 2013.

Discontinued Operations

The property-specific components of earnings that are classified as discontinued operations include rental revenues, rental expenses, real estate taxes, allocated interest expense and depreciation expense, as well as the net gain or loss on the disposition of the properties. All properties included in discontinued operations were classified as such prior to the adoption of ASU 2014-08 and no properties that have been sold, or designated as held-for-sale, since the adoption of ASU 2014-08 have met the revised criteria for classification within discontinued operations.

The operations of 38 buildings were classified as discontinued operations for both the three months ended September 30, 2014 and September 30, 2013. These 38 buildings consist of 17 industrial, 12 office, eight medical office, and one retail property. As a result, we classified operating income, before gain on sales, of \$20,000 and \$1.5 million in discontinued operations for the three months ended September 30, 2014 and 2013, respectively.

Of the properties included in discontinued operations, none were sold during the third quarter of 2014 and two were sold during the third quarter of 2013. The gains on disposal of these properties, and related income tax impact, are also reported in discontinued operations, as presented in Note 11 to the consolidated financial statements.

Comparison of Nine Months Ended September 30, 2014 to Nine Months Ended September 30, 2013

Rental and Related Revenue

The following table sets forth rental and related revenue from continuing operations by reportable segment for the nine months ended September 30, 2014 and 2013, respectively (in thousands):

	Nine Months Ended September 30,	
	2014	2013
Rental and related revenue:		
Industrial	\$394,209	\$354,468
Office	194,236	187,973
Medical Office	104,979	94,571
Other	8,766	9,830
Total rental and related revenue from continuing operations	\$702,190	\$646,842

The following factors contributed to the increase in rental and related revenue from continuing operations:

We acquired 20 properties, of which 19 were industrial and one was medical office, and placed 30 developments in service from January 1, 2013 to September 30, 2014, which provided incremental revenues of \$52.1 million in the nine months ended September 30, 2014, as compared to the same period in 2013.

The overall increase in rental and related revenue from continuing operations was partially offset by the sale of 24 properties that did not meet the criteria for inclusion within discontinued operations, since January 1, 2014, which resulted in a \$17.9 million decrease in rental and related revenue from continuing operations in the nine months ended September 30, 2014, as compared to the same period in 2013.

Recoveries of rental expenses and real estate taxes within properties outside of the acquisitions, developments and dispositions described above, increased by \$13.7 million in the nine months ended September 30, 2014, as compared to the same period in 2013. These increased recoveries were driven by increased recoverable rental expenses attributable to a significant increase in recoverable snow removal and utility costs resulting from the extreme winter conditions in the first quarter of 2014 as well as increased recoverable real estate tax expense that was largely the result of increased tax rates and assessments across certain of our markets.

The overall increase in rental and related revenue from continuing operations was also partially offset by a decrease in lease termination fees included in continuing operations of \$4.2 million in the nine months ended September 30, 2014, as compared to the same period in 2013.

Increased occupancy and rental rates within our same property portfolio was the primary reason for the remaining increase in rental and related revenue from continuing operations.

Rental Expenses and Real Estate Taxes

The following table sets forth rental expenses and real estate taxes from continuing operations by reportable segment for the nine months ended September 30, 2014 and 2013, respectively (in thousands):

	Nine Months Ended September 30,	
	2014	2013
Rental expenses:		
Industrial	\$42,268	\$36,293
Office	58,112	55,055
Medical Office	23,608	22,445
Other	4,534	3,657
Total rental expenses from continuing operations	\$128,522	\$117,450
Real estate taxes:		
Industrial	\$60,284	\$54,620
Office	23,294	22,693
Medical Office	11,745	8,899
Other	1,969	1,830
Total real estate tax expense from continuing operations	\$97,292	\$88,042

Overall, rental expenses from continuing operations increased by \$11.1 million in the nine months ended September 30, 2014, compared to the same period in 2013. The increase was primarily the result of an increase in snow removal and utility costs due to the extreme winter conditions experienced in the first quarter of 2014. Incremental rental expenses associated with the 20 properties acquired and the 30 developments placed in service since January 1, 2013, were mostly offset by the impact of the 24 properties that were sold since January 1, 2013 but did not meet the criteria to be included in discontinued operations.

Overall, real estate taxes from continuing operations increased by \$9.3 million in the nine months ended September 30, 2014, compared to the same period in 2013. This increase was primarily due to the 20 properties acquired and the 30 developments placed in service since January 1, 2013, which resulted in incremental real estate tax expense of \$7.8 million. Sales of properties not included in discontinued operations resulted in a \$1.5 million decrease to real estate tax expense, which partially offset the impact of acquisitions and developments. Higher real estate tax expense, which was largely the result of increased tax rates and assessments across certain of our markets, additionally contributed to the overall increase in real estate taxes from continuing operations.

Service Operations

The following table sets forth the components of net earnings from the Service Operations reportable segment for the nine months ended September 30, 2014 and 2013, respectively (in thousands):

	Nine Months Ended September 30,	
	2014	2013
Service Operations:		
General contractor and service fee revenue	\$185,072	\$161,004
General contractor and other services expenses	(163,657)	(142,925)
Net earnings from Service Operations	\$21,415	\$18,079

General contractor and service fee revenues increased due to higher third-party construction volume and margins, which was driven in part by two third-party construction projects in the Chicago area that were ongoing during the nine months ended September 30, 2014.

Depreciation and Amortization

Depreciation and amortization expense increased from \$289.5 million during the first nine months of 2013 to \$290.7 million for the same period in 2014, primarily due to depreciation related to additions to our continuing operations asset base from properties acquired, which have shorter depreciable lives relative to developed properties, and developments placed in service in 2013 and the first nine months of 2014. The impact of acquisitions and developments was partially offset by shorter-lived assets from previous periods' acquisitions becoming fully depreciated.

Equity in Earnings

Equity in earnings increased from \$50.4 million in the first nine months of 2013 to \$82.3 million for the same period in 2014. The increase is the result of property sale activity within our unconsolidated joint ventures. In January 2013, we sold the sole property within one of our unconsolidated joint ventures and recorded \$12.2 million to equity in earnings for our share of the net gain, while in March 2013 we sold our interest in 17 properties within another of our unconsolidated joint ventures to our partner in that venture, resulting in \$36.6 million recorded to equity in earnings for our share of the net gain on sale. In June 2014, one of our unconsolidated joint ventures sold its sole property, an office tower in Atlanta, Georgia, and we recorded \$58.4 million to equity in earnings for our share of the net gain. During the third quarter of 2014, we sold all of the properties in two unconsolidated joint ventures, and as a result, we recorded \$17.4 million to equity in earnings for our share of the net gains on sale.

Gain on Sale of Properties - Continuing Operations

The \$133.6 million recognized as gain on sale of properties in continuing operations for the nine months ended September 30, 2014 is primarily comprised of the gain from the sale of one medical office property, two industrial properties and eight office properties. The medical office property, which was sold prior to our early adoption of ASU 2014-08, did not meet the criteria for inclusion in discontinued operations because of our continued involvement through a retained management agreement after the sale. The two industrial and eight office properties that were sold in the first nine months of 2014 did not meet the criteria for inclusion in discontinued operations under ASU 2014-08.

Impairment Charges

Impairment charges include the impairment of undeveloped land and buildings. Impairment charges, related to undeveloped land, of \$8.4 million and \$3.8 million were recognized during the nine months ended September 30, 2014 and 2013, respectively. During 2014, we refined our strategy for selected parcels of land, whereby we would dispose of them in the near future as opposed to holding them for development. The change in strategy for this land triggered the requirement to conduct an impairment analysis, which resulted in a determination that these parcels were impaired. An impairment charge of \$453,000 was also recognized on one office building during the nine months ended September 30, 2014. There were no impairment charges recognized on buildings during the nine months ended September 30, 2013.

General and Administrative Expense

General and administrative expenses increased from \$33.2 million for the first nine months of 2013 to \$35.6 million for the same period in 2014. The following table sets forth the factors that led to the increase in general and administrative expenses from the nine months ended September 30, 2013 to the nine months ended September 30, 2014 (in millions):

General and administrative expenses - nine-month period ended September 30, 2013	\$33.2
Increase to overall pool of overhead costs	5.5
Decreased absorption of costs by wholly owned leasing and development activities (1)	2.3
Increased allocation of costs to Service Operations and Rental Operations (2)	(5.4)
General and administrative expenses - nine-month period ended September 30, 2014	\$35.6

(1) The timing of efforts expended for wholly owned leasing activity during the nine months ended September 30, 2014 resulted in a lower level of absorption of overhead costs than during the nine months ended September 30, 2013. We capitalized \$18.5 million and \$23.3 million of our total overhead costs to leasing and development, respectively, for consolidated properties during the nine months ended September 30, 2014, compared to capitalizing \$23.9 million and \$20.3 million of such costs, respectively, for the nine months ended September 30, 2013. Combined overhead costs capitalized to leasing and development totaled 34.3% and 36.2% of our overall pool of overhead costs for 2014 and 2013, respectively.

(2) The increase in the allocation of overhead costs to Service Operations and Rental Operations resulted from higher volumes of third-party construction projects compared to the nine months ended September 30, 2013. See discussion of leasing/capital costs within the Uses of Liquidity section of this Item 2 for further discussion of our wholly owned development expenditures.

Interest Expense

Interest expense allocable to continuing operations decreased from \$171.4 million in the first nine months of 2013 to \$163.5 million in the first nine months of 2014. The reduction in interest expense is primarily the result of our refinancing \$675.0 million of unsecured debt during 2013, which had a weighted average effective interest rate of 6.4%, with new lower-rate fixed and variable rate issuances, as well as due to reducing our overall borrowings since September 30, 2013.

We capitalized \$13.9 million of interest costs during the nine months ended September 30, 2014 compared to \$13.2 million during the nine months ended September 30, 2013.

Discontinued Operations

The operations of 38 buildings were classified as discontinued operations for both the nine months ended September 30, 20