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

FORM 10-Q

(Mark One)
[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2001
OR

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

For the transition period from.....to.....
Commission file number 1-13274

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

Maryland	22-3305147
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

11 Commerce Drive, Cranford, New Jersey 07016-3501
(Address or principal executive office)
(Zip Code)

(908) 272-8000
(Registrant's telephone number, including area code)

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

As of October 31, 2001, there were 56,988,405 shares of $0.01 par value common stock outstanding.

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MACK-CALI REALTY CORPORATION

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MACK-CALI REALTY CORPORATION

PART I - FINANCIAL INFORMATION

ITEM I. FINANCIAL STATEMENTS

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

The aforementioned financial statements should be read in conjunction with the notes to the aforementioned financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and notes thereto included in Mack-Cali Realty Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2000.

The results of operations for the three and nine month periods ended September 30, 2001 are not necessarily indicative of the results to be expected for the entire fiscal year or any other period.

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MACK-CALI REALTY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	September 30, 2001 (UNAUDITED)	December 31, 2000
<S>	<C>	<C>
ASSETS		
Rental property		
Land and leasehold interests	$ 473,363	$ 542,841
</Table>

Buildings and improvements	2,676,999	2,934,383
Tenant improvements	124,769	106,208
Furniture, fixtures and equipment	7,060	6,445
	3,282,191	3,589,877
Less - accumulated depreciation and amortization	(330,027)	(302,932)
	2,952,164	3,286,945
Rental property held for sale, net	422,735	107,458
Net investment in rental property	3,374,899	3,394,403
Cash and cash equivalents	44,966	13,179
Investments in unconsolidated joint ventures	135,416	101,438
Unbilled rents receivable, net	59,294	50,499
Deferred charges and other assets, net	100,678	102,655
Restricted cash	7,543	6,557
Accounts receivable, net of allowance for doubtful accounts of $953 and $552	6,043	8,246
Total assets	$ 3,728,839	$ 3,676,977
LIABILITIES AND STOCKHOLDERS' EQUITY		
Senior unsecured notes	$ 1,096,721	$ 798,099
Revolving credit facilities	73,000	348,840
Mortgages and loans payable	544,697	481,573
Dividends and distributions payable	43,998	43,496
Accounts payable and accrued expenses	55,439	53,608
Rents received in advance and security deposits	30,922	31,146
Accrued interest payable	9,664	17,477
Total liabilities	1,854,441	1,774,239
MINORITY INTERESTS:		
Operating Partnership	446,532	447,523
Partially-owned properties	--	1,925
Total minority interests	446,532	449,448
Commitments and contingencies		
STOCKHOLDERS' EQUITY:		
Preferred stock, 5,000,000 shares authorized, none issued	--	--
Common stock, $0.01 par value, 190,000,000 shares authorized, 56,333,692 and 56,980,893 shares outstanding	564	570
Additional paid-in capital	1,495,369	1,513,037
Dividends in excess of net earnings	(62,951)	(57,149)
Unamortized stock compensation	(5,116)	(3,168)
Total stockholders' equity	1,427,866	1,453,290
Total liabilities and stockholders' equity	$ 3,728,839	$ 3,676,977

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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

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MACK-CALI REALTY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS) (UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
REVENUES	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
Base rents	$ 126,789	$ 123,600	$ 381,584	$ 367,270
Escalations and recoveries from tenants	13,944	13,763	42,136	45,058
Parking and other	2,610	3,534	8,016	12,984
Equity in earnings of unconsolidated joint ventures	1,884	2,194	7,330	4,401
Interest income	685	291	1,770	2,537
Total revenues	145,912	143,382	440,836	432,250
EXPENSES				
Real estate taxes	16,012	15,732	46,809	45,169
Utilities	11,517	11,604	34,172	31,997
Operating services	16,336	16,855	51,901	51,419
General and administrative	8,767	5,461	21,633	16,733
Depreciation and amortization	22,529	23,320	67,964	68,447
Interest expense	27,772	25,862	84,692	79,123
Non-recurring charges	--	27,911	--	37,139
Total expenses	102,933	126,745	307,171	330,027
Income before realized gains and unrealized losses on disposition of rental property and minority interests	42,979	16,637	133,665	102,223
Realized gains and unrealized losses on disposition of rental property, net	(11,624)	10,036	(9,677)	86,205
Income before minority interests	31,355	26,673	123,988	188,428
MINORITY INTERESTS:				
Operating partnership	7,346	6,661	25,568	32,421
Partially-owned properties	--	--	--	5,072
Net income	$ 24,009	$ 20,012	$ 98,420	$ 150,935
Basic earnings per share	$ 0.43	$ 0.34	$ 1.74	$ 2.58
Diluted earnings per share	$ 0.43	$ 0.34	$ 1.74	$ 2.50
Dividends declared per common share	$ 0.62	$ 0.61	$ 1.84	$ 1.77

Basic weighted average shares outstanding	56,129	58,711	56,482	58,518
Diluted weighted average shares outstanding	64,403	66,914	64,691	73,276

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MACK-CALI REALTY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS" EQUITY (IN THOUSANDS) (UNAUDITED)

	Common Stock		Additional Paid-In	Dividends in Excess of	Unamortized	Total Stockholders'
	Shares	Par Value	Capital	Net Earnings	Stock Compensation	Equity
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at January 1, 2001	56,981	$570	$ 1,513,037	$ (57,149)	$ (3,168)	$ 1,453,290
Net income	--	--	--	98,420	--	98,420
Dividends	--	--	--	(104,222)	--	(104,222)
Redemption of common units for shares of common stock	8	--	219	--	--	219
Proceeds from stock options exercised	173	2	4,018	--	--	4,020
Deferred compensation plan for directors	--	--	116	--	--	116
Issuance of Restricted Stock Awards	94	1	2,526	--	(2,527)	--
Amortization of stock compensation	--	--	--	--	1,031	1,031
Adjustment to fair value of restricted stock	--	--	652	--	(652)	--
Cancellation of Restricted Stock Awards	(7)	--	(200)	--	200	--
Repurchase of common stock	(915)	(9)	(24,999)	--	--	(25,008)
Balance at September 30, 2001	56,334	$564	$ 1,495,369	$ (62,951)	$ (5,116)	$ 1,427,866

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MACK-CALI REALTY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (IN THOUSANDS) (UNAUDITED)

CASH FLOWS FROM OPERATING ACTIVITIES	Nine Months Ended September 30, 2001	2000
<S>	<C>	<C>
Net income	$ 98,420	$ 150,935
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	67,964	68,447
Amortization of stock compensation	1,031	1,598
Amortization of deferred financing costs and debt discount	3,815	2,857
Stock options charge	--	1,550
Equity in earnings of unconsolidated joint ventures	(7,330)	(4,401)
Realized gains and unrealized losses on disposition of rental property, net	9,677	(86,205)
Minority interests	25,568	37,493
Changes in operating assets and liabilities:		
Increase in unbilled rents receivable, net	(9,705)	(9,056)
Increase in deferred charges and other assets, net	2,711	(33,840)
Decrease (increase) in accounts receivable, net	2,203	(960)
Increase in accounts payable and accrued expenses	1,831	11,067
Decrease in rents received in advance and security deposits	(224)	(1,131)
Decrease in accrued interest payable	(7,813)	(10,121)
Net cash provided by operating activities	$ 188,148	$ 128,233
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to rental property	$(189,945)	$(224,797)
Repayment of mortgage note receivable	5,983	--
Investments in unconsolidated joint ventures	(64,191)	(12,687)
Distributions from unconsolidated joint ventures	37,544	10,782
Proceeds from sales of rental property	124,069	281,225
(Increase) decrease in restricted cash	(986)	634
Net cash (used in) provided by investing activities	$ (87,526)	$ 55,157
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from senior unsecured notes	$ 298,269	$ --
Proceeds from revolving credit facilities	327,367	551,618
Proceeds from mortgages and loans payable	70,000	--
Repayments of revolving credit facilities	(603,208)	(464,135)
Repayments of mortgages and loans payable	(6,876)	(43,567)
Distributions to minority interest in partially-owned properties	--	(88,672)
Repurchase of common stock	(25,008)	(5,237)
Payment of financing costs	(3,339)	(6,090)
Proceeds from stock options exercised	4,020	2,155
Payment of dividends and distributions	(130,060)	(127,543)
Net cash used in financing activities	$ (68,835)	$(181,471)
Net increase in cash and cash equivalents	$ 31,787	$ 1,919
Cash and cash equivalents, beginning of period	13,179	8,671
Cash and cash equivalents, end of period	$ 44,966	$ 10,590

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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

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(DOLLARS IN THOUSANDS, EXCEPT PER SHARE/UNIT AMOUNTS)

1. ORGANIZATION AND BASIS OF PRESENTATION

ORGANIZATION

Mack-Cali Realty Corporation, a Maryland corporation, and subsidiaries (the "Company") is a fully-integrated, self-administered, self-managed real estate investment trust ("REIT") providing leasing, management, acquisition, development, construction and tenant-related services for its properties. As of September 30, 2001, the Company owned or had interests in 269 properties, plus developable land (collectively, the "Properties"). The Properties aggregate approximately 28.7 million square feet, and are comprised of 162 office buildings and 95 office/flex buildings totaling approximately 28.3 million square feet (which includes eight office buildings and one office/flex building aggregating 1.5 million square feet, owned by unconsolidated joint ventures in which the Company has investment interests), nine industrial/warehouse buildings totaling approximately 387,400 square feet, one multi-family residential complex consisting of 124 units, two stand-alone retail properties and three land leases. The Properties are located in 10 states, primarily in the Northeast, plus the District of Columbia.

BASIS OF PRESENTATION

The accompanying consolidated financial statements include all accounts of the Company, its majority-owned and/or controlled subsidiaries, which consist principally of Mack-Cali Realty, L.P. ("Operating Partnership"). See Investments in Unconsolidated Joint Ventures in Note 2 for the Company's treatment of unconsolidated joint venture interests. All significant intercompany accounts and transactions have been eliminated.

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

2. SIGNIFICANT ACCOUNTING POLICIES

RENTAL PROPERTY

Rental properties are stated at cost less accumulated depreciation and amortization. Costs directly related to the acquisition and development of rental properties are capitalized. Capitalized development costs include interest, property taxes, insurance and other project costs incurred during the period of development. Included in total rental property is construction-in-progress of $164,908 and $188,077 as of September 30, 2001 and December 31, 2000, respectively. Ordinary repairs and maintenance are expensed as incurred; major replacements and betterments, which improve or extend the life of the asset, are capitalized and depreciated over their estimated useful lives. Fully-depreciated assets are removed from the accounts.

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

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

On a periodic basis, management assesses whether there are any indicators that the value of the real estate

properties may be impaired. A property's value is impaired only if management's estimate of the aggregate future cash flows (undiscounted and without interest charges) to be generated by the property are less than the carrying value of the property. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying amount of the property over the fair value of the property. Management does not believe that the value of any of its rental properties is impaired.

When assets are identified by management as held for sale, the Company discontinues depreciating the assets and estimates the sales price, net of estimated selling costs, of such assets. If, in management's opinion, the net sales price of the assets which have been identified for sale is less than the net book value of the assets, a valuation allowance is established. See Note 7.

INVESTMENTS IN UNCONSOLIDATED JOINT VENTURES

The Company accounts for its investments in unconsolidated joint ventures under the equity method of accounting as the Company exercises significant influence, but does not control these entities. These investments are recorded initially at cost, as Investments in Unconsolidated Joint Ventures, and subsequently adjusted for equity in earnings and cash contributions and distributions. Any difference between the carrying amount of these investments on the balance sheet of the Company and the underlying equity in net assets is amortized as an adjustment to equity in earnings of unconsolidated joint ventures over 40 years. See Note 4.

PARTIALLY-OWNED PROPERTIES

The Company controlled operations of the partially-owned properties and has consolidated the financial position and results of operations of partially-owned properties in the financial statements of the Company. The equity interests of the other members are reflected as minority interests: partially-owned properties in the consolidated financial statements of the Company.

CASH AND CASH EQUIVALENTS

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

DEFERRED FINANCING COSTS

Costs incurred in obtaining financing are capitalized and amortized on a straight-line basis, which approximates the effective interest method, over the term of the related indebtedness. Amortization of such costs is included in interest expense and was $1,180 and $1,055 for the three months ended September 30, 2001 and 2000, respectively, and $3,462 and $2,857 for the nine months ended September 30, 2001 and 2000, respectively.

DEFERRED LEASING COSTS

Costs incurred in connection with leases are capitalized and amortized on a straight-line basis over the terms of the related leases and included in depreciation and amortization. Unamortized deferred leasing costs are charged to amortization expense upon early termination of the lease. Certain employees of the Company provide leasing services to the Properties and receive compensation based on space leased. The portion of such compensation, which is capitalized and amortized, approximated $899 and $794 for the three months ended September 30, 2001 and 2000, respectively, and $2,501 and $2,383 for the nine months ended September 30, 2001 and 2000, respectively.

REVENUE RECOGNITION

Base rental revenue is recognized on a straight-line basis over the terms of the respective leases. Unbilled rents receivable represents the amount by which straight-line rental revenue exceeds rents currently billed in accordance with the lease agreements. Parking

and other revenue includes income from parking spaces leased to tenants, income from tenants for additional services provided by the Company, income from tenants for early lease terminations and income from managing properties for third parties. Rental income on residential property under operating leases having terms generally of one year or less is recognized when earned.

Reimbursements are received from tenants for certain costs as provided in the lease agreements. These costs generally include real estate taxes, utilities, insurance, common area maintenance and other recoverable costs. See Note 14.

INCOME AND OTHER TAXES

The Company has elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code"). As a REIT, the Company generally will not be subject to corporate federal income tax on net income that it currently distributes to its shareholders, provided that the Company, for its taxable years beginning prior to January 1, 2001, satisfies certain organizational and operational requirements including the requirement to distribute at least 95 percent of its REIT taxable income to its shareholders. For its taxable years beginning after December 31, 2000, as a result of recent amendments to the Code, the Company is required to distribute at least 90 percent of its REIT taxable income to its shareholders. Effective January 1, 2001, the Company has elected to treat certain of its corporate subsidiaries as taxable REIT subsidiaries ("TRS"). In general, a TRS of the Company may perform additional services for tenants of the Company and generally may engage in any real estate or non-real estate related business (except for the operation or management of health care facilities or lodging facilities or the providing to any person, under a franchise, license or otherwise, rights to any brand name under which any lodging facility or health care facility is operated). A TRS is subject to corporate federal income tax. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to federal income tax (including any applicable alternative minimum tax) on its taxable income at regular corporate tax rates. The Company is subject to certain state and local taxes.

DERIVATIVE INSTRUMENTS

The Company has adopted Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities ("FASB No. 133") as of January 1, 2001. Due to its limited use of derivative instruments, adoption of FASB No. 133 did not have a material impact on the Company's financial statements.

Interest rate contracts are utilized by the Company to reduce interest rate risks. The Company does not hold or issue derivative financial instruments for trading purposes. The differentials to be received or paid under contracts designated as hedges are recognized over the life of the contracts as adjustments to interest expense.

In certain situations, the Company uses forward treasury lock agreements to mitigate the potential effects of changes in interest rates for prospective transactions. Gains and losses are deferred and amortized as adjustments to interest expense over the remaining life of the associated debt to the extent that such debt remains outstanding.

EARNINGS PER SHARE

In accordance with the Statement of Financial Accounting Standards No. 128 ("FASB No. 128"), the Company presents both basic and diluted earnings per share ("EPS"). Basic EPS excludes dilution and is computed by dividing net income available to common stockholders by the weighted average number of shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock, where such exercise or conversion would result in a lower EPS amount.

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DIVIDENDS AND DISTRIBUTIONS PAYABLE

The dividends and distributions payable at September 30, 2001 represents dividends payable to shareholders of record as of October 3, 2001 (56,649,469 shares), distributions payable to minority interest common unitholders (7,955,525 common units) on that same date and preferred distributions payable to preferred unitholders (220,340 preferred units) for the third quarter 2001. The third quarter 2001 dividends and common unit distributions of $0.62 per share and per common unit, as well as the third quarter preferred unit distribution of $17.8932 per preferred unit, were approved by the Board of Directors on September 20, 2001 and paid on October 22, 2001.

The dividends and distributions payable at December 31, 2000 represents dividends payable to shareholders of record as of January 4, 2001 (56,982,893 shares), distributions payable to minority interest common unitholders (7,963,725 common units) on that same date and preferred distributions payable to preferred unitholders (220,340 preferred units) for the fourth quarter 2000. The fourth quarter 2000 dividends and common unit distributions of $0.61 per share and per common unit, as well as the fourth quarter preferred unit distribution of $17.6046 per preferred unit, were approved by the Board of Directors on December 20, 2000 and paid on January 22, 2001.

UNDERWRITING COMMISSIONS AND COSTS

Underwriting commissions and costs incurred in connection with the Company's stock offerings are reflected as a reduction of additional paid-in capital.

STOCK OPTIONS

The Company accounts for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations ("APB No. 25"). Under APB No. 25, compensation cost is measured as the excess, if any, of the quoted market price of the Company's stock at the date of grant over the exercise price of the option granted. Compensation cost for stock options, if any, is recognized ratably over the vesting period. The Company's policy is to grant options with an exercise price equal to the quoted closing market price of the Company's stock on the business day preceding the grant date. Accordingly, no compensation cost has been recognized under the Company's stock option plans for the granting of stock options. See Note 15.

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3. ACQUISITIONS, PROPERTY SALES AND OTHER TRANSACTIONS

OPERATING PROPERTY ACQUISITIONS

The Company acquired the following operating properties during the nine months ended September 30, 2001:

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Acquisition Date	Property/Portfolio Name	Location	# of Bldgs.	Rentable Square Feet	Investment by Company
<S>	<C>	<C>	<C>	<C>	<C>
OFFICE:					
4/6/01	4 & 6 Campus Drive (a)	Parsippany, Morris County, NJ	2	295,766	$48,404

Total Office Property Acquisitions:			2	295,766	$48,404
OFFICE/FLEX:					
2/14/01	31 & 41 Twosome Drive (b) (c)	Moorestown, Burlington County, NJ	2	127,250	$7,155
4/27/01	1245 & 1247 N. Church St, 2 Twosome Drive (b) (c)	Moorestown, Burlington County, NJ	3	154,200	11,083
8/3/01	5 & 6 Skyline Drive (a) (d)	Hawthorne, Westchester County, NY	2	168,177	14,846
Total Office/Flex Property Acquisitions:			7	449,627	$33,084
Total Operating Property Acquisitions:			9	745,393	$81,488

(a) Transaction was funded primarily through borrowing on the Company's revolving credit facility.
(b) Transactions were funded primarily from net proceeds received in the sale of a rental property as well as the Company's cash reserves.
(c) The properties were acquired through the exercise of a purchase option obtained in the initial acquisition of the McGarvey portfolio in January 1998.
(d) The property was acquired from an entity whose principals include, among others, Timothy M. Jones, Martin S. Berger and Robert F. Weinberg, each of whom are affiliated with the Company as the President of the Company, a current member of the Board of Directors and a former member of the Board of Directors of the Company, respectively.

PROPERTIES PLACED IN SERVICE
The Company placed in service the following properties during the nine months ended September 30, 2001:

Date Placed in Service	Property/Portfolio Name	Location	# of Bldgs.	Rentable Square Feet	Investment by Company (a)
OFFICE:					
1/15/01	105 Eisenhower Parkway	Roseland, Essex County, NJ	1	220,000	$43,300
3/1/01	8181 East Tufts Avenue	Denver, Denver County, CO	1	185,254	34,371
Total Properties Placed in Service			2	405,254	$77,671

(a) Transactions were funded primarily through draws on the Company's revolving credit facilities.

LAND ACQUISITIONS
On September 13, 2001, the Company acquired approximately 5.0 acres of developable land located in Elmsford, Westchester County, New York. The land was acquired for approximately $1,000 from an entity whose principals include Timothy M. Jones, Martin S. Berger and Robert F. Weinberg, each of whom are affiliated with the Company as the President of the Company, a current member of the Board of Directors and a former member of the Board of Directors of the Company, respectively. The Company has commenced construction of a fully pre-leased 33,000 square-foot office/flex building on the acquired land.

On January 5, 2001, the Company acquired approximately 7.1 acres of developable land located in Littleton, Arapahoe County, Colorado. The land was acquired for approximately $2,711. When the Company had committed itself to acquire the land, the Company had intended to develop the site consistent with its then business strategy. Due to a change in the Company's strategy, this land is now being held for sale (see Note 7).

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PROPERTY SALES
The Company sold the following properties during the nine months ended September 30, 2001:

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Sale Realized Date	Property Name	Location	# of Bldgs.	Rentable Square Feet	Net Sales Proceeds	Net Book Value	Gain (Loss)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
OFFICE:							
6/1/01	1777 N.E. Loop 410	San Antonio, Bexar County, TX	1	256,137	$21,313	$16,703	$4,610
6/15/01	14511 Falling Creek	Houston, Harris County, TX	1	70,999	2,982	2,458	524
7/17/01	8214 Westchester	Dallas, Dallas County, TX	1	95,509	8,966	8,465	501
8/1/01	2600 Westown Parkway (405)	West Des Moines, Polk County, IA	1	72,265	5,165	5,570	
9/26/01	1709 New York Ave, NW	Washington, DC	1	166,000	65,151	50,640	14,511
RESIDENTIAL:							
6/21/01	Tenby Chase Apartments	Delran, Burlington County, NJ	1	327 units	19,336	2,399	16,937
OTHER:							
4/3/01	North Pier-Harborside (a)	Jersey City, Hudson County, NJ	--	n/a	3,357	2,918	439
Totals:			6	660,910	$126,270	$89,153	$37,117

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(a) Net sales proceeds consisted of cash and note receivable. See Note 4 - North Pier at Harborside-Residential Development.

OTHER EVENTS
On June 27, 2000, both Brant Cali and John R. Cali resigned their positions as officers of the Company and Brant Cali resigned as a director of the Company. John R. Cali was appointed to the Board of Directors of the Company to take the seat previously held by Brant Cali. As required by Brant Cali and John R. Cali's employment agreements with the Company: (i) the Company paid $2,820 and $2,806 (less applicable withholding) to Brant Cali and John R. Cali, respectively; (ii) all options to acquire shares of the Company's common stock and Restricted Stock Awards (as hereinafter defined) held by Brant Cali and John R. Cali became fully vested on the effective date of their resignations from the Company. All costs associated with Brant Cali and John R. Cali's resignations, which totaled approximately $9,228, are included in non-recurring charges for the nine months ended September 30, 2000.

On September 21, 2000, the Company and Prentiss Properties Trust, a Maryland REIT ("Prentiss"), mutually agreed to terminate the agreement and plan of merger ("Merger Agreement") dated as of June 27, 2000, among the Company, the Operating Partnership, Prentiss and Prentiss Properties Acquisition Partners, L.P., a Delaware limited partnership of which Prentiss (through a wholly-owned direct subsidiary) is the sole general partner ("Prentiss Partnership"). In connection with such termination, the Company deposited $25,000 into escrow for the benefit of Prentiss and Prentiss Partnership. This cost and approximately $2,911 of other costs associated with the termination of the Merger Agreement are included in non-recurring charges for the three and nine months ended September 30, 2000. Simultaneous with the termination, the Company sold to Prentiss its 270,703 square-foot Cielo Center property located in Austin, Travis County, Texas, and recognized a gain of approximately $10,036.

4. INVESTMENTS IN UNCONSOLIDATED JOINT VENTURES

PRU-BETA 3 (NINE CAMPUS DRIVE)
On March 27, 1998, the Company acquired a 50 percent interest in an existing joint venture with The Prudential Insurance Company of America ("Prudential"), known as Pru-Beta 3, which owns and operates Nine Campus Drive, a 156,495

square-foot office building, located in the Mack-Cali Business Campus office complex in Parsippany, Morris County, New Jersey. The Company performs management and leasing services for the property owned by the joint venture and recognized $143 and $112 in fees for such services in the nine months ended September 30, 2001 and 2000, respectively. On November 5, 2001, the Company acquired the entire interest in the property for approximately $14,250.

HPMC
On April 23, 1998, the Company entered into a joint venture agreement with HCG Development, L.L.C. and Summit Partners I, L.L.C. to form HPMC Development Partners, L.P. and, on July 21, 1998, entered into a second joint venture, HPMC Development Partners II, L.P. (formerly known as HPMC Lava Ridge Partners, L.P.), with these same parties.

HPMC Development Partners, L.P.'s efforts have focused on two development projects, commonly referred to as Continental Grand II and Summit Ridge. HPMC Development Partners II, L.P.'s efforts have focused on three development projects, commonly referred to as Lava Ridge, Pacific Plaza I & II and Stadium Gateway. Among other things, the partnership agreements provide for a preferred return on the Company's invested capital in each venture, in addition to 50 percent of such venture's profit above the preferred returns, as defined in each agreement.

CONTINENTAL GRAND II
Continental Grand II is a 239,085 square-foot office building located in El Segundo, Los Angeles County, California, which was constructed and placed in service by the venture. On June 29, 2001, the venture sold the office property for approximately $67,000.

SUMMIT RIDGE
Summit Ridge is an office complex of three one-story buildings aggregating 133,841 square feet located in San Diego, San Diego County, California, which was constructed and placed in service by the venture. On January 29, 2001, the venture sold the office complex for approximately $17,450.

LAVA RIDGE
Lava Ridge is an office complex of three two-story buildings aggregating 183,200 square feet located in Roseville, Placer County, California, which was constructed and placed in service by the venture.

PACIFIC PLAZA I & II
Pacific Plaza I & II is a two-phase development joint venture project between HPMC Development Partners II, L.P. and a third-party entity located in the city of Daly City, San Mateo County, California. Phase I of the project, which was placed in service in August 2001, consists of a nine-story office building, aggregating 369,682 square feet. Phase II, which is currently under construction, will comprise a three-story retail and theater complex.

STADIUM GATEWAY
Stadium Gateway is a 1.5 acre site located in Anaheim, Orange County, California, acquired by a joint venture between HPMC Development Partners II, L.P. and a third-party entity upon which it has commenced construction of a six-story 261,554 square-foot office building. The property is expected to be placed in service in November 2001.

G&G MARTCO (CONVENTION PLAZA)
On April 30, 1998, the Company acquired a 49.9 percent interest in an existing joint venture, known as G&G Martco, which owns Convention Plaza, a 305,618 square-foot office building, located in San Francisco, San Francisco County, California. A portion of its initial investment was financed through the issuance of common units, as well as funds drawn from the Company's credit facilities. Subsequently, on June 4, 1999, the Company acquired an additional 0.1 percent interest in G&G Martco through the issuance of common units. The Company performs management and leasing services for the property owned by the joint venture and recognized $172 and $157 in fees for such services in the nine months ended September 30, 2001 and 2000, respectively.

AMERICAN FINANCIAL EXCHANGE L.L.C.
On May 20, 1998, the Company entered into a joint venture agreement with Columbia Development Company, L.L.C. to form American Financial Exchange L.L.C. The venture was initially formed to acquire land for future development, located on the Hudson River waterfront in Jersey City, Hudson County, New Jersey, adjacent to the Company's Harborside Financial Center office complex. The Company holds a 50 percent interest in the joint venture. Among other things, the partnership agreement provides for a preferred return on the Company's invested capital in the venture, in addition to the Company's proportionate share of the venture's profit, as defined in the agreement. The joint venture acquired land on which it constructed a parking facility, which is currently leased to a parking operator under a 10-year agreement. Such parking facility serves a ferry service between the Company's Harborside property and Manhattan. In the fourth quarter 2000, the Company started construction of a 575,000

square-foot office building and terminated the parking agreement on certain of the land owned by the venture. The total cost of the project under construction is currently projected to be approximately $140,000. The project, which is currently 100 percent pre-leased, is anticipated to be completed in late 2002.

RAMLAND REALTY ASSOCIATES L.L.C. (ONE RAMLAND ROAD)
On August 20, 1998, the Company entered into a joint venture agreement with S.B. New York Realty Corp. to form Ramland Realty Associates L.L.C. The venture was formed to own, manage and operate One Ramland Road, a 232,000 square-foot office/flex building plus adjacent developable land, located in Orangeburg, Rockland County, New York. In August 1999, the joint venture completed redevelopment of the property and placed the office/flex building in service. The Company holds a 50 percent interest in the joint venture. The Company performs management, leasing and other services for the property owned by the joint venture and recognized $75 and $170 in fees for such services in the nine months ended September 30, 2001 and 2000, respectively.

ASHFORD LOOP ASSOCIATES L.P. (1001 SOUTH DAIRY ASHFORD/2100 WEST LOOP SOUTH)
On September 18, 1998, the Company entered into a joint venture agreement with Prudential to form Ashford Loop Associates L.P. The venture was formed to own, manage and operate 1001 South Dairy Ashford, a 130,000 square-foot office building acquired on September 18, 1998 and 2100 West Loop South, a 168,000 square-foot office building acquired on November 25, 1998, both located in Houston, Harris County, Texas. The Company holds a 20 percent interest in the joint venture. Subsequently, through September 30, 2001, the venture paid $19,907 ($3,943 representing the Company's share) in accordance with earn-out provisions in the acquisition contracts. The Company performs management and leasing services for the properties owned by the joint venture and recognized $140 and $89 in fees for such services in the nine months ended September 30, 2001 and 2000, respectively.

ARCAP INVESTORS, L.L.C.
On March 18, 1999, the Company invested in ARCap Investors, L.L.C., a joint venture with several participants, which was formed to invest in sub-investment grade tranches of commercial mortgage-backed securities ("CMBS"). The Company has invested $20,000 in the venture. William L. Mack, Chairman of the Board of Directors of the Company and an equity holder in the Operating Partnership, is a principal of the managing member of the venture. At September 30, 2001, the venture held approximately $913,543 face value of CMBS bonds at an aggregate cost of approximately $468,971.

SOUTH PIER AT HARBORSIDE - HOTEL DEVELOPMENT
On November 17, 1999, the Company entered into an agreement with Hyatt Corporation to develop a 350-room hotel on the Company's South Pier at Harborside Financial Center, Jersey City, Hudson County, New Jersey. In July 2000, the joint venture began development of the hotel project, which is expected to be completed by late 2002. The total cost of the construction project is estimated to be approximately $103,000. The venture has obtained a construction loan of $63,700, of which each partner has severally guaranteed repayment of approximately $11,148.

NORTH PIER AT HARBORSIDE - RESIDENTIAL DEVELOPMENT
On August 5, 1999, the Company entered into an agreement which provided for the sale of its North Pier at Harborside Financial Center, Jersey City, Hudson County, New Jersey to a joint venture with Lincoln Property Company Southwest, Inc., in exchange for cash and an equity interest in the venture. In April 2001, the Company sold the North Pier to the venture and received $1,330 in cash, a $2,027 note due 2002 and an equity interest. The venture began development of a residential housing project on the property for rental, which is expected to be completed by late 2002.

MC-SJP MORRIS V REALTY, LLC AND MC-SJP MORRIS VI REALTY, LLC
The Company has an agreement with SJP Properties Company ("SJP Properties"), which provides for a cooperative effort in seeking approvals to develop up to approximately 1.8 million square feet of office development on certain vacant land owned or controlled, respectively, by the Company and SJP Properties, in Hanover and Parsippany, Morris County, New Jersey. The agreement provides that the parties shall share equally in the costs associated with seeking such requisite approvals. Subsequent to obtaining the requisite approvals, upon mutual consent, the Company and SJP Properties may enter into one or more joint ventures to construct on the vacant land, or seek to dispose of their respective vacant land parcels subject to the agreement. Pursuant to the agreement with SJP Properties, on August 24, 2000, the Company entered into a joint venture with SJP Properties to form MC-SJP Morris V Realty, LLC and MC-SJP Morris VI Realty, LLC, which acquired developable land able to accommodate approximately 650,000 square feet of office space and located in Parsippany, Morris County, New Jersey. The land was acquired for approximately $16,193. The venture entered into an agreement pertaining to the acquired land and two other land parcels in Parsippany with an insurance company to provide for a guarantee on the funding of the development of four office properties, aggregating 850,000 square feet. Such agreement provides, if the venture elects to develop, the insurance company

will be admitted to the joint venture and provide all the equity required to fund the development, subject to certain conditions. In addition, the venture obtained a loan on the acquired land from a bank, which is guaranteed by the insurance company.

SUMMARIES OF UNCONSOLIDATED JOINT VENTURES

The following is a summary of the financial position of the unconsolidated joint ventures in which the Company had investment interests as of September 30, 2001 and December 31, 2000:

<Table>
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	September 30, 2001								
	Pru-Beta 3	HPMC	G&G Martco	American Financial Exchange	Ramland Realty	Ashford Loop	ARCap	MC-SJP Morris Realty	Harborside Combined South Pier Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
ASSETS:									
Rental property, net	$ 20,111	$137,407	$ 9,764	$ 33,263	$ 18,339	$ 37,435	$ --	$ 17,271	$ 46,796 $320,386
Other assets	1,808	31,029	3,283	(121)	4,740	88	504,313	96	-- 545,236
Total assets	$ 21,919	$168,436	$ 13,047	$ 33,142	$ 23,079	$ 37,523	$504,313	$ 17,367	$ 46,796 $865,622
LIABILITIES AND PARTNERS'/ MEMBERS' CAPITAL:									
Mortgages and loans payable	$ --	$103,323	$ 50,000	$ --	$ 16,147	$ --	$283,045	$ 16,028	$ 15,656 $484,199
Other liabilities	122	10,584	1,239	1,346	96	682	8,050	--	4,838 26,957
Partners'/members' capital	21,797	54,529	(38,192)	31,796	6,836	36,841	213,218	1,339	26,302 354,466
Total liabilities and partners'/members' capital	$ 21,919	$168,436	$ 13,047	$ 33,142	$ 23,079	$ 37,523	$504,313	$ 17,367	$ 46,796 $865,622
Company's net investment in unconsolidated joint ventures	$ 15,222	$ 22,300	$ 3,555	$ 48,775	$ 2,990	$ 7,716	$ 19,724	$ 180	$ 14,954 $135,416

<Caption>

	December 31, 2000								
	Pru-Beta 3	HPMC	G&G Martco	American Financial Exchange	Ramland Realty	Ashford Loop	ARCap	MC-SJP Morris Realty	Harborside Combined South Pier Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
ASSETS:									
Rental property, net	$ 20,810	$ 78,119	$ 10,589	$ 12,546	$ 18,947	$ 37,665	$ --	$ --	$ -- $178,676
Other assets	2,737	27,082	2,508	11,851	4,755	849	310,342	--	-- 360,124
Total assets	$ 23,547	$105,201	$ 13,097	$ 24,397	$ 23,702	$ 38,514	$310,342	$ --	$ -- $538,800

LIABILITIES AND PARTNERS'/ MEMBERS' CAPITAL:										
Mortgages and loans payable	$ --	$ 63,486	$ 50,000	$ --	$ 16,666	$ --	$129,562	$ --	$ --	$259,714
Other liabilities	160	5,035	1,368	9,400	522	1,005	3,750	--	--	21,240
Partners'/members' capital	23,387	36,680	(38,271)	14,997	6,514	37,509	177,030	--	--	257,846
Total liabilities and partners'/members' capital	$ 23,547	$105,201	$ 13,097	$ 24,397	$ 23,702	$ 38,514	$310,342	$ --	$ --	$538,800
Company's net investment in unconsolidated joint ventures	$ 16,110	$ 35,079	$ 3,973	$ 15,809	$ 2,782	$ 7,874	$ 19,811	$ --	$ --	$101,438

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The following is a summary of the results of operations of the unconsolidated joint ventures for the period in which the Company had investment interests during the three and nine month periods ended September 30, 2001 and 2000:

<Table>
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	Three Months Ended September 30, 2001									
	Pru-Beta 3	HPMC	G&G Martco	American Financial Exchange	Ramland Realty	Ashford Loop	ARCap	MC-SJP Morris Realty	Harborside South Pier	Combined Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Total revenues	$ 1,211	$ 1,427	$ 3,345	$ 4	$ 912	$ 1,298	$ 17,060	$ --	$ --	$ 25,257
Operating and other expenses	(393)	(781)	(920)	(11)	(297)	(632)	(3,266)	--	--	(6,300)
Depreciation and amortization	(290)	(623)	(387)	(10)	(243)	(235)	--	--	--	(1,788)
Interest expense	--	(485)	(712)	--	(264)	--	(5,420)	--	--	(6,881)
Net income	$ 528	$ (462)	$ 1,326	$ (17)	$ 108	$ 431	$ 8,374	$ --	$ --	$ 10,288
Company's equity in earnings of unconsolidated joint ventures	$ 225	$ 400	$ 506	$ 88	$ 54	$ 86	$ 525	$ --	$ --	$ 1,884

<Caption>

	Three Months Ended September 30, 2000									
	Pru-Beta 3	HPMC	G&G Martco	American Financial Exchange	Ramland Realty	Ashford Loop	ARCap	MC-SJP Morris Realty	Harborside South Pier	Combined Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>

Total revenues	$ 1,253	$ 2,631	$ 2,783	$ 275	$ 983	$ 1,436	$ 5,357	$ --	$ --	$ 14,718
Operating and other expenses	(391)	(78)	(890)	(41)	(280)	(658)	(876)	--	--	(3,214)
Depreciation and amortization	(307)	(747)	(384)	(27)	(252)	(211)	(70)	--	--	(1,998)
Interest expense	--	(979)	(1,075)	--	(407)	--	(2,780)	--	--	(5,241)
Net income	$ 555	$ 827	$ 434	$ 207	$ 44	$ 567	$ 1,631	$ --	$ --	$ 4,265
Company's equity in earnings of unconsolidated joint ventures	$ 239	$ 627	$ 286	$ 207	$ 22	$ 113	$ 700	$ --	$ --	$ 2,194

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	Nine Months Ended September 30, 2001									
	Pru-Beta 3	HPMC	G&G Martco	American Financial Exchange	Ramland Realty	Ashford Loop	ARCap	MC-SJP Morris Realty	Harborside Combined South Pier	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Total revenues	$ 3,700	$ 16,419	$ 9,151	$ 383	$ 2,871	$ 4,365	$ 45,077	$ --	$ --	$ 81,966
Operating and other expenses	(1,175)	(1,729)	(2,571)	(53)	(905)	(2,049)	(7,456)	--	--	(15,938)
Depreciation and amortization	(883)	(1,556)	(1,164)	(29)	(726)	(698)	--	--	--	(5,056)
Interest expense	--	(1,741)	(2,504)	--	(918)	--	(13,310)	--	--	(18,473)
Net income	$ 1,642	$ 11,393	$ 2,912	$ 301	$ 322	$ 1,618	$ 24,311	$ --	$ --	$ 42,499
Company's equity in earnings of unconsolidated joint ventures	$ 728	$ 3,864	$ 1,042	$ (357)	$ 208	$ 295	$ 1,550	$ --	$ --	$ 7,330

<Caption>

	Nine Months Ended September 30, 2000									
	Pru-Beta 3	HPMC	G&G Martco	American Financial Exchange	Ramland Realty	Ashford Loop	ARCap	MC-SJP Morris Realty	Harborside Combined South Pier	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Total revenues	$ 3,721	$ 6,191	$ 8,064	$ 779	$ 2,930	$ 4,268	$ 16,507	$ --	$ --	$ 42,460
Operating and other expenses	(1,210)	(1,087)	(2,443)	(123)	(870)	(1,929)	(2,168)	--	--	(9,830)
Depreciation and amortization	(918)	(2,155)	(1,146)	(47)	(734)	(614)	(70)	--	--	(5,684)
Interest expense	--	(2,220)	(2,989)	--	(1,153)	--	(4,481)	--	--	

--	(10,843)									
Net income	$ 1,593	$ 729	$ 1,486	$ 609	$ 173	$ 1,725	$ 9,788	$ --	$ --	$ 16,103
Company's equity in earnings of unconsolidated joint ventures	$ 680	$ 729	$ 498	$ 552	$ 84	$ 358	$ 1,500	$ --	$ --	$ 4,401

5. DEFERRED CHARGES AND OTHER ASSETS

	September 30, 2001	December 31, 2000
Deferred leasing costs	$ 88,069	$ 80,667
Deferred financing costs	26,590	23,085
	114,659	103,752
Accumulated amortization	(33,024)	(26,303)
Deferred charges, net	81,635	77,449
Prepaid expenses and other assets	19,043	25,206
Total deferred charges and other assets, net	$ 100,678	$ 102,655

6. RESTRICTED CASH

Restricted cash includes security deposits for the Company's residential properties and certain commercial properties, and escrow and reserve funds for debt service, real estate taxes, property insurance, capital improvements, tenant improvements, and leasing costs established pursuant to certain mortgage financing arrangements, and is comprised of the following:

	September 30, 2001	December 31, 2000
Security deposits	$7,460	$6,477
Escrow and other reserve funds	83	80
Total restricted cash	$7,543	$6,557

7. RENTAL PROPERTY HELD FOR SALE

As of September 30, 2001, the Company has identified 39 office properties, aggregating approximately 4.6 million square feet, a multi-family residential property and two land parcels as held for sale. These properties are located in Texas, Colorado, Arizona, Florida and New York. Such properties carried an aggregate book value of $422,735, net of accumulated depreciation, of $31,195 and a valuation allowance of $46,794 at September 30, 2001.

As of December 31, 2000, the Company had identified 10 office properties, aggregating approximately 1.6 million square feet, and a land parcel as held for sale, all of which are located in San Antonio and Houston, Texas. Such properties carried an aggregate book value of $107,458, net of accumulated depreciation, of $7,019.

The following is a summary of the condensed results of operations of the rental

properties held for sale at September 30, 2001 for the nine month periods ended September 30, 2001 and 2000:

<Table>
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	Nine Months Ended September 30, 2001	2000
<S>	<C>	<C>
Total revenues	$ 61,400	$ 60,416
Operating and other expenses	(25,079)	(23,896)
Depreciation and amortization	(2,604)	(8,665)
Net income	$ 33,717	$ 27,855

</Table>

There can be no assurance if and when sales of the Company's rental properties held for sale will occur.

<Page>

During the nine months ended September 30, 2001, the Company determined that the carrying amounts of certain properties identified as held for sale are not expected to be recovered from estimated net sale proceeds from these property sales and, accordingly, recognized a valuation allowance of $46,794 ($26,231 for the three months ended September 30, 2001).

The following table summarizes realized gains and unrealized losses on disposition of rental property:

<Table>
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	Nine Months Ended September 30, 2001	2000
<S>	<C>	<C>
Realized gain on sale of rental property and land	$ 37,117	$ 86,205
Valuation allowance on rental property held for sale	(46,794)	--
Total realized gains and unrealized losses, net	$ (9,677)	$ 86,205

</Table>

8. SENIOR UNSECURED NOTES

On January 29, 2001, the Operating Partnership issued $300,000 face amount of 7.75 percent senior unsecured notes with interest payable semi-annually in arrears. The total proceeds from the issuance (net of selling commissions and discount) of approximately $296,300 were used primarily to pay down outstanding borrowings under the 2000 Unsecured Facility, as defined in Note 9. The senior unsecured notes were issued at a discount of approximately $1,731, which is being amortized over the term as an adjustment to interest expense.

The Operating Partnership's senior unsecured notes are redeemable at any time at the option of the Company, subject to certain conditions including yield maintenance.

A summary of the terms of the senior unsecured notes (collectively, "Senior Unsecured Notes") outstanding as of September 30, 2001 and December 31, 2000 is as follows:

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	September 30, 2001	December 31, 2000	Effective Rate(1)
<S>	<C>	<C>	<C>
7.180% Senior Unsecured Notes, due December 31, 2003	$ 185,283	$ 185,283	7.23%
7.000% Senior Unsecured Notes, due March 15, 2004	299,804	299,744	7.27%
7.250% Senior Unsecured Notes, due March 15, 2009	298,248	298,072	7.49%
7.835% Senior Unsecured Notes, due December 15, 2010	15,000	15,000	7.95%
7.750% Senior Unsecured Notes, due February 15, 2011	298,386	--	7.93%
Total Senior Unsecured Notes	$1,096,721	$ 798,099	7.51%

</Table>

(1) Includes the cost of terminated treasury lock agreements (if any), offering and other transaction costs and the discount on the notes, as applicable.

The terms of the Senior Unsecured Notes include certain restrictions and covenants which require compliance with financial ratios relating to the maximum amount of debt leverage, the maximum amount of secured indebtedness, the minimum amount of debt service coverage and the maximum amount of unsecured debt as a percent of unsecured assets.

9. REVOLVING CREDIT FACILITIES

2000 UNSECURED FACILITY
On June 22, 2000, the Company obtained an unsecured revolving credit facility ("2000 Unsecured Facility") with a current borrowing capacity of $800,000 from a group of 24 lenders. The interest rate on outstanding borrowings under the credit line is currently the London Inter-Bank Offered Rate ("LIBOR") (one-month LIBOR: 2.63 percent at September 30, 2001) plus 80 basis points. The Company may instead elect an interest rate representing the higher of the lender's prime rate or the Federal Funds rate plus 50 basis points. The 2000 Unsecured Facility also requires a 20

basis point facility fee on the current borrowing capacity payable quarterly in arrears. In the event of a change in the Company's unsecured debt rating, the interest rate and facility fee will be adjusted on a sliding scale. Subject to certain conditions, the Company has the ability to increase the borrowing capacity of the credit line up to $1,000,000. The 2000 Unsecured Facility matures in June 2003, with an extension option of one year, which would require a payment of 25 basis points of the then borrowing capacity of the credit line upon exercise.

The terms of the 2000 Unsecured Facility include certain restrictions and covenants which limit, among other things, the payment of dividends (as discussed below), the incurrence of additional indebtedness, the incurrence of liens and the disposition of assets, and which require compliance with financial ratios relating to the maximum leverage ratio, the maximum amount of secured indebtedness, the minimum amount of tangible net worth, the minimum amount of debt service coverage, the minimum amount of fixed charge coverage, the maximum amount of unsecured indebtedness, the minimum amount of unencumbered property debt service coverage and certain investment limitations. The dividend restriction referred to above provides that, except to enable the Company to continue to qualify as a REIT under the Code, the Company will not during any four consecutive fiscal quarters make distributions with respect to common stock or other equity interests in an aggregate amount in excess of 90 percent of funds from operations (as defined) for such period, subject to certain other adjustments.

PRUDENTIAL FACILITY
The Company had a revolving credit facility ("Prudential Facility") with Prudential Securities Corp. ("PSC") in the amount of $100,000, which bore interest at 110 basis points over one-month LIBOR and was repaid in full and terminated at maturity on June 29, 2001.

SUMMARY
As of September 30, 2001 and December 31, 2000, the Company had outstanding borrowings of $73,000 and $348,840, respectively, under its revolving credit facilities. The total outstanding borrowings were from the 2000 Unsecured Facility, with no outstanding borrowings under the Prudential Facility.

10. MORTGAGES AND LOANS PAYABLE

The Company has mortgages and loans payable which are comprised of various loans collateralized by certain of the Company's rental properties. Payments on mortgages and loans payable are generally due in monthly installments of principal and interest, or interest only.

A summary of the Company's mortgages and loans payable as of September 30, 2001 and December 31, 2000 is as follows:

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PROPERTY NAME	LENDER	EFFECTIVE INTEREST RATE	PRINCIPAL BALANCE AT SEPTEMBER 30, 2001	PRINCIPAL BALANCE AT DECEMBER 31, 2000	MATURITY

101 & 225 Executive Drive 06/01/01	Sun Life Assurance Co.	6.27%	$ --	$ 2,198	
Mack-Cali Morris Plains 12/31/01	Corestates Bank	7.51%	--	2,169	
Mack-Cali Willowbrook 10/01/03	CIGNA	8.67%	8,821	9,460	
400 Chestnut Ridge 07/01/04	Prudential Insurance Co.	9.44%	12,890	13,588	
Mack-Cali Centre VI 04/01/05	Principal Life Insurance Co.	6.87%	35,000	35,000	
Various (a) 05/15/05	Prudential Insurance Co.	7.10%	150,000	150,000	
Mack-Cali Bridgewater I 09/10/05	New York Life Ins. Co.	7.00%	23,000	23,000	
Mack-Cali Woodbridge II 09/10/05	New York Life Ins. Co.	7.50%	17,500	17,500	
Mack-Cali Short Hills 10/01/05	Prudential Insurance Co.	7.74%	25,397	25,911	
500 West Putnam Avenue 10/10/05	New York Life Ins. Co.	6.52%	9,477	10,069	
Harborside - Plaza 1 01/01/06	U.S. West Pension Trust	5.61%	57,051	54,370	
Harborside - Plazas 2 and 3 01/01/06	Northwestern/Principal	7.36%	162,949	95,630	
Mack-Cali Airport 04/01/07	Allstate Life Insurance Co.	7.05%	10,434	10,500	
Kemble Plaza I 01/31/09	Mitsubishi Tr & Bk Co.	LIBOR+0.65%	32,178	32,178	
Total Property Mortgages			$544,697	$481,573	

(a) The Company has the option to convert the mortgage loan, which is secured by 12 properties, to unsecured debt.

SCHEDULED PRINCIPAL PAYMENTS

Scheduled principal payments and related weighted average annual interest rates for the Company's Senior Unsecured Notes (see Note 8), revolving credit facilities (see Note 9) and mortgages and loans payable as of September 30, 2001 are as follows:

PERIOD	SCHEDULED AMORTIZATION	PRINCIPAL MATURITIES	TOTAL	WEIGHTED AVG. INTEREST RATE OF FUTURE REPAYMENTS (a)
October through December 2001	$ 767	$ --	$ 767	7.70%
2002	3,259	--	3,259	7.72%
2003	3,407	265,094	268,501	6.50%
2004	2,247	309,863	312,110	7.34%
2005	1,420	253,178	254,598	7.13%
Thereafter	(1,359)	876,542	875,183	7.41%
Totals/Weighted Average	$ 9,741	$1,704,677	$1,714,418	7.19%

(a) Revolving credit facility and other variable debt inerest rates calculated using the Company's actual LIBOR contracts in effect at September 30, 2001 (weighted average LIBOR of 3.52 percent).

CASH PAID FOR INTEREST AND INTEREST CAPITALIZED

Cash paid for interest for the nine months ended September 30, 2001 and 2000 was $100,892 and $93,903, respectively. Interest capitalized by the Company for the nine months ended September 30, 2001 and 2000 was $11,994 and $7,482, respectively.

SUMMARY OF INDEBTEDNESS
As of September 30, 2001, the Company's total indebtedness of $1,714,418 (weighted average interest rate of 7.19 percent) was comprised of $105,178 of revolving credit facility borrowings and other variable rate mortgage debt (weighted average rate of 4.27 percent) and fixed rate debt of $1,609,240 (weighted average rate of 7.39 percent).

As of December 31, 2000, the Company's total indebtedness of $1,628,512 (weighted average interest rate of 7.29 percent) was comprised of $381,018 of revolving credit facility borrowings and other variable rate mortgage debt (weighted average rate of 7.53 percent) and fixed rate debt of $1,247,494 (weighted average rate of 7.25 percent).

11. MINORITY INTERESTS

Minority interests in the accompanying consolidated financial statements relate to (i) preferred units in the Operating Partnership ("Preferred Units"), common units in the Operating Partnership and warrants to purchase common units ("Unit Warrants"), held by parties other than the Company, and (ii) interests in consolidated partially-owned properties for the portion of such properties not owned by the Company.

The following table sets forth the changes in minority interests which relate to Preferred Units, common units and Unit Warrants in the Operating Partnership for the nine months ended September 30, 2001:

<Table>
<Caption>

	Preferred Units	Common Units	Unit Warrants	Preferred Unitholders	Common Unitholders	Unit Warrants	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at January 1, 2001	220,340	7,963,725	2,000,000	$ 226,005	$ 212,994	$ 8,524	$ 447,523
Net income	--	--	--	11,701	13,867	--	25,568
Distributions	--	--	--	(11,701)	(14,639)	--	(26,340)
Redemption of common units for shares of common stock	--	(8,200)	--	--	(219)	--	(219)
Balance at September 30, 2001	220,340	7,955,525	2,000,000	$ 226,005	$ 212,003	$ 8,524	$ 446,532

</Table>

MINORITY INTEREST OWNERSHIP
As of September 30, 2001 and December 31, 2000, the minority interest common unitholders owned 12.3 percent (20.2 percent, including the effect of the conversion of Preferred Units into common units) and 12.3 percent (20.2 percent including the effect of the conversion of Preferred Units into common units) of the Operating Partnership, respectively (excluding any effect for the exercise of Unit Warrants).

12. EMPLOYEE BENEFIT PLAN

All employees of the Company who meet certain minimum age and period of service requirements are eligible to participate in a 401(k) defined contribution plan (the "401(k) Plan"). The 401(k) Plan allows eligible employees to defer up to 15 percent of their annual compensation, subject to certain limitations imposed by federal law. The amounts contributed by employees are immediately vested and non-forfeitable. The Company, at its discretion, may match employee contributions and/or make discretionary contributions. The Company has approved, for the year ended December 31, 2001, a Company matching contribution to be paid under the 401(k) Plan equal to 50 percent of the first 3.5 percent of an

employee's annual salary, as defined in the 401(k) Plan, contributed to the plan for 2001. Total expense recognized by the Company for both the nine month periods ended September 30, 2001 and 2000 was $300.

13. COMMITMENTS AND CONTINGENCIES

GROUND LEASE AGREEMENTS
Future minimum rental payments under the terms of all non-cancelable ground leases under which the Company is the lessee, as of September 30, 2001, are as follows:

<Table>
<Caption>

Period	Amount
<S>	<C>
October through December 2001	$ 133
2002	531
2003	531
2004	534
2005	534
Thereafter	21,997
Total	$24,260

</Table>

Ground lease expense incurred during the nine months ended September 30, 2001 and 2000 amounted to $426 and $427, respectively.

OTHER
The Company is a defendant in certain litigation arising in the normal course of business activities. Management does not believe that the resolution of these matters will have a materially adverse effect upon the Company.

14. TENANT LEASES

The Properties are leased to tenants under operating leases with various expiration dates through 2016. Substantially all of the leases provide for annual base rents plus recoveries and escalation charges based upon the tenant's proportionate share of and/or increases in real estate taxes and certain operating costs, as defined, and the pass through of charges for electrical usage.

15. STOCKHOLDERS' EQUITY

To maintain its qualification as a REIT, not more than 50 percent in value of the outstanding shares of the Company may be owned, directly or indirectly, by five or fewer individuals at any time during the last half of any taxable year of the Company, other than its initial taxable year (defined to include certain entities), applying certain constructive ownership rules. To help ensure that the Company will not fail this test, the Company's Articles of Incorporation provide for, among other things, certain restrictions on the transfer of the common stock to prevent further concentration of stock ownership. Moreover, to evidence compliance with these requirements, the Company must maintain records that disclose the actual ownership of its outstanding common stock and will demand written statements each year from the holders of record of designated percentages of its common stock requesting the disclosure of the beneficial owners of such common stock.

COMMON STOCK REPURCHASES
On September 13, 2000, the Board of Directors authorized the Company to purchase up to $150,000 of the Company's outstanding common stock ("Repurchase Program"). The Company purchased for constructive retirement 2,026,300 shares of its outstanding common stock for an aggregate cost of approximately $55,514 from September 13, 2000 through December 31, 2000.

Under the Repurchase Program, the Company purchased for constructive retirement 915,300 shares of its outstanding common stock for an aggregate cost of approximately $25,008 for the nine months ended September 30, 2001.

STOCK OPTION PLANS
In September 2000, the Company established the 2000 Employee Stock Option Plan ("2000 Employee Plan") and the 2000 Director Stock Option Plan ("2000 Director Plan") under which a total of 2,700,000 shares (subject to adjustment) of the

Company's common stock have been reserved for issuance (2,500,000 shares under the 2000 Employee Plan and 200,000 shares under the 2000 Director Plan). In 1994, and as subsequently amended, the Company established the Mack-Cali Employee Stock Option Plan ("Employee Plan") and the Mack-Cali Director Stock Option Plan ("Director Plan") under which a total of 5,380,188 shares (subject to adjustment) of the Company's common stock have been reserved for issuance (4,980,188 shares under the Employee Plan and 400,000 shares under the Director Plan). Stock options granted under the Employee Plan in 1994 and 1995 became exercisable over a three-year period and those options granted under both the 2000 Employee Plan and Employee Plan subsequent to 1995 become exercisable over a five-year period. All stock options granted under both the 2000 Director Plan and Director Plan become exercisable in one year. All options were granted at the fair market value at the dates of grant and have terms of ten years. There were 1,045,300 stock options granted for the nine months ended September 30, 2001. As of September 30, 2001, stock options outstanding had a weighted average remaining contractual life of approximately 7.3 years.

Information regarding the Company's stock option plans is summarized below:

<Table>
<Caption>

	Shares Under Options	Weighted Average Exercise Price
<S>	<C>	<C>
Outstanding at January 1, 2001	4,633,319	$ 30.14
Granted	1,045,300	$ 28.85
Exercised	(173,708)	$ 23.20
Lapsed or canceled	(209,635)	$ 29.80
Outstanding at September 30, 2001	5,295,276	$ 30.13
Options exercisable at September 30, 2001	2,604,582	$ 31.33
Available for grant at September 30, 2001	1,422,901	

</Table>

STOCK WARRANTS
The Company has 360,000 warrants outstanding which enable the holders to purchase an equal number of shares of its common stock ("Stock Warrants") at $33 per share (the market price at date of grant). Such warrants are all currently exercisable and expire on January 31, 2007.

The Company also has 389,976 Stock Warrants outstanding which enable the holders to purchase an equal number of its shares of common stock at $38.75 per share (the market price at date of grant). Such warrants vest equally over a five-year period through December 31, 2001 and expire on December 12, 2007.

As of September 30, 2001, there were a total of 749,976 Stock Warrants outstanding. As of September 30, 2001, there were 671,980 Stock Warrants exercisable. For the nine months ended September 30, 2001, no Stock Warrants were canceled. No Stock Warrants have been exercised through September 30, 2001.

<Page>

STOCK COMPENSATION
In connection with stock awards granted to officers and certain other employees of the Company (collectively, "Restricted Stock Awards"), officers and certain other employees are to receive up to a total of 198,279 shares of the Company's common stock generally vesting over a five-year period. Certain Restricted Stock Awards are contingent upon the Company meeting certain performance and/or stock price appreciation objectives. The Restricted Stock Awards provided to the officers and certain other employees were granted under the 2000 Employee Plan and Employee Plan.

Effective January 1, 2001, 24,019 Restricted Stock Awards vested and therefore were released to the officers and certain other employees. For the nine months ended September 30, 2001, 7,408 unvested Restricted Stock Awards were canceled.

EARNINGS PER SHARE
Basic EPS excludes dilution and is computed by dividing net income available to common stockholders by the weighted average number of shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

The following information presents the Company's results for the three and nine month periods ended September 30, 2001 and 2000:

<Table>
<Caption>

	Three Months Ended September 30,			
	2001		2000	
	Basic EPS	Diluted EPS	Basic EPS	Diluted EPS
<S>	<C>	<C>	<C>	<C>
Net income	$ 24,009	$ 24,009	$ 20,012	$ 20,012
Add: Net income attributable to Operating Partnership - common units	--	3,403	--	2,733
Adjusted net income	$ 24,009	$ 27,412	$ 20,012	$ 22,745
Weighted average shares	56,129	64,403	58,711	66,914
Per Share	$ 0.43	$ 0.43	$ 0.34	$ 0.34

<Caption>

	Nine Months Ended September 30,			
	2001		2000	
	Basic EPS	Diluted EPS	Basic EPS	Diluted EPS
<S>	<C>	<C>	<C>	<C>
Net income	$ 98,420	$ 98,420	$150,935	$150,935
Add: Net income attributable to Operating Partnership - common units	--	13,867	--	20,859
Net income attributable to Operating Partnership - preferred units	--	--	--	11,562
Adjusted net income	$ 98,420	$112,287	$150,935	$183,356
Weighted average shares	56,482	64,691	58,518	73,276
Per Share	$ 1.74	$ 1.74	$ 2.58	$ 2.50

</Table>

<Page>

The following schedule reconciles the shares used in the basic EPS calculation to the shares used in the diluted EPS calculation:

<Table>
<Caption>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
Basic EPS Shares:	56,129	58,711	56,482	58,518
Add: Operating Partnership - common units	7,955	8,018	7,958	8,077
Operating Partnership - preferred units (after conversion to common units)	--	--	--	6,504
Stock options	319	185	251	177
Diluted EPS Shares:	64,403	66,914	64,691	73,276

</Table>

Through September 30, 2001, under the Repurchase Program, the Company purchased for constructive retirement, a total of 4,810,800 shares of its outstanding

common stock for an aggregate cost of approximately $133,084.

16. SEGMENT REPORTING

The Company operates in one business segment - real estate. The Company provides leasing, management, acquisition, development, construction and tenant-related services for its portfolio. The Company does not have any foreign operations. The accounting policies of the segments are the same as those described in Note 2, excluding straight-line rent adjustments, depreciation and amortization and non-recurring charges.

The Company evaluates performance based upon net operating income from the combined properties in the segment.

Selected results of operations for the three and nine month periods ended September 30, 2001 and 2000 and selected asset information as of September 30, 2001 and December 31, 2000 regarding the Company's operating segment are as follows:

<Table>
<Caption>

	Total Segment	Corporate & Other (e)	Total Company	
<S>	<C>	<C>	<C>	
TOTAL CONTRACT REVENUES(a):				
Three months ended:				
September 30, 2001	$ 142,542	$ 1,541	$ 144,083	(f)
September 30, 2000	137,919	1,979	139,898	(g)
Nine months ended:				
September 30, 2001	$ 427,098	$ 4,046	$ 431,144	(h)
September 30, 2000	418,179	4,999	423,178	(i)
TOTAL OPERATING AND INTEREST EXPENSES(b):				
Three months ended:				
September 30, 2001	$ 46,484	$ 33,920	$ 80,404	(j)
September 30, 2000	44,615	30,899	75,514	(k)
Nine months ended:				
September 30, 2001	$ 135,377	$ 103,830	$ 239,207	(l)
September 30, 2000	129,423	95,018	224,441	(m)
NET OPERATING INCOME(c):				
Three months ended:				
September 30, 2001	$ 96,058	$ (32,379)	$ 63,679	(f)
September 30, 2000	93,304	(28,920)	64,384	(g) (k)
Nine months ended:				
September 30, 2001	$ 291,721	$ (99,784)	$ 191,937	(h) (l)
September 30, 2000	288,756	(90,019)	198,737	(i) (m)
TOTAL ASSETS:				
September 30, 2001	$3,694,307	$ 34,532	$3,728,839	
December 31, 2000	3,623,107	53,870	3,676,977	
TOTAL LONG-LIVED ASSETS(d):				
September 30, 2001	$3,545,159	$ 24,449	$3,569,608	
December 31, 2000	3,522,766	23,574	3,546,340	

</Table>

(a) Total contract revenues represent all revenues during the period (including the Company's share of net income from unconsolidated joint ventures), excluding adjustments for straight-lining of rents and the Company's share of straight-line rent adjustments from unconsolidated joint ventures. All interest income is excluded from segment amounts and is classified in Corporate and Other for all periods.

(b) Total operating and interest expenses represent the sum of real estate taxes, utilities, operating services, general and administrative and interest expense. All interest expense (including for property-level mortgages) is excluded from segment amounts and classified in Corporate and

Other for all periods.
(c) Net operating income represents total contract revenues [as defined in Note (a)] less total operating and interest expenses [as defined in Note (b)] for the period.
(d) Long-lived assets are comprised of total rental property, unbilled rents receivable and investments in unconsolidated joint ventures.
(e) Corporate & Other represents all corporate-level items (including interest and other investment income, interest expense and non-property general and administrative expense) as well as intercompany eliminations necessary to reconcile to consolidated Company totals.
(f) Excludes $1,891 of adjustments for straight-lining of rents and ($62) for the Company's share of straight-line rent adjustments from unconsolidated joint ventures.
(g) Excludes $3,520 of adjustments for straight-lining of rents and ($36) for the Company's share of straight-line rent adjustments from unconsolidated joint ventures.
(h) Excludes $9,628 of adjustments for straight-lining of rents and $64 for the Company's share of straight-line rent adjustments from unconsolidated joint ventures.
(i) Excludes $9,055 of adjustments for straight-lining of rents and $17 for the Company's share of straight-line rent adjustments from unconsolidated joint ventures.
(j) Excludes $22,529 of depreciation and amortization.
(k) Excludes $23,320 of depreciation and amortization and non-recurring charges of $27,911.
(l) Excludes $67,964 of depreciation and amortization.
(m) Excludes $68,447 of depreciation and amortization and non-recurring charges of $37,139.

<Page>

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Consolidated Financial Statements of Mack-Cali Realty Corporation and the notes thereto. Certain defined terms used herein have the meaning ascribed to them in the Consolidated Financial Statements.

The following comparisons for the three and nine month periods ended September 30, 2001 ("2001"), as compared to the three and nine month periods ended September 30, 2000 ("2000"), make reference to the following: (i) the effect of the "Same-Store Properties," which represent all in-service properties owned by the Company at June 30, 2000 (for the three-month period comparisons), and which represent all in-service properties owned by the Company at December 31, 1999 (for the nine-month period comparisons), excluding Dispositions as defined below, (ii) the effect of the "Acquired Properties," which represent all properties acquired or placed in service by the Company from July 1, 2000 through September 30, 2001 (for the three-month period comparisons), and which represent all properties acquired or placed in service by the Company from January 1, 2000 through September 30, 2001 (for the nine-month period comparisons), and (iii) the effect of the "Dispositions", which represent results for each period for those rental properties sold by the Company during the same periods.

THREE MONTHS ENDED SEPTEMBER 30, 2001 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 2000

<Table>
<Caption>

(DOLLARS IN THOUSANDS)	Quarter Ended September 30, 2001	2000	Dollar Change	Percent Change
<S>	<C>	<C>	<C>	<C>
REVENUE FROM RENTAL OPERATIONS:				
Base rents	$ 126,789	$ 123,600	$ 3,189	2.6%
Escalations and recoveries from tenants	13,944	13,763	181	1.3
Parking and other	2,610	3,534	(924)	(26.1)
Sub-total	143,343	140,897	2,446	1.7
Equity in earnings of unconsolidated joint ventures	1,884	2,194	(310)	(14.1)
Interest income	685	291	394	135.4
Total revenues	145,912	143,382	2,530	1.8
PROPERTY EXPENSES:				
Real estate taxes	16,012	15,732	280	1.8
Utilities	11,517	11,604	(87)	(0.7)
Operating services	16,336	16,855	(519)	(3.1)

Sub-total	43,865	44,191	(326)	(0.7)
General and administrative	8,767	5,461	3,306	60.5
Depreciation and amortization	22,529	23,320	(791)	(3.4)
Interest expense	27,772	25,862	1,910	7.4
Non-recurring charges	--	27,911	(27,911)	(100.0)
Total expenses	102,933	126,745	(23,812)	(18.8)
Income before realized gains and unrealized losses on disposition of rental property and minority interests	42,979	16,637	26,342	158.3
Realized gains and unrealized losses on disposition of rental property	(11,624)	10,036	(21,660)	(215.8)
Income before minority interests	31,355	26,673	4,682	17.6
MINORITY INTERESTS:				
Operating partnership	7,346	6,661	685	10.3
Net income	$ 24,009	$ 20,012	$ 3,997	20.0%

</Table>

<Page>

The following is a summary of the changes in revenue from rental operations and property expenses divided into Same-Store Properties, Acquired Properties and Dispositions (dollars in thousands):

<Table>
<Caption>

	Total Company		Same-store Properties		Acquired Properties		Dispositions	
	Dollar Change	Percent Change	Dollar Change	Percent Change	Dollar Change	Percent Change	Dollar Change	Percent Change
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
REVENUE FROM RENTAL OPERATIONS:								
Base rents	$ 3,189	2.6%	$ 1,408	1.1%	$ 6,414	5.2%	$ (4,633)	(3.7)%
Escalations and recoveries from tenants	181	1.3	(48)	(0.3)	427	3.0	(198)	(1.4)
Parking and other	(924)	(26.1)	(809)	(22.9)	107	3.1	(222)	(6.3)
Total	$ 2,446	1.7%	$ 551	0.4%	$ 6,948	4.9%	$ (5,053)	(3.6)%
PROPERTY EXPENSES:								
Real estate taxes	$ 280	1.8%	$ (65)	(0.4)%	$ 830	5.3%	$ (485)	(3.1)%
Utilities	(87)	(0.7)	41	0.4	565	4.9	(693)	(6.0)
Operating services	(519)	(3.1)	(264)	(1.6)	862	5.1	(1,117)	(6.6)
Total	$ (326)	(0.7)%	$ (288)	(0.7)%	$ 2,257	5.2%	$ (2,295)	(5.2)%
OTHER DATA:								
Number of Consolidated Properties	260		246		14		13	
Square feet (in thousands)	27,188		25,614		1,574		2,610	

</Table>

Base rents for the Same-Store Properties increased $1.4 million, or 1.1 percent, for 2001 as compared to 2000, due primarily to rental rate increases in 2001. Escalations and recoveries from tenants for the Same-Store Properties decreased $0.1 million, or 0.3 percent, for 2001 over 2000, due to the recovery of a decreased amount of total property expenses in 2001. Parking and other income for the Same-Store Properties decreased $0.8 million, or 22.9 percent, due primarily to decreased third party management fees in 2001.

Real estate taxes on the Same-Store Properties decreased $0.1 million, or 0.4 percent, for 2001 as compared to 2000, due primarily to lower assessments on certain properties in 2001. Utilities for the Same-Store Properties increased $0.1 million, or 0.4 percent, for 2001 as compared to 2000, due primarily to increased electric rates. Operating services for the Same-Store Properties decreased $0.3 million, or 1.6 percent, due primarily to a decrease in repair costs in 2001.

Equity in earnings of unconsolidated joint ventures decreased $0.3 million, or 14.1 percent, for 2001 as compared to 2000. This is due primarily to the sale of two joint venture office properties in 2001 (see Note 4 to the Financial Statements).

Interest income increased $0.4 million, or 135.4 percent, for 2001 as compared to 2000. This increase was due primarily to the effect of net proceeds from certain property sales being invested in cash and cash equivalents for the period of time prior to which such proceeds were reinvested.

General and administrative increased by $3.3 million, or 60.5 percent, for 2001 as compared to 2000. This increase is due primarily to bad debt expense of approximately $2.5 million in 2001, related to a lease breakage fee receivable from a former tenant deemed uncollectible, increased professional fees, mostly on account of costs for transactions not consummated, and increased payroll and related costs in 2001.

Depreciation and amortization decreased by $0.8 million, or 3.4 percent, for 2001 over 2000. Of this decrease, $1.5 million, or 6.3 percent, is attributable to the Same-Store Properties, and $0.5 million, or 2.1 percent, is due to the Dispositions, partially offset by an increase of $1.2 million, or 5.0 percent, due to the Acquired Properties.

Interest expense increased $1.9 million, or 7.4 percent, for 2001 as compared to 2000. This increase is due primarily to higher average outstanding debt balances in 2001 versus 2000, primarily as a result of Common Stock repurchases in late 2000 and early 2001 and, to a lesser extent, the replacement in early 2001 of short-term credit facility borrowings with long-term, higher, fixed rate debt.

The Company incurred non-recurring charges of $27.9 million in 2000, as a result of costs associated with the termination of the Prentiss merger agreement (see Note 3 to the Financial Statements).

Income before realized gains and unrealized losses on disposition of rental property and minority interests increased to $43.0 million in 2001 from $16.6 million in 2000. The increase of approximately $26.4 million is due to the factors discussed above.

Net income increased by $4.0 million, from $20.0 million in 2000 to $24.0 million in 2001. This increase was a result of an increase in income before realized gains and unrealized losses on disposition of rental property and minority interests of $26.4 million, which was partially offset by an unrealized loss on disposition of rental property in 2001 of $11.6 million, a gain on sale of rental property in 2000 of $10.0 million, and a decrease in minority interests of $0.8 million in 2001.

NINE MONTHS ENDED SEPTEMBER 30, 2001 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2000

<Table>
<Caption>

(DOLLARS IN THOUSANDS)	Nine Months Ended September 30, 2001	2000	Dollar Change	Percent Change
<S>	<C>	<C>	<C>	<C>
REVENUE FROM RENTAL OPERATIONS:				
Base rents	$ 381,584	$ 367,270	$ 14,314	3.9%
Escalations and recoveries from tenants	42,136	45,058	(2,922)	(6.5)
Parking and other	8,016	12,984	(4,968)	(38.3)
Sub-total	431,736	425,312	6,424	1.5

Equity in earnings of unconsolidated joint ventures	7,330	4,401	2,929	66.6
Interest income	1,770	2,537	(767)	(30.2)
Total revenues	440,836	432,250	8,586	2.0
PROPERTY EXPENSES:				
Real estate taxes	46,809	45,169	1,640	3.6
Utilities	34,172	31,997	2,175	6.8
Operating services	51,901	51,419	482	0.9
Sub-total	132,882	128,585	4,297	3.3
General and administrative	21,633	16,733	4,900	29.3
Depreciation and amortization	67,964	68,447	(483)	(0.7)
Interest expense	84,692	79,123	5,569	7.0
Non-recurring charges	--	37,139	(37,139)	(100.0)
Total expenses	307,171	330,027	(22,856)	(6.9)
Income before realized gains and unrealized losses on disposition of rental property and minority interests	133,665	102,223	31,442	30.8
Realized gains and unrealized losses on disposition of rental property	(9,677)	86,205	(95,882)	(111.2)
Income before minority interests	123,988	188,428	(64,440)	(34.2)
MINORITY INTERESTS:				
Operating partnership	25,568	32,421	(6,853)	(21.1)
Partially-owned properties	--	5,072	(5,072)	(100.0)
Net income	$ 98,420	$ 150,935	$ (52,515)	(34.8)%

</Table>

<Page>

The following is a summary of the changes in revenue from rental operations and property expenses divided into Same-Store Properties, Acquired Properties and Dispositions (dollars in thousands):

<Table>
<Caption>

	Total Company		Same-store Properties		Acquired Properties		Dispositions	
	Dollar Change	Percent Change	Dollar Change	Percent Change	Dollar Change	Percent Change	Dollar Change	Percent Change
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
REVENUE FROM RENTAL OPERATIONS:								
Base rents	$14,314	3.9%	$10,428	2.8%	$20,595	5.6%	$(16,709)	(4.5)%
Escalations and recoveries from tenants	(2,922)	(6.5)	(1,963)	(4.4)	1,593	3.6	(2,552)	(5.7)
Parking and other	(4,968)	(38.3)	(4,527)	(34.9)	285	2.2	(726)	(5.6)
Total	$ 6,424	1.5%	$3,938	0.9%	$22,473	5.3%	$(19,987)	(4.7)%
PROPERTY EXPENSES:								
Real estate taxes	$ 1,640	3.6%	$ 401	0.9%	$ 2,795	6.1%	$ (1,556)	(3.4)%
Utilities	2,175	6.8	1,903	5.9	1,799	5.7	(1,527)	(4.8)
Operating services	482	0.9	716	1.4	3,062	5.9	(3,296)	(6.4)
Total	$ 4,297	3.3%	$3,020	2.3%	$ 7,656	6.0%	$ (6,379)	(5.0)%
OTHER DATA:								

Number of Consolidated Properties	260	242	18	13
Square feet (in thousands)	27,188	24,964	2,224	2,610

</Table>

Base rents for the Same-Store Properties increased $10.4 million, or 2.8 percent, for 2001 as compared to 2000, due primarily to rental rate increases in 2001. Escalations and recoveries from tenants for the Same-Store Properties decreased $2.0 million, or 4.4 percent, for 2001 over 2000, due to the recovery of a decreased amount of total property expenses in 2001, as well as increased settle-up billings in 2000. Parking and other income for the Same-Store Properties decreased $4.5 million, or 34.9 percent, due primarily to fewer lease termination fees in 2001.

Real estate taxes on the Same-Store Properties increased $0.4 million, or 0.9 percent, for 2001 as compared to 2000, due primarily to property tax rate increases in certain municipalities in 2001, partially offset by lower assessments on certain properties in 2001. Utilities for the Same-Store Properties increased $1.9 million, or 5.9 percent, for 2001 as compared to 2000, due primarily to increased gas rates. Operating services for the Same-Store Properties increased $0.7 million, or 1.4 percent, due primarily to an increase in maintenance costs in 2001.

Equity in earnings of unconsolidated joint ventures increased $2.9 million, or 66.6 percent, for 2001 as compared to 2000. This is due primarily to properties developed by joint ventures being placed in service during 2000 and higher occupancies at certain properties, partially offset by the sale of a joint venture office property in 2001 (see Note 4 to the Financial Statements).

Interest income decreased $0.8 million, or 30.2 percent, for 2001 as compared to 2000. This decrease was due primarily to additional interest income in 2000 on investment of proceeds from the Dispositions in cash and cash equivalents for longer periods of time.

General and administrative increased by $4.9 million, or 29.3 percent, for 2001 as compared to 2000. This increase is due primarily to increased, bad debt expense of approximately $2.5 million in 2001, related to a lease breakage fee receivable due from a former tenant deemed uncollectible, increased professional fees, mostly on account of costs for transactions not consummated, and increased payroll and related costs in 2001.

Depreciation and amortization decreased by $0.5 million, or 0.7 percent, for 2001 over 2000. Of this decrease, $2.2 million, or 3.3 percent, is due to the Same-Store Properties and $2.1 million, or 3.0 percent, attributable to the Dispositions, partially offset by an increase of $3.8 million, or 5.6 percent, due to the Acquired Properties.

<Page>

Interest expense increased $5.7 million, or 7.0 percent, for 2001 as compared to 2000. This increase is due primarily to higher average outstanding debt balances in 2001 versus 2000, primarily as a result of Common Stock repurchases in late 2000 and early 2001 and, to a lesser extent, the replacement in early 2001 of short-term credit facility borrowings with long-term, higher, fixed rate debt.

Non-recurring charges of $37.1 million were incurred in 2000, as a result of costs associated with the termination of the Prentiss merger agreement (see Note 3 to the Financial Statements) in September 2000 and costs associated with the resignations of Brant Cali and John R. Cali (see Note 13 to Financial Statements) in June 2000.

Income before realized gains and unrealized losses on disposition of rental property and minority interests increased to $133.7 million in 2001 from $102.2 million in 2000. The increase of approximately $31.5 million is due to the factors discussed above.

Net income decreased by $52.5 million, from $150.9 million in 2000 to $98.4 million in 2001. This decrease was a result of a gain on sale of rental property of $86.2 million in 2000 and unrealized losses on disposition of rental property of $9.7 million in 2001. This was partially offset by an increase in income before realized gains and unrealized losses on disposition of rental property and minority interests of $31.5 million, and a decrease in minority interests of $11.9 million in 2001.

LIQUIDITY AND CAPITAL RESOURCES

STATEMENT OF CASH FLOWS During the nine months ended September 30, 2001, the Company generated $188.1 million in cash flows from operating activities, and together with $695.6 million in borrowings from the Company's senior unsecured notes, revolving credit facilities and additional mortgage financing, $124.1 million in proceeds from sales of rental property, $37.5 million in distributions received from unconsolidated joint ventures, $6.0 million in proceeds from repayment of a mortgage note receivable and $4.0 million in proceeds from stock options exercised used an aggregate of

approximately $1.1 billion to acquire properties and land parcels and pay for other tenant and building improvements totaling $189.9 million, repay outstanding borrowings on its revolving credit facilities and other mortgage debt of $610.1 million, pay quarterly dividends and distributions of $130.0 million, invest $64.2 million in unconsolidated joint ventures, pay financing costs of $3.3 million, repurchase 915,300 shares of its outstanding common stock for $25.0 million, add $1.0 million to restricted cash and add $31.8 million to cash and cash equivalents.

CAPITALIZATION

The Company has a focused strategy geared to attractive opportunities in high-barrier-to-entry markets, primarily predicated on the Company's strong presence in the Northeast region and, to a lesser extent, certain markets in California. The Company plans to sell substantially all of its properties located in the Southwestern and Western regions, using such proceeds to invest in property acquisitions and development projects in its core Northeast markets, as well as to repay debt and fund stock repurchases.

Consistent with its strategy, in the fourth quarter 2000, the Company started construction of a 980,000 square-foot office property, to be known as Plaza 5, at its Harborside Financial Center office complex in Jersey City, Hudson County, New Jersey, which is approximately 40 percent leased. The total cost of the project is currently projected to be approximately $260 million and is anticipated to be completed in late 2002. Additionally, in the fourth quarter 2000, the Company, through a joint venture, started construction of a 575,000 square-foot office property, to be known as Plaza 10, on land owned by the joint venture located adjacent to the Company's Harborside complex. The total cost of this project is currently projected to be approximately $140 million and is anticipated to be completed in late 2002. Plaza 10 is 100 percent pre-leased to Charles Schwab & Co. Inc. for a 15-year term. The lease agreement obligates the Company, among other things, to deliver space to the tenant by required timelines and offers expansion options, at the tenant's election, to additional space in any adjacent Harborside projects. Such options may obligate the Company to construct an additional building at Harborside if vacant space is not available in any of its existing Harborside properties. Should the Company be unable to or choose not to provide such expansion space, the Company could be liable to Schwab for its actual damages, in no event to exceed $15.0 million. The Company expects to finance its funding requirements under both Plazas 5 and 10 projects primarily through drawing on its revolving credit facility.

On August 6, 1998, the Board of Directors of the Company authorized a Repurchase Program under which the Company was permitted to purchase up to $100.0 million of the Company's outstanding common stock. Under the Repurchase Program, the Company purchased for constructive retirement 1,869,200 shares of its outstanding common stock for an aggregate cost of approximately $52.6 million through September 12, 2000.

On September 13, 2000, the Board of Directors authorized an increase to the Repurchase Program under which the Company is permitted to purchase up to an additional $150.0 million of the Company's outstanding common stock above the $52.6 million that had previously been purchased. From that date through October 31, 2001, the Company purchased for constructive retirement 2.9 million shares of its outstanding common stock for an aggregate cost of approximately $80.5 million under the Repurchase Program. The Company has authorization to repurchase up to an additional $69.5 million of its outstanding common stock which it may repurchase from time to time in open market transactions at prevailing prices or through privately negotiated transactions.

As of September 30, 2001, the Company's total indebtedness of $1.7 billion (weighted average interest rate of 7.19 percent) was comprised of $105.2 million of revolving credit facility borrowings and other variable rate mortgage debt (weighted average rate of 4.27 percent) and fixed rate debt of $1.6 billion (weighted average rate of 7.39 percent).

As of September 30, 2001, the Company had outstanding borrowings of $73.0 million under its 2000 Unsecured Facility (with aggregate borrowing capacity of $800.0 million). The interest rate on outstanding borrowings under the 2000 Unsecured Facility is currently LIBOR plus 80 basis points. The Company may instead elect an interest rate representing the higher of the lender's prime rate or the Federal Funds rate plus 50 basis points. The 2000 Unsecured Facility also requires a 20 basis point facility fee on the current borrowing capacity payable quarterly in arrears. In the event of a change in the Company's unsecured debt rating, the interest and facility fee rate will be changed on a sliding scale. Subject to certain conditions, the Company has the ability to increase the borrowing capacity of the 2000 Unsecured Facility up to $1.0 billion. The 2000 Unsecured Facility matures in June 2003, with an extension option of one year, which would require a payment of 25 basis points of the then borrowing capacity of the credit line upon exercise. The Company believes that the 2000 Unsecured Facility is sufficient to meet its revolving credit facility needs.

The terms of the 2000 Unsecured Facility include certain restrictions and covenants which limit, among other things, the payment of dividends (as discussed below), the incurrence of additional indebtedness, the incurrence of liens and the disposition of assets, and which require compliance with financial ratios relating to the maximum leverage ratio, the maximum amount of secured indebtedness, the minimum amount of tangible net worth, the minimum amount of debt service coverage, the minimum amount of fixed charge coverage, the maximum amount of unsecured indebtedness, the minimum amount of unencumbered property debt service coverage and certain investment limitations. The dividend restriction referred to above provides that, except to enable the Company to continue to qualify as a REIT under the Code, the Company will not during any four consecutive fiscal quarters make distributions with respect to common stock or other equity interests in an aggregate amount in excess of 90 percent of funds from operations (as defined) for such period, subject to certain other adjustments.

On January 29, 2001, the Operating Partnership issued $300.0 million face amount of 7.75 percent senior unsecured notes due February 15, 2011 with interest payable semi-annually in arrears. The total proceeds from the issuance (net of selling commissions and discount) of approximately $296.3 million were used to pay down outstanding borrowings under the 2000 Unsecured Facility, as defined in Note 9 to the Financial Statements. The senior unsecured notes were issued at a discount of approximately $1.7 million.

The terms of the Operating Partnership's unsecured debt include certain restrictions and covenants which require compliance with financial ratios relating to the maximum amount of debt leverage, the maximum amount of secured indebtedness, the minimum amount of debt service coverage and the maximum amount of unsecured debt as a percent of unsecured assets.

The Company has three investment grade credit ratings. Standard & Poor's Rating Services ("S&P") and Fitch, Inc. ("Fitch") have each assigned their BBB rating to existing and prospective senior unsecured debt of the Operating Partnership. S&P and Fitch have also assigned their BBB- rating to prospective preferred stock offerings of the Company. Moody's Investors Service has assigned its Baa3 rating to the existing and prospective senior unsecured debt of the Operating Partnership and its Ba1 rating to prospective preferred stock offerings of the Company.

On May 18, 2001, the Company obtained $70.0 million in additional mortgage financing secured by Harborside Financial Center Plazas 2 and 3 from the existing lender. The 7.42 percent interest only financing matures concurrent with the existing financing on January 1, 2006. The total financing secured by Harborside Financial Center Plazas 2 and 3 of $162.9 million at September 30, 2001, has a weighted average interest rate of 7.36 percent. Proceeds from the financing were used to pay down the outstanding borrowings on the 2000 Unsecured Facility.

As of September 30, 2001, the Company had 236 unencumbered properties, totaling 21.0 million square feet, representing 77.3 percent of the Company's total portfolio on a square footage basis.

The Company has an effective shelf registration statement with the SEC for an aggregate amount of $2.0 billion in equity securities of the Company. The Company and Operating Partnership also have an effective shelf registration statement with the SEC for an aggregate of $2.0 billion in debt securities, preferred stock and preferred stock represented by depositary shares, under which the Operating Partnership has issued an aggregate of $1.1 billion of unsecured debt.

Historically, rental revenue has been the principal source of funds to pay operating expenses, debt service and capital expenditures, excluding non-recurring capital expenditures. Management believes that the Company will have access to the capital resources necessary to expand and develop its business. To the extent that the Company's cash flow from operating activities is insufficient to finance its non-recurring capital expenditures such as property acquisition and construction project costs and other capital expenditures, the Company expects to finance such activities through borrowings under its revolving credit facilities and other debt and equity financing.

The Company expects to meet its short-term liquidity requirements generally through its working capital, net cash provided by operating activities and from the 2000 Unsecured Facility. The Company frequently examines potential property acquisitions and construction projects and, at any given time, one or more of such acquisitions or construction projects may be under consideration. Accordingly, the ability to fund property acquisitions and construction projects is a major part of the Company's financing requirements. The Company expects to meet its financing requirements through funds generated from operating activities, proceeds from property sales, long-term or short-term borrowings (including draws on the Company's revolving credit facilities) and the issuance of additional debt or equity securities.

As of September 30, 2001, the Company classified 42 properties with an aggregate net book value of $422.7 million as held for sale. The Company is currently in various stages of contract negotiations for the sale of certain of the properties. Substantially all of the properties are unencumbered. The sale of one or more of these assets will enhance the company's short-term liquidity although there is no assurance when and if any sales will occur or, if they occur, how much proceeds the Company will realize.

As of September 30, 2001, the Company's total debt had a weighted average term to maturity of approximately 5.1 years. The Company does not intend to reserve funds to retire the Company's unsecured corporate debt or its mortgages and loans payable upon maturity. Instead, the Company will seek to refinance such debt at maturity or retire such debt through the issuance of additional equity or debt securities. The Company is reviewing various refinancing options, including the issuance of additional unsecured debt, preferred stock, and/or obtaining additional mortgage debt, some or all of which may be completed during 2001. The Company anticipates that its available cash and cash equivalents and cash flows from operating activities, together with cash available from borrowings and other sources, will be adequate to meet the Company's capital and liquidity needs both in the short and long-term. However, if these sources of funds are insufficient or unavailable, the Company's ability to make the expected distributions discussed below may be adversely affected.

To maintain its qualification as a REIT, the Company must make annual distributions to its stockholders of at least 90 percent of its REIT taxable income, determined without regard to the dividends paid deduction and by excluding net capital gains. Moreover, the Company intends to continue to make regular quarterly distributions to its stockholders which, based upon current policy, in the aggregate would equal approximately $139.1 million on an annualized basis. However, any such distribution, whether for federal income tax purposes or otherwise, would only be paid out of available cash after meeting both operating requirements and scheduled debt service on mortgages and loans payable.

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FUNDS FROM OPERATIONS

The Company considers funds from operations ("FFO"), after adjustment for straight-lining of rents and non-recurring charges, one measure of REIT performance. Funds from operations is defined as net income (loss) before minority interest of unitholders, computed in accordance with generally accepted accounting principles ("GAAP"), excluding gains (or losses) from debt restructuring, other extraordinary items, and realized gains and unrealized losses on disposition of depreciable rental property, plus real estate-related depreciation and amortization. Funds from operations should not be considered as an alternative to net income as an indication of the Company's performance or to cash flows as a measure of liquidity. Funds from operations presented herein is not necessarily comparable to funds from operations presented by other real estate companies due to the fact that not all real estate companies use the same definition. However, the Company's funds from operations is comparable to the funds from operations of real estate companies that use the current definition of the National Association of Real Estate Investment Trusts ("NAREIT"), after the adjustment for straight-lining of rents and non-recurring charges.

Funds from operations for the three and nine month periods ended September 30, 2001 and 2000, as calculated in accordance with NAREIT's definition as published in October 1999, after adjustment for straight-lining of rents and non-recurring charges, are summarized in the following table (IN THOUSANDS):

<Table>
<Caption>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
Income before realized gains and unrealized losses on disposition of rental property and minority interests	$42,979	$16,637	$133,665	$ 102,223
Add: Real estate-related depreciation and amortization (1)	23,179	23,920	70,250	70,072
Gain on sale of land	--	--	--	2,248
Non-recurring charges	--	27,911	--	37,139
Deduct: Rental income adjustment for straight-lining of rents (2)	(1,830)	(3,484)	(9,692)	

(9,074)
Minority interests:
partially-owned properties -- -- --
(5,072)
- ---

Funds from operations, after adjustment for straight-lining of rents and non-recurring charges 64,328 64,984 194,223
197,536
Deduct: Distributions to preferred unitholders (3,943) (3,928) (11,701)
(11,562)
- ---

Funds from operations, after adjustment for straight-lining of rents and non-recurring charges, after distributions to preferred unitholders $60,385 $61,056 $182,522 $
185,974
==========
===
Cash flows provided by operating activities $188,148 $
128,233
Cash flows (used in) provided by investing activities $(87,526) $
55,157
Cash flows used in financing activities $(68,835) $
(181,471)
- ---

Basic weighted averages shares/units outstanding (3) 64,084 66,729 64,440
66,595
- ---

Diluted weighted average shares/units outstanding (3) 70,762 73,353 71,050
73,276
- ---

</Table>

(1) Includes the Company's share from unconsolidated joint ventures of $863 and $784 for the three months ended September 30, 2001 and 2000, respectively, and $2,906 and $2,204 for the nine months ended September 30, 2001 and 2000, respectively.
(2) Includes the Company's share from unconsolidated joint ventures of $62 and $36 for the three months ended September 30, 2001 and 2000, respectively, and $64 and $18 for nine months ended September 30, 2001 and 2000, respectively.
(3) See calculations for the amounts presented in the following reconciliation.

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The following schedule reconciles the Company's basic weighted average shares to the basic and diluted weighted average shares/units presented above:

<Table>
<Caption>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
Basic weighted average shares:	56,129	58,711	56,482	58,518
Add: Weighted average common units	7,955	8,018	7,958	8,077
Basic weighted average shares/units:	64,084	66,729	64,440	66,595
Add: Weighted average preferred units (after conversion to common units)	6,359	6,439	6,359	6,504
Stock options	319	185	251	177
Diluted weighted average shares/units:	70,762	73,353	71,050	73,276

</Table>

INFLATION

The Company's leases with the majority of its tenants provide for recoveries and escalation charges based upon the tenant's proportionate share of, and/or increases in, real estate taxes and certain operating costs, which reduce the Company's exposure to increases in operating costs resulting from inflation.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

The Company considers portions of this information to be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward-looking statements relate to, without limitation, the Company's future economic performance, plans and objectives for future operations and projections of revenue and other financial items. Forward-looking statements can be identified by the use of words such as "may," "will," "should," "expect," "anticipate," "estimate" or "continue" or comparable terminology. Forward-looking statements are inherently subject to risks and uncertainties, many of which the Company cannot predict with accuracy and some of which the Company might not even anticipate. Although the Company believes that the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no assurance that its expectations will be achieved. Future events and actual results, financial and otherwise, may differ materially from the results discussed in the forward-looking statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the exposure to loss resulting from changes in interest rates, foreign currency exchange rates, commodity prices and equity prices. In pursuing its business plan, the primary market risk to which the Company is exposed is interest rate risk. Changes in the general level of interest rates prevailing in the financial markets may affect the spread between the Company's yield on invested assets and cost of funds and, in turn, our ability to make distributions or payments to our investors.

Approximately $1.6 billion of the Company's long-term debt bears interest at fixed rates and therefore the fair value of these instruments is affected by changes in market interest rates. The following table presents principal cash flows (in thousands) based upon maturity dates of the debt obligations and the related weighted-average interest rates by expected maturity dates for the fixed rate debt. The interest rate on the variable rate debt as of September 30, 2001 ranged from LIBOR plus 65 basis points to LIBOR plus 80 basis points.

<Table>
<Caption>

SEPTEMBER 30, 2001

DEBT, INCLUDING CURRENT PORTION	10/1/01 - 12/31/01	2002	2003	2004	2005	THEREAFTER	TOTAL	FAIR VALUE
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Fixed Rate	$767	$3,260	$195,500	$312,110	$254,598	$843,005	$1,609,240	$1,672,080
Average Interest Rate	7.70%	7.72%	7.30%	7.34%	7.13%	7.41%	7.39%	
Variable Rate	-	-	$73,000	-	-	$ 32,178	$ 105,178	$ 105,178

</Table>

While the Company has not experienced any significant credit losses, in the event of a significant rising interest rate environment and/or economic downturn, defaults could increase and result in losses to the Company which adversely affect its operating results and liquidity.

MACK-CALI REALTY CORPORATION

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Reference is made to "Other" in Note 13 (Commitments and Contingencies) to the Consolidated Financial Statements, which is specifically incorporated by reference herein.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

Not Applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not Applicable.

ITEM 5. OTHER INFORMATION

Not Applicable.

<Page>

ITEM 6 - EXHIBITS

(a) Exhibits

The following exhibits are filed herewith or are incorporated by reference to exhibits previously filed:

EXHIBIT NUMBER	EXHIBIT TITLE
3.1	Restated Charter of Mack-Cali Realty Corporation dated June 11, 2001 (filed as Exhibit 3.1 to the Company's Form 10-Q dated June 30, 2001 and incorporated herein by reference).
3.2	Amended and Restated Bylaws of Mack-Cali Realty Corporation dated June 10, 1999 (filed as Exhibit 3.2 to the Company's Form 8-K dated June 10, 1999 and incorporated herein by reference).
3.3	Second Amended and Restated Agreement of Limited Partnership of Mack-Cali Realty, L.P. dated December 11, 1997 (filed as Exhibit 10.110 to the Company's Form 8-K dated December 11, 1997 and incorporated herein by reference).
3.4	Amendment No. 1 to the Second Amended and Restated Agreement of Limited Partnership of Mack-Cali Realty, L.P. dated August 21, 1998 (filed as Exhibit 3.1 to the Company's and the Operating Partnership's Registration Statement on Form S-3, Registration No. 333-57103, and incorporated herein by reference).
3.5	Second Amendment to the Second Amended and Restated Agreement of Limited Partnership of Mack-Cali Realty, L.P. dated July 6, 1999 (filed as Exhibit 10.1 to the Company's Form 8-K dated July 6, 1999 and incorporated herein by reference).
4.1	Amended and Restated Shareholder Rights Agreement, dated as of March 7, 2000, between Mack-Cali Realty Corporation and EquiServe Trust Company, N.A., as Rights Agent (filed as Exhibit 4.1 to the Company's Form 8-K dated March 7, 2000 and incorporated herein by reference).
4.2	Amendment No. 1 to the Amended and Restated Shareholder Rights Agreement, dated as of June 27, 2000, by and among Mack-Cali Realty Corporation and EquiServe Trust Company, N.A. (filed as Exhibit 4.1 to the Company's Form 8-K dated June 27, 2000).
4.3	Indenture dated as of March 16, 1999, by and among Mack-Cali Realty, L.P., as issuer, Mack-Cali Realty Corporation, as guarantor, and Wilmington Trust Company, as trustee (filed as Exhibit 4.1 to the Operating Partnership's Form 8-K dated March 16, 1999 and incorporated herein by reference).

4.4	Supplemental Indenture No. 1 dated as of March 16, 1999, by and among Mack-Cali Realty, L.P., as issuer, and Wilmington Trust Company, as trustee (filed as Exhibit 4.2 to the Operating Partnership's Form 8-K dated March 16, 1999 and incorporated herein by reference).

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EXHIBIT NUMBER	EXHIBIT TITLE
4.5	Supplemental Indenture No. 2 dated as of August 2, 1999, by and among Mack-Cali Realty, L.P., as issuer, and Wilmington Trust Company, as trustee (filed as Exhibit 4.4 to the Operating Partnership's Form 10-Q dated June 30, 1999 and incorporated herein by reference).
4.6	Supplemental Indenture No. 3 dated as of December 21, 2000, by and among Mack-Cali Realty, L.P., as issuer, and Wilmington Trust Company, as trustee (filed as Exhibit 4.2 to the Operating Partnership's Form 8-K dated December 21, 2000 and incorporated herein by reference).
4.7	Supplemental Indenture No. 4 dated as of January 29, 2001, by and among Mack-Cali Realty, L.P., as issuer, and Wilmington Trust Company, as trustee (filed as Exhibit 4.2 to the Operating Partnership's Form 8-K dated January 29, 2001 and incorporated herein by reference).
10.1	Amended and Restated Employment Agreement dated as of July 1, 1999 between Mitchell E. Hersh and Mack-Cali Realty Corporation (filed as Exhibit 10.2 to the Company's Form 10-Q dated June 30, 1999 and incorporated herein by reference).
10.2	Second Amended and Restated Employment Agreement dated as of July 1, 1999 between Timothy M. Jones and Mack-Cali Realty Corporation (filed as Exhibit 10.3 to the Company's Form 10-Q dated June 30, 1999 and incorporated herein by reference).
10.3	Second Amended and Restated Employment Agreement dated as of July 1, 1999 between Barry Lefkowitz and Mack-Cali Realty Corporation (filed as Exhibit 10.6 to the Company's Form 10-Q dated June 30, 1999 and incorporated herein by reference).
10.4	Second Amended and Restated Employment Agreement dated as of July 1, 1999 between Roger W. Thomas and Mack-Cali Realty Corporation (filed as Exhibit 10.7 to the Company's Form 10-Q dated June 30, 1999 and incorporated herein by reference).
10.5	Employment Agreement dated as of December 5, 2000 between Michael Grossman and Mack-Cali Realty Corporation (filed as Exhibit 10.5 to the Company's Form 10-K for the year ended December 31, 2000 and incorporated herein by reference).
10.6	Restricted Share Award Agreement dated as of July 1, 1999 between Mitchell E. Hersh and Mack-Cali Realty Corporation (filed as Exhibit 10.8 to the Company's Form 10-Q dated June 30, 1999 and incorporated herein by reference).
10.7	Restricted Share Award Agreement dated as of July 1, 1999 between Timothy M. Jones and Mack-Cali Realty Corporation (filed as Exhibit 10.9 to the Company's Form 10-Q dated June 30, 1999 and incorporated herein by reference).
10.8	Restricted Share Award Agreement dated as of July 1, 1999 between Barry Lefkowitz and Mack-Cali Realty Corporation (filed as Exhibit 10.12 to the Company's Form 10-Q dated June 30, 1999 and incorporated herein by reference).

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EXHIBIT NUMBER	EXHIBIT TITLE
10.9	Restricted Share Award Agreement dated as of July 1, 1999 between Roger W. Thomas and Mack-Cali Realty Corporation (filed as Exhibit 10.13 to the Company's Form 10-Q dated June 30, 1999 and incorporated herein by reference).
10.10	Restricted Share Award Agreement dated as of March 12, 2001 between Roger W. Thomas and Mack-Cali Realty Corporation (filed as Exhibit 10.10 to the Company's Form 10-Q dated March 31, 2001 and incorporated herein by reference).
10.11	Restricted Share Award Agreement dated as of March 12, 2001 between Michael Grossman and Mack-Cali Realty Corporation (filed as Exhibit 10.11 to the Company's Form 10-Q dated March 31, 2001 and incorporated herein by reference).
10.12	Amendment No. 3 to and Restatement of Revolving Credit Agreement dated as of June 22, 2000, by and among Mack-Cali Realty, L.P. and The Chase Manhattan Bank, Fleet National Bank and Other Lenders Which May Become Parties Thereto with The Chase Manhattan Bank, as administrative agent, Fleet National Bank, as syndication agent, Bank of America, N.A., as documentation agent, Chase Securities Inc. and FleetBoston Robertson Stephens Inc., as arrangers, Bank One, N.A., First Union National Bank and Commerzbank Aktiengesellschaft, as senior managing agents, PNC Bank National Association, as managing agent, and Societe Generale, Dresdner Bank AG, Wells Fargo Bank, National Association, Bank Austria Creditanstalt Corporate Finance, Inc., Bayerische Hypo-und Vereinsbank and Summit Bank, as co-agents (filed as Exhibit 10.10 to the Company's Form 10-K for the year ended December 31, 2000 and incorporated herein by reference).
10.13	Contribution and Exchange Agreement among The MK Contributors, The MK Entities, The Patriot Contributors, The Patriot Entities, Patriot American Management and Leasing Corp., Cali Realty, L.P. and Cali Realty Corporation, dated September 18, 1997 (filed as Exhibit 10.98 to the Company's Form 8-K dated September 19, 1997 and incorporated herein by reference).
10.14	First Amendment to Contribution and Exchange Agreement, dated as of December 11, 1997, by and among the Company and the Mack Group (filed as Exhibit 10.99 to the Company's Form 8-K dated December 11, 1997 and incorporated herein by reference).
10.15	Employee Stock Option Plan of Mack-Cali Realty Corporation (filed as Exhibit 10.1 to the Company's Post-Effective Amendment No. 1 to Form S-8, Registration No. 333-44443, and incorporated herein by reference).
10.16	Director Stock Option Plan of Mack-Cali Realty Corporation (filed as Exhibit 10.2 to the Company's Post-Effective Amendment No. 1 to Form S-8, Registration No. 333-44443, and incorporated herein by reference).
10.17	2000 Employee Stock Option Plan (filed as Exhibit 10.1 to the Company's Registration Statement on Form S-8, Registration No. 333-52478, and incorporated herein by reference).
10.18	2000 Director Stock Option Plan (filed as Exhibit 10.2 to the Company's Registration Statement on Form S-8, Registration No. 333-52478, and incorporated herein by reference).

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EXHIBIT NUMBER	EXHIBIT TITLE
*10.19	Agreement of Sale and Acquisition of Beneficial and Equitable Ownership Interests in Real Property dated September 13, 2001, between Clearbrook Road Associates L.L.C., a New York limited liability company, and Mack-Cali Realty, L.P., a Delaware limited partnership.
*10.20	Agreement of Sale and Acquisition of Beneficial and Equitable Ownership Interests in Real Property dated September 13, 2001, between Robert Martin Company, L.L.C., a New York limited liability company, and Clearbrook Road Associates L.L.C., a New York limited liability company.
*10.21	Purchase Agreement dated August 16, 2001, by and between the Board of Governors of the Federal Reserve System and M-C Capitol Associates L.L.C., a Delaware limited liability company.

(b) Reports on Form 8-K

During the third quarter of 2001, the Company filed a report on Form 8-K dated July 18, 2001, furnishing under Item 9 certain information regarding its operations. The Company also filed a report on Form 8-K dated August 8, 2001, furnishing under Items 7 and 9 certain supplemental data regarding its operations.

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*filed herewith

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MACK-CALI REALTY CORPORATION

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Mack-Cali Realty Corporation

(Registrant)

Date: November 7, 2001 By: /s/ MITCHELL E. HERSH

Mitchell E. Hersh
Chief Executive Officer

Date: November 7, 2001 By: /s/ BARRY LEFKOWITZ

Barry Lefkowitz
Executive Vice President &
Chief Financial Officer

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EXHIBIT 10.19

AGREEMENT OF PURCHASE AND SALE

THIS AGREEMENT OF SALE AND ACQUISITION OF BENEFICIAL AND EQUITABLE OWNERSHIP INTERESTS IN REAL PROPERTY ("AGREEMENT") made this 13th day of September, 2001 between CLEARBROOK ROAD ASSOCIATES L.L.C., a limited liability company duly organized, validly existing and in good standing under the laws of the State of New York ("SELLER") having an address at c/o Chicago Deferred Exchange Corporation, 171 North Clark Street, Ninth Floor, Chicago, Illinois 60601 and MACK-CALI REALTY, L.P. a limited partnership duly organized, validly existing and in good standing under the laws of the State of Delaware ("PURCHASER"), having an address at c/o Mack-Cali Realty Corporation 11 Commerce Drive, Cranford, New Jersey 07016.

WHEREAS, Purchaser desires to purchase and Seller desires to sell, transfer and convey all of Seller's beneficial and equitable rights and interests in and to approximately 4.239 acres of vacant land (the "Land") being a part of certain real property known as 75 Clearbrook Road, Elmsford, New York (the "75 Clearbrook Property") in accordance with the terms and conditions of this Agreement;

WHEREAS, pursuant to the terms of a certain Agreement of Sale and Acquisition of Beneficial and Equitable Interests in Real Property dated as of the date hereof, Seller acquired all beneficial and equitable rights and interests in and to the Land from Robert Martin Company, LLC ("RMC");

WHEREAS the parties acknowledge that pursuant to that certain Contribution and Exchange Agreement (the "Contribution Agreement") dated January 24, 1997 by and among RMC, together with one of its related entities, and Purchaser (formerly known as Cali Realty, L.P.), together with its general partner Mack-Cali Realty Corporation, (formerly known as Cali Realty Corporation), RMC and Purchaser agreed and provided in the Contribution Agreement, that RMC retained all of the beneficial and equitable interests and rights in and to the Land and remained the beneficial owner thereof and that Purchaser would hold legal title to the Land (but no beneficial, equitable or other interests or rights in the Land whatsoever other than mere legal title thereto), solely in its capacity as agent and nominee of RMC, for the sole and absolute benefit of RMC;

WHEREAS, Seller has assumed RMC's right and obligations under the Contribution Agreement with respect to the Land and Purchaser, for all periods from the time of execution of such agreement until the date and time hereof, has adhered to the terms to the terms of the Contribution Agreement, and has served and acted as RMC's, and now Seller's, agent and nominee for the sole and limited purpose of acquiring and holding legal title to the Land for the sole and absolute benefit of Seller and has taken only such actions with respect to such Land during such periods as RMC or Seller has directed;

WHEREAS, Purchaser is required by the terms of the Contribution Agreement and has acknowledged and renewed its obligation to continue to act as Seller's agent and nominee for the

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foregoing such limited purpose for all periods following the date hereof up and to the moment of closing of the sale and conveyance of Seller's beneficial interests and rights in and to the Land pursuant to this Agreement and to act only in accordance with Seller's directions during such period.

NOW THEREFORE, In consideration of the mutual promises, covenants, and agreements set forth herein, and other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, Seller and Purchaser agree as follows:

ARTICLE I
DEFINITIONS

SECTION 1.1 DEFINITIONS. For purposes of this Agreement, the following capitalized terms have the meanings set forth in this Section 1.1:

"BUSINESS DAY" means all day other than Saturday, Sunday or a day on which national banking associations are authorized or required to close.

"CLOSING" means the consummation of the purchase and sale of the Property contemplated by this Agreement, as provided for in Article X.

"CLOSING DATE" means the date on which the Closing occurs, which will be the date hereof. Notwithstanding the foregoing, Purchaser shall have the right to accelerate the Closing on at least five (5) days notice to Seller, but which notice shall not constitute a waiver by Purchaser of any obligations of Seller

hereunder which obligations will not have been performed by Seller by the date set forth in Purchaser's acceleration notice, and which obligations shall survive Closing.

"CLOSING STATEMENT" has the meaning ascribed to such term in Section 10.4.

"CODE" has the meaning ascribed to such term in Section 10.3(d).

"CONVEYANCE DOCUMENT" has the meaning ascribed to such term in Section 10.3(a).

"EFFECTIVE DATE" shall mean the date set forth in the opening paragraph of this Agreement.

"GOVERNMENTAL REGULATIONS" means all laws, ordinances, rules and regulations of any governmental and quasi-governmental bodies or agencies applicable to Seller, the Land, or any portion thereof, including without limitation, the use, operation or construction of any of the foregoing.

"IMPROVEMENTS" means all buildings, structures, fixtures, parking areas and improvements located or to be constructed on the Land.

"LAND" means approximately 4.239 acres of vacant land as shown on that certain survey

prepared for Cross Westchester Realty Associates L.P. in the Town of Greenburgh, Westchester County, N.Y., dated February 1, 1997, prepared by Ward, Carpenter Engineers, Inc., being a part of real property known as 75 Clearbrook Road, located within the Cross Westchester Executive Park, located in Westchester County, State of New York, as more particularly described on the legal description attached hereto and made a part hereof as EXHIBIT A, together with all of Seller's right, title and interest, if any, in and to the appurtenances pertaining thereto, including but not limited to Seller's right, title and interest in and to the adjacent streets, alleys and right-of-ways, and any easement rights, air rights, subsurface development rights and water rights.

"MANAGEMENT AGREEMENT" has the meaning ascribed to such term in Section 9.1.

"PERMITTED EXCEPTIONS" has the meaning ascribed to such term in Section 6.1.

"PERSONAL PROPERTY" means any and all furniture, fixtures, machinery and equipment owned by Seller and situated on the Land and used in connection with the ownership and operation thereof.

"PROPERTY" has the meaning ascribed to such term in Section 2.1.

"PURCHASE PRICE" has the meaning ascribed to such term in Section 3.1.

"PRORATION ITEMS" has the meaning ascribed to such term in Section 10.4.

SECTION 1.2 REFERENCES: EXHIBITS AND SCHEDULES. Except as otherwise specifically indicated, all references in this Agreement to Articles or Sections refer to Articles or Sections of this Agreement, and all references to Exhibits or Schedules refer to Exhibits or Schedules attached hereto, all of which Exhibits and Schedules are incorporated into, and made a part of, this Agreement by reference. The words "herein," "hereof" "hereinafter" and words and phrases of similar import refer to this Agreement as a whole and not to any particular Section or Article.

ARTICLE II
AGREEMENT OF PURCHASE AND ACQUISITION

SECTION 2.1 AGREEMENT. In consideration of the payment of the Purchase Price, Seller hereby agrees to sell, convey and assign to Purchaser, and Purchaser hereby agrees to purchase, accept and assume from Seller, on the Closing Date subject to the terms and conditions of this Agreement, all of the Sellers rights and interests (beneficial, equitable or otherwise) in and to the following (collectively, the "PROPERTY"):

(a) the Land

(b) the Improvements

(b) the Personal Property, if any;

(c) all of Seller's right, title and interest in and to all intangible

personal property used in connection with the ownership and operation of the Land and/or the Improvements, including, without limitation, all plans, specifications, warranties, permits, and licenses relating thereto;

(d) all of Seller's right, title and interest, to the extent assignable or transferable, in and to all other intangible rights, titles, interests, privileges and appurtenances owned by Seller and related to or used exclusively in connection with the ownership, use or operation of the Land and/or the Improvements; and

(e) any and all of Seller's rights, entitlements and claims of any kind whatsoever under the Contribution Agreement with respect to the Land or Purchaser's appointment as Seller's nominee and agent and agreement and obligation to act as Seller's nominee and agent solely for purposes of holding title to the Land and acting with respect thereto solely in accordance with Seller's directions.

On the Closing Date, Purchaser and Seller shall agree to a schedule setting forth the allocation of the Purchase Price to the Improvements, and Personal Property, if any, or other items of the Property described in (c) and (d) sold, conveyed and assigned to Seller hereunder, based on their respective values.

SECTION 2.2 RELATED AGREEMENTS. In addition to the sale of the Property provided for in Section 2.1 and 2.2 hereof, Seller hereby agrees to assign and transfer to Purchaser any and all warranties and guaranties, to the extent assignable or transferable, which Seller may receive in connection with the construction of the Improvements, together with any and all service contracts and any other agreements affecting the Property (collectively, the "RELATED AGREEMENTS"). In the event any of the Related Agreements are not assignable or transferable, Seller hereby agrees to promptly enforce any such non-assignable or non-transferable Related Agreements on Purchaser's behalf upon receipt of request therefor from Purchaser. The obligations contained in this Section 2.2 shall survive the Closing Date.

ARTICLE III
CONSIDERATION

SECTION 3.1 PURCHASE PRICE. The purchase price for the Property (the "PURCHASE PRICE") shall be an amount equal to FIVE MILLION AND NO/100 DOLLARS, ($5,000,000.00) subject to adjustment as herein provided.

SECTION 3.2 METHOD OF PAYMENT OF PURCHASE PRICE. No later than 1:00 p.m. Eastern Standard Time on the Closing Date, Purchaser shall pay the Purchase Price to Seller or as Seller otherwise directs, by bank check or Federal Reserve wire transfer of immediately available funds, together with all other costs and amounts to be paid by Purchaser at the Closing pursuant to the terms of this Agreement.

ARTICLE IV
ACKNOWLEDGMENT OF CONSTRUCTION OF IMPROVEMENTS

SECTION 4.1 APPROVAL OF PLANS. Purchaser hereby acknowledges that the Improvements have not yet been constructed and that it has reviewed Seller's preliminary plans for the construction of the Improvements and hereby approves same (the "PLANS"). A schedule of the Plans is attached hereto as EXHIBIT B. Seller shall not make any changes to the Plans without the express written consent of Purchaser in each instance, which consent may be withheld or granted in Purchaser's sole discretion.

SECTION 4.2 COVENANT OF SELLER. Seller hereby covenants to Purchaser that it shall construct all of the Improvements substantially in accordance with the Plans and all applicable Governmental Regulations. Seller hereby acknowledges and agrees that Seller's covenant to so construct the Improvements in substantial accordance with the Plans is a material inducement to Purchaser entering into this Agreement with Seller, and Purchaser shall not be obligated to perform hereunder unless and until the Improvements are in a phase of Substantial Completion and have been constructed in substantial accordance with the Plans. Notwithstanding the foregoing, Purchaser shall have the right, but not the obligation, to waive the requirements of this Article 4 and proceed with the Closing regardless of whether Seller has constructed the Improvements in substantial accordance with the Plans.

ARTICLE V

SALE AS-IS, WHERE-IS

SECTION 5.1 SALE "AS IS".

(a) EXCEPT AS OTHERWISE SPECIFICALLY STATED IN THIS AGREEMENT TO THE CONTRARY, SELLER HEREBY SPECIFICALLY DISCLAIMS ANY WARRANTY, GUARANTY OR REPRESENTATION, ORAL OR WRITTEN, PAST, PRESENT OR FUTURE OF, AS TO, OR CONCERNING: (I) THE NATURE AND CONDITION OF THE PROPERTY, INCLUDING WITHOUT LIMITATION (A) THE WATER, SOIL AND GEOLOGY AND THE SUITABILITY THEREOF, AND OF THE PROPERTY FOR ANY AND ALL ACTIVITIES AND USES WHICH PURCHASER MAY ELECT TO CONDUCT THEREON, (B) THE EXISTENCE OF ANY ENVIRONMENTAL HAZARDS OR CONDITIONS THEREON (INCLUDING BUT NOT LIMITED TO THE PRESENCE OF ASBESTOS OR THE RELEASE OR THREATENED RELEASE OF HAZARDOUS SUBSTANCES) AND (C) COMPLIANCE WITH ALL APPLICABLE LAWS, RULES OR REGULATIONS; (II) THE NATURE AND EXTENT OF ANY RIGHT-OF-WAY, LEASE, POSSESSION, LIEN, ENCUMBRANCE, LICENSE, RESERVATION, CONDITION OR OTHERWISE; (III) THE COMPLIANCE OF THE PROPERTY OR ITS OPERATION WITH ANY LAWS, ORDINANCES OR REGULATIONS OF ANY GOVERNMENT OR OTHER BODY AND (IV) THE ACCURACY OR COMPLETENESS OF ANY DOCUMENT SUPPLIED TO PURCHASER AS PART OF THE PURCHASER'S INSPECTION, OR OTHERWISE. PURCHASER FURTHER ACKNOWLEDGES THAT THE INFORMATION PROVIDED WITH RESPECT TO THE PROPERTY WAS OBTAINED FROM A VARIETY

OF SOURCES AND, EXCEPT AS SPECIFICALLY STATED IN THIS AGREEMENT, SELLER (X) HAS NOT MADE ANY INDEPENDENT INVESTIGATION OR VERIFICATION OF SUCH INFORMATION AND (Y) DOES NOT MAKE ANY REPRESENTATIONS AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION. EXCEPT AS OTHERWISE SPECIFICALLY STATED IN THIS AGREEMENT, THE SALE OF THE PROPERTY AS PROVIDED FOR HEREIN IS MADE ON AN "AS IS, WHERE IS, WITH ALL FAULTS" BASIS, AND PURCHASER EXPRESSLY ACKNOWLEDGES THAT, IN CONSIDERATION OF THE AGREEMENTS OF SELLER HEREIN, SELLER MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, OR ARISING BY OPERATION OF LAW, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTY OF CONDITION, HABITABILITY, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, IN RESPECT OF THE PROPERTY OR OTHERWISE.

(b) Except as expressly set forth in this Agreement, including without limitation Seller's obligation to construct the Improvements substantially in accordance with the Plans as set forth in Section 4.2 hereof, Purchaser agrees that Seller shall not be responsible or liable to Purchaser for any construction defect, errors or omissions in the design or construction of the Improvements or any other conditions, including environmental conditions affecting the Property, such as the presence of asbestos, petroleum products or other hazardous substances or contamination of the Property by a release of hazardous substances, pollutants, contaminants or petroleum products and Purchaser is purchasing the Property AS-IS, WHERE-IS and WITH ALL FAULTS.

ARTICLE VI
CONDITION OF TITLE

SECTION 6.1 CONDITION OF TITLE. Attached hereto as EXHIBIT B is a complete list of all liens and encumbrances encumbering the Land and the Improvements existing on the date hereof (the "PERMITTED EXCEPTIONS"). Notwithstanding anything to the contrary contained in Article 5 hereof, Seller shall sell, convey and assign to Purchaser the Property subject only to the Permitted Exceptions. In furtherance of the foregoing, Seller shall not place any lien or encumbrance upon the Property, including without limitation any mortgage liens or other liens used to secure debt, from and after the date hereof without the express written consent of Purchaser, which consent may be withheld or granted in Purchaser's sole discretion. If on the Closing Date there exists liens or encumbrances on the Property other than the Permitted Exceptions and other than liens or encumbrances placed upon the Property by or as a result of the actions of MCRLP, Purchaser shall have the option to either (i) waive the provisions of this Section 6.1 and proceed with the Closing with an adjustment to the Purchase Price equal to an amount Seller and Purchaser reasonably agree shall be necessary to remove such additional liens or encumbrances, or (ii) postpone the Closing for such time as may be necessary for Seller to remove such additional liens or encumbrances. In the event Purchaser elects to postpone the Closing as herein provided, if Seller does not provide Purchaser with written notice that such additional liens or encumbrances have been removed within sixty (60) days from the originally scheduled Closing Date, Purchaser shall have the right, as its sole and exclusive remedy, to terminate this Agreement upon written notice to Seller.

ARTICLE VII
REPRESENTATIONS AND WARRANTIES

SECTION 7.1 SELLER'S REPRESENTATIONS AND WARRANTIES. The following constitute the sole representations and warranties of Seller which

representations and warranties shall be true as of the Effective Date. Seller represents and warrants to Purchaser the following:

(a) STATUS. Seller is a limited liability company duly organized and validly existing under the laws of the State of New York.

(b) AUTHORITY. The execution and delivery of this Agreement and the performance of Seller's obligations hereunder have been or will be duly authorized by all necessary action on the part of Seller, and this Agreement constitutes the legal, valid and binding obligation of Seller.

(c) NON-CONTRAVENTION. The execution and delivery of this Agreement by Seller and the consummation by Seller of the transactions contemplated hereby will not violate any judgment, order, injunction, decree, regulation or ruling of any court or authority or conflict with, result in a breach of, or constitute a default under the organizational documents of Seller, any note or other evidence of indebtedness, any mortgage, deed of trust or indenture, or any lease or other material agreement or instrument to which Seller is a party or by which it is bound.

(d) CONSENTS. No consent, waiver, approval or authorization is required from any person or entity (that has not already been obtained) in connection with the execution and delivery of this Agreement by Seller or the performance by Seller of the transactions contemplated hereby.

(e) LAND. Seller is currently the sole owner of the beneficial and equitable rights and interests in the Land.

(f) IMPROVEMENTS. Seller shall be the sole owner of the Improvements at all times until Seller transfers ownership of the Improvements to Purchaser pursuant to this Agreement.

SECTION 7.2 PURCHASER'S REPRESENTATIONS AND WARRANTIES. Purchaser represents and warrants to Seller the following:

(a) STATUS. Purchaser is a limited partnership duly organized and validly existing under the laws of the State of Delaware.

(b) AUTHORITY. The execution and delivery of this Agreement and the performance of Purchaser's obligations hereunder have been or will be duly authorized by all necessary action on the part of Purchaser and this Agreement constitutes the legal, valid and binding obligation of Purchaser, subject to equitable principles and principles governing creditor's rights generally.

(c) NON-CONTRAVENTION. The execution and delivery of this Agreement by Purchaser and the consummation by Purchaser of the transactions contemplated hereby will not violate any judgment, order, injunction, decree, regulation or ruling of any court or authority or conflict with, result in a breach of, or constitute a default under the organizational documents of Purchaser, any note or other evidence of indebtedness, any mortgage, deed of trust or indenture, or any lease or other material agreement or instrument to which Purchaser is a party or by which it is bound.

(d) CONSENTS. No consent, waiver, approval or authorization is required from any person or entity (that has not already been obtained) in connection with the execution and delivery of this Agreement by Purchaser or the performance by Purchaser of the transactions contemplated hereby.

ARTICLE VIII
CONDEMNATION AND CASUALTY

SECTION 8.1 CASUALTY.

(a) On or before the date Seller commences construction of the Improvements Seller shall obtain, and Seller shall maintain until the Closing Date, fire and extended coverage insurance policies with respect to the Property (the "POLICY") in an amount and with deductibles reasonably acceptable to Purchaser.

(b) If at any time prior to the Closing Date any portion of the Improvements is destroyed or damaged as a result of fire or any other casualty (a "CASUALTY"), Seller shall promptly give written notice ("CASUALTY NOTICE") thereof to Purchaser. If the Casualty shall prevent the acquisition of the Improvements or adversely impact Purchaser's ability to use the Improvements, then within thirty (30) days after the receipt of the Casualty Notice, Purchaser shall have the right, at its sole option, of terminating this Agreement by written notice to Seller. Should Purchaser so terminate this Agreement in accordance with this Section, neither party shall have any further liability or obligations to the other, other than those which are expressly

stated herein to survive any such termination. In the event Purchaser elects not to terminate this Agreement as herein provided and the Closing is scheduled to occur prior to the date Seller completes the repairs and restorations required due to such Casualty, the proceeds of any insurance with respect to the Improvements paid between the date of this Agreement and the Closing Date and not applied by Seller in the performance of any repairs or restorations of such Casualty, plus the amount of Seller's deductible under the policy insuring the Casualty, shall be paid to Purchaser at Closing, and all unpaid claims and rights in connection with losses to the Property shall be assigned to Purchaser at Closing without in any manner affecting the Purchase Price.

SECTION 8.2 CONDEMNATION OF PROPERTY. In the event of any condemnation or sale in lieu of condemnation of all or any portion of the Property Seller will assign to Purchaser any and all claims for the proceeds of such condemnation or sale to the extent the same are applicable to the Property, and Purchaser will take title to the Property with the assignment of such proceeds

and subject to such condemnation and without reduction of the Purchase Price.

ARTICLE IX
MANAGEMENT AGREEMENT

SECTION 9.1 MANAGEMENT AGREEMENT. On or before the date Seller completes construction of the Improvements, Seller and Purchaser shall enter into an agreement providing for the management and operation of the Improvements by Purchaser (the "MANAGEMENT AGREEMENT"). Such Management Agreement shall be on terms mutually and reasonably acceptable to both Seller and Purchaser. The Management Agreement shall be for a term commencing on the date Seller completes construction of the Improvements and expiring on the Closing Date.

ARTICLE X
CLOSING

SECTION 10.1 CLOSING. The consummation of the transaction contemplated by this Agreement by delivery of documents and payments of money shall take place 10:00 a.m. on the Closing Date at the offices of Pryor Cashman Sherman & Flynn LLP, 410 Park Avenue, 10th Floor, New York, New York 10022. At Closing, the events set forth in this Article X will occur, it being understood that the performance or tender of performance of all matters set forth in this Article X are mutually concurrent conditions which may be waived by the party for whose benefit they are intended. The acceptance of the Deed and other closing documents required hereunder by Purchaser shall be deemed to be full performance and discharge of each and every agreement and obligation on the part of the Seller to be performed hereunder.

SECTION 10.2 PURCHASER'S CLOSING OBLIGATIONS. On the Closing Date, Purchaser, at its sole cost and expense, will deliver the following items to Seller at Closing as provided herein:

(a) The Purchase Price, after all adjustments are made at the Closing as herein provided, by Federal Reserve wire transfer of immediately available funds, in accordance with the timing and other requirements of Section 3.3;

(b) A counterpart original of an assignment and assumption agreement of the Related Agreements in a form reasonably and mutually acceptable to Seller and Purchaser, duly executed by Purchaser, providing for the assignment and assumption of the Related Agreements as contemplated in Article II hereof, which assignment shall be effective as of the Closing Date (the "ASSIGNMENT AND ASSUMPTION OF RELATED AGREEMENTS");

(c) A counterpart original of the Closing Statement (as hereinafter defined), duly executed by Purchaser;

(d) Counterpart originals of the transfer tax returns, each duly executed by Purchaser; and

(e) Such other documents as may be reasonably necessary or appropriate to effect the consummation of the transaction with is the subject of this Agreement.

SECTION 10.3 SELLER'S CLOSING OBLIGATIONS. At the Closing, Seller will deliver to Purchaser the following documents:

(a) A Transfer Document (the "CONVEYANCE DOCUMENT"), duly

executed and acknowledged by Seller, conveying to the Purchaser all of Seller's beneficial, equitable and other rights, benefits and interests in and to the Property subject only to the Permitted Exceptions;

(b) A counterpart original of the Assignment and Assumption of Related Agreements;

(c) Counterparts of the transfer tax returns, duly executed by Seller, together with any payments due in connection therewith;

(d) A certificate signed by the managing member or officer of Seller to the effect that seller is not a "foreign person" as that term is defined in Section 1445(f)(3) of the Internal Revenue Code of 1986, as amended (the "CODE"), in order to avoid the imposition of the withholding tax payment pursuant to Section 1445 of the Code.

(e) All leases, licenses, files and all other documents in Seller's possession or control relating to the Property; and

(f) Such other documents as may be reasonably necessary or appropriate to effect the consummation of the transaction with is the subject of this Agreement.

SECTION 10.4 OPTION TO REQUEST DELIVERY OF LLC INTEREST. Purchaser shall have the right to direct CDECRE, Inc.("CDECRE"), an Illinois corporation and the sole owner of the entire membership interest in Seller (the "LLC INTEREST"), to transfer, assign, convey and deliver the LLC Interest to Purchaser at the Closing, pursuant to an assignment of interests in limited liability company with typical representations and warranties and in form and substance satisfactory to Purchaser (the "ASSIGNMENT"), in lieu of the Conveyance Document described in Section 10.3(a). Upon the delivery of the Assignment by CDECRE at the Closing and acceptance thereof by Purchaser, Seller shall be relieved of any further obligation under Section 10.3(a).

SECTION 10.5 PRORATIONS. Seller and Purchaser agree to adjust, as of 11:59 p.m. on the day preceding the Closing Date (the "PRORATION TIME"), the real estate and personal property taxes and assessments payable by the owner of the Property (collectively, the "PRORATION ITEMS"). Seller will be charged and credited for the amounts of all of the Proration Items relating to the period up to and including the Proration Time, and Purchaser will be charged and credited for all of the Proration Items relating to the period after the Proration Time. Such preliminary estimated Closing prorations shall be set forth on a preliminary closing statement to be prepared by Purchaser and submitted to Seller for Seller's approval prior to the Closing Date (the "CLOSING STATEMENT"). The Closing Statement, once agreed upon, shall be signed by Purchaser

and Seller. The proration herein contemplated shall be paid at Closing by Purchaser to Seller (if the preliminary prorations result in a net credit to Seller) or by Seller to Purchaser (if the preliminary prorations result in a net credit to Purchaser) by increasing or reducing the cash to be delivered by Purchaser in payment of the Purchase Price at the Closing. If the actual amounts of the Proration Items are not known as of the Closing Date, the prorations will be made at Closing on the basis of the best evidence then available; thereafter, when actual figures are received, re-prorations will be made on the basis of the actual figures, and a final cash settlement will be made between Seller and Purchaser. No prorations will be made in relation to insurance premiums, and Seller's insurance policies will not be assigned to Purchaser.

SECTION 10.6 ADJUSTMENTS TO PURCHASE PRICE. In addition to the Prorated Items, in the event the total amount of financing obtained by Seller for the construction of the Improvements (the "CONSTRUCTION FINANCING") is greater than the Purchase Price, the Purchase Price shall be increased by an amount equal to the difference between the Construction Financing and the Purchase Price. Conversely, if the Construction Financing is less than the Purchase Price, the Purchase Price shall be reduced by an amount equal to the difference between the Construction Financing and the Purchase Price.

SECTION 10.7 DELIVERY OF PROPERTY. Upon completion of the Closing, Seller will deliver to Purchaser possession of the Property and the Land, subject only to the Permitted Exceptions.

SECTION 10.8 CLOSING COSTS. Closing costs incurred in connection with the Closing will be allocated as follows:

(a) Seller shall pay all New York real estate transfer tax fees due in connection with the Closing.

(b) Purchaser shall pay Seller's attorney's fees.

(c) Purchaser shall pay the costs of recording any instruments

required in connection with the Closing and Purchaser's attorney's fees.

(d) Any other costs and expenses of Closing not provided for in this Section 10.7 shall be allocated between Purchaser and Seller in accordance with the custom of Westchester County, New York.

(e) If the Closing does not occur on or before the Closing Date for any reason whatsoever, the costs incurred through the date of termination will be borne by the party incurring same.

ARTICLE XI
REMEDIES

SECTION 11.1 DEFAULT BY SELLER. In the event the Closing and the transactions contemplated hereby do not occur as herein provided by reason of any default of Seller,

Purchaser may exercise any and all rights and remedies available to Purchaser at law or in equity, including, without limitation, the right to (a) terminate this Agreement, whereupon Seller and Purchaser will have no further rights or obligations under this Agreement; or (b) seek to enforce specific performance of this Agreement.

SECTION 11.2 DEFAULT BY PURCHASER. In the event the closing and the consummation of the transactions contemplated herein do not occur as provided herein by reason of any default of Purchaser, Seller may exercise any and all rights and remedies available to Seller at law or in equity, including, without limitation, the right to seek to enforce specific performance of the Agreement. Notwithstanding anything to the contrary contained herein, in no event shall Seller have the right to terminate this Agreement on account of Purchaser's default hereunder.

ARTICLE XII
NOTICES

SECTION 12.1 NOTICES. All notices or other communications required or permitted hereunder will be in writing, and will be given by (a) personal delivery, or (b) professional expedited delivery service with proof of delivery, or (c) United States mail, postage prepaid, registered or certified mail, return receipt requested, or (d) prepaid telegram, facsimile or telex (providing that such telegram, facsimile or telex is confirmed by the sender by expedited delivery service or by mail in the manner previously described), or (e) sent by a nationally recognized overnight courier service, sent to the intended addressee at the address set forth below, or to such other address or to the attention of such other person as the addressee will have designated by written notice sent in accordance herewith and will be deemed to have been given either at the time of delivery or refusal to accept delivery. Unless changed in accordance with the preceding sentence, the addresses for notices given pursuant to this Agreement will be as follows:

If to Purchaser: Mack-Cali Realty, L.P.
c/o Mack-Cali Realty Corporation
11 Commerce Drive
Cranford, New Jersey 07016
Attn.: Roger W. Thomas, Esq.
Executive Vice President and General Counsel
(908) 272-8000 (tele.)
(908) 497-0485 (fax)

with a copy to: Pryor Cashman Sherman & Flynn LLP
410 Park Avenue, 10th Floor
New York, New York 10022
Attn.: Stephen G. Epstein, Esq.
(212) 326-0486 (tele.)
(212) 326-0806 (fax)

If to Seller: Clearbrook Road Associates L.L.C.
c/o Chicago Deferred Exchange Corporation
171 North Clark Street
Chicago, IL 60601
Attn: Miriam Golden, Esq
(312) 223-3494 (tele.)
(312) 223-3301 (fax)

and CDECRE, Inc.
c/o Chicago Deferred Exchange Corporation
171 North Clark Street
Chicago, IL 60601
Attn: Miriam Golden, Esq.
(312) 223-3394 (tele.)
(312) 223-3301 (fax)

ARTICLE XIII
ASSIGNMENT AND BINDING EFFECT

SECTION 13.1 ASSIGNMENT: BINDING EFFECT. Purchaser and Seller shall both have the right to assign this Agreement without the other's prior written consent to an entity controlled by or under common control with Purchaser or Seller, as applicable. This Agreement will be binding upon and inure to the benefit of Seller and Purchaser and their respective successors and permitted assigns, and no other party will be conferred any rights by virtue of this Agreement or be entitled to enforce any of the provisions hereof. Whenever a reference is made in this Agreement to Seller or Purchaser, such reference will include the successors and permitted assigns of such party under this Agreement.

ARTICLE XIV
MISCELLANEOUS

SECTION 14.1 WAIVERS. No waiver of any breach of any covenant or provisions contained herein will be deemed a waiver of any preceding or succeeding breach thereof, or of any other covenant or provision contained herein. No extension of time for performance of any obligation or act will be deemed an extension of the time for performance of any other obligation or act.

SECTION 14.2 RECOVERY OF CERTAIN FEES. In the event a party hereto files any action or suit against another party hereto by reason of any breach of any of the covenants, agreements or provisions contained in this Agreement, then in that event the prevailing party will be entitled to have and recover certain fees from the other party including all attorneys' fees and costs resulting therefrom. For purposes of this Agreement, the term "attorneys' fees" or "attorneys' fees and costs" shall mean the fees and expenses of counsel to the parties hereto, which may include printing, photostating, duplicating and other expenses, air freight charges, and fees billed for law

clerks, paralegals and other persons not admitted to the bar but performing services under the supervision of an attorney, and the costs and fees incurred in connection with the enforcement or collection of any judgment obtained in any such proceeding. The provisions of this Section 14.2 shall survive the entry of any judgment, and shall not merge, or be deemed to have merged, into any judgment.

SECTION 14.3 TIME OF ESSENCE. Seller and Purchaser hereby acknowledge and agree that time is strictly of the essence with respect to each and every term, condition, obligation and provision hereof.

SECTION 14.4 CONSTRUCTION. Headings at the beginning of each article and section are solely for the convenience of the parties and are not a part of this Agreement. Whenever required by the context of this Agreement, the singular will include the plural and the masculine will include the feminine and vice versa. This Agreement will not be construed as if it had been prepared by one of the parties, but rather as if both parties had prepared the same. All exhibits and schedules referred to in this Agreement are attached and incorporated by this reference, and any capitalized term used in any exhibit or schedule which is not defined in such exhibit or schedule will have the meaning attributable to such term in the body of this Agreement. In the event the date on which Purchaser or Seller is required to take any action under the terms of this Agreement is not a Business Day, the action will be taken on the next succeeding Business Day.

SECTION 14.5 COUNTERPARTS. To facilitate execution of this Agreement, this Agreement may be executed in multiple counterparts, each of which, when assembled to include an original signature for each party contemplated to sign this Agreement, will constitute a complete and fully executed original. All such fully executed original counterparts will collectively constitute a single agreement.

SECTION 14.6 SEVERABILITY. If any term or other provision of this Agreement is invalid, illegal, or incapable of being enforced by any rule of law or public policy, all of the other conditions and provisions of this Agreement will nevertheless remain in full force and effect, so long as the economic or legal substance of the transactions contemplated hereby is not affected in any adverse manner to either party. Upon such determination that any term or other provision is invalid, illegal, or incapable of being enforced, the parties

hereto will negotiate in good faith to modify this Agreement so as to reflect the original intent of the parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the extent possible.

SECTION 14.7 ENTIRE AGREEMENT. This Agreement is the final expression of, and contains the entire agreement between, the parties with respect to the subject matter hereof, and supersedes all prior understandings with respect thereto. This Agreement may not be modified, changed, supplemented or terminated, nor may any obligations hereunder be waived, except by written instrument, signed by the party to be charged or by its agent duly authorized in writing, or as otherwise expressly permitted herein.

SECTION 14.8 GOVERNING LAW. THIS AGREEMENT WILL BE CONSTRUED, PERFORMED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

SECTION 14.9 NO RECORDING. The parties hereto agree that neither this Agreement nor any affidavit concerning it will be recorded and any recording of this Agreement by Purchaser will be deemed an event of default hereunder.

SECTION 14.10 FURTHER ACTIONS. The parties agree to execute such other instruments and to do such further acts as may be reasonably necessary to carry out the provisions of this Agreement.

SECTION 14.11 NO OTHER INDUCEMENTS. The making, execution and delivery of this Agreement by the parties hereto has been induced by no representations, statements, or warranties except as set forth herein.

SECTION 14.12 EXHIBITS. Exhibits A through C attached hereto are incorporated herein by reference.

SECTION 14.13 NO PARTNERSHIP. Notwithstanding anything to the contrary contained herein, this Agreement shall not be deemed or construed to make the parties hereto partners or joint venturers, it being the intention of the parties to merely create the relationship of seller and purchaser with respect to the Property to be conveyed as contemplated hereby.

SECTION 14.14 LIMITATIONS ON BENEFITS. It is the explicit intention of Purchaser and Seller that no person or entity other than Purchaser and Seller and their permitted successors and assigns is or shall be entitled to bring any action to enforce any provision of this Agreement against any of the parties hereto, and the covenants, undertakings and agreements set forth in this Agreement shall be solely for the benefit of, and shall be enforceable only by, Purchaser and Seller or their respective successors and assigns as permitted hereunder. Nothing contained in this Agreement shall under any circumstances whatsoever be deemed or construed, or be interpreted, as making any third party a beneficiary of any term or provision of this Agreement or any instrument or document delivered pursuant hereto, and Purchaser and Seller expressly reject any such intent, construction or interpretation of this Agreement.

IN WITNESS WHEREOF, Seller and Purchaser have respectively executed this Agreement to be effective as of the date first above written.

SELLER:

CLEARBROOK ROAD ASSOCIATES L.L.C, a
New York limited liability company

By: CDECRE, Inc., an Illinois corporation

by: /s/ Mary Cunningham

Name: Mary Cunningham
Title:

PURCHASER:

MACK-CALI REALTY, L.P., a Delaware limited
Partnership

By: Mack-Cali Realty Corporation, a Maryland
corporation, its general partner

by: /s/ Roger W. Thomas

Name: Roger W. Thomas
Title: Executive Vice President &
General Counsel

Agreed to and Accepted as to
Section 10.4 hereof only

CDECRE, Inc., an Illinois corporation

By: /s/ Karen Cholipski

Name: Karen Cholipski
Title:

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EXHIBIT 10.20

EXECUTION COPY

AGREEMENT OF SALE AND ACQUISITION OF BENEFICIAL AND EQUITABLE OWNERSHIP INTERESTS IN REAL PROPERTY

THIS AGREEMENT OF SALE AND ACQUISITION OF BENEFICIAL AND EQUITABLE OWNERSHIP INTERESTS IN REAL PROPERTY ("AGREEMENT") made this 13th day of September, 2001 between ROBERT MARTIN COMPANY, LLC a New York limited liability company duly organized, validly existing and in good standing under the laws of the State of New York ("SELLER"), having an address at 100 Clearbrook Road, Elmsford, New York 10523 and CLEARBROOK ROAD ASSOCIATES L.L.C., a limited liability company duly organized, validly existing and in good standing under the laws of the State of New York ("PURCHASER") having an address at c/o Chicago Deferred Exchange Corporation, 171 North Clark Street, Ninth Floor, Chicago, Illinois 60601.

WHEREAS, Purchaser desires to purchase and Seller desires to sell, transfer and convey all of Seller's beneficial and equitable rights and interest in and to approximately 4.239 acres of vacant land (the "Land") being a part of certain real property known as 75 Clearbrook Road, Elmsford, New York (the "75 Clearbrook Property") in accordance with the terms and conditions of this Agreement;

WHEREAS, the parties acknowledge that pursuant to that certain Contribution and Exchange Agreement (the "Contribution Agreement") dated January 24, 1997 by and among Seller, together with one of its related entities, and Mack-Cali Realty, L.P ("MCRLP") (formerly known as Cali Realty, L.P.), together with its general partner Mack-Cali Realty Corporation, (formerly known as Cali Realty Corporation), Seller agreed among other things to convey to MCRLP in exchange for the consideration specified in the Contribution Agreement, all of Seller's right, title and interest in and to a portion of the 75 Clearbrook Property which had been developed and both was and remains adjacent to the Land (the "Developed Property"), and due to the lack of any legally effective subdivision or plan of subdivision of the 75 Clearbrook Property separating the Land from the Developed Property, Seller was compelled to transfer legal title to the entire 75 Clearbrook Property, including the portion thereof constituting the Land, in order to convey all of its right, title and interest in and to the Developed Property to MCRLP;

WHEREAS, the parties to the Contribution Agreement did not intend MCRLP to acquire ownership of or, any beneficial or equitable interest or rights in or to, the Land, and in accordance with such intention Seller and MCRLP agreed and provided in the Contribution Agreement, that Seller retained all of the beneficial interests rights in and to the Land and remained the beneficial owner thereof and that MCRLP had no beneficial, equitable or other interests or rights in the Land whatsoever other than mere legal title thereto, which was acquired and was to be held by MCRLP solely in its capacity as agent and nominee of Seller, for the sole and absolute benefit of Seller (which for all periods from the date of execution of the Contribution Agreement until the date and time hereof has been and continues to be the sole and absolute beneficial owner of the Land);

<Page>

WHEREAS, pursuant to the Contribution Agreement, MCRLP, for all periods from the time of execution of such agreement until the date and time hereof, has adhered to the terms to the terms of the Contribution Agreement, and has served and acted as Seller's agent and nominee for the sole and limited purpose of acquiring and holding bare legal title to the Land for the sole and absolute benefit of Seller and has taken only such actions with respect to such Land during such periods as Seller has directed;

WHEREAS, MCRLP is required by the terms of the Contribution Agreement and has acknowledged and renewed its obligation to continue to act as Seller's agent and nominee for the foregoing such limited purpose for all periods following the date hereof up and to the moment of closing of the sale and conveyance of Seller's beneficial interests and rights in and to the Land pursuant to this Agreement and to act only in accordance with Seller's directions during such period.

NOW THEREFORE, In consideration of the mutual promises, covenants, and agreements set forth herein, and other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, Seller and Purchaser agree as follows:

ARTICLE I
DEFINITIONS

SECTION 1.1 DEFINITIONS. For purposes of this Agreement, the following capitalized terms have the meanings set forth in this Section 1.1:

"BUSINESS DAY" means all day other than Saturday, Sunday or a day on which national banking associations are authorized or required to close.

"CLOSING" means the consummation of the purchase and sale of the Property contemplated by this Agreement, as provided for in Article X.

"CLOSING DATE" means the date on which the Closing occurs, which date will be the date hereof. Notwithstanding the foregoing, Purchaser shall have the right to accelerate the Closing on at least five (5) days notice to Seller, but which notice shall not constitute a waiver by Purchaser of any obligations of Seller hereunder which obligations will not have been performed by Seller by the date set forth in Purchaser's acceleration notice, and which obligations shall survive Closing.

"CLOSING STATEMENT" has the meaning ascribed to such term in Section 10.4.

"CODE" has the meaning ascribed to such term in Section 10.3(d).

"CONVEYANCE DOCUMENT" has the meaning ascribed to such term in Section 10.3(a).

"EFFECTIVE DATE" shall mean the date set forth in the opening paragraph of this Agreement.

"GOVERNMENTAL REGULATIONS" means all laws, ordinances, rules and regulations of any governmental and quasi-governmental bodies or agencies applicable to Seller, the Land, or any portion thereof, including without limitation, the use, operation or construction of any of the foregoing.

"IMPROVEMENTS" means all buildings, structures, fixtures, parking areas and improvements located or to be constructed on the Land.

"LAND" means approximately 4.239 acres of vacant land as shown on that certain survey prepared for Cross Westchester Realty Associates L.P. in the Town of Greenburgh, Westchester County, N.Y., dated February 1, 1997, prepared by Ward, Carpenter Engineers, Inc., being a part of real property known as 75 Clearbrook Road, located within the Cross Westchester Executive Park, located in Westchester County, State of New York, as more particularly described on the legal description attached hereto and made a part hereof as EXHIBIT A, together with all of Seller's right, title and interest, if any, in and to the appurtenances pertaining thereto, including but not limited to Seller's right, title and interest in and to the adjacent streets, alleys and right-of-ways, and any easement rights, air rights, subsurface development rights and water rights.

"PERMITTED EXCEPTIONS" has the meaning ascribed to such term in Section 6.1.

"PERSONAL PROPERTY" means any and all furniture, fixtures, machinery and equipment owned by Seller and situated on the Land and used in connection with the ownership and operation thereof.

"PROPERTY" has the meaning ascribed to such term in Section 2.1.

"PURCHASE PRICE" has the meaning ascribed to such term in Section 3.1.

"PRORATION ITEMS" has the meaning ascribed to such term in Section 10.4.

SECTION 1.2 REFERENCES: EXHIBITS AND SCHEDULES. Except as otherwise specifically indicated, all references in this Agreement to Articles or Sections refer to Articles or Sections of this Agreement, and all references to Exhibits or Schedules refer to Exhibits or Schedules attached hereto, all of which Exhibits and Schedules are incorporated into, and made a part of, this Agreement by reference. The words "herein," "hereof" "hereinafter" and words and phrases of similar import refer to this Agreement as a whole and not to any particular Section or Article.

ARTICLE II
AGREEMENT OF PURCHASE AND ACQUISITION

SECTION 2.1 AGREEMENT. In consideration of the payment of the Purchase Price, Seller hereby agrees to sell, convey and assign to Purchaser, and Purchaser hereby agrees to purchase, accept and assume from Seller, on the Closing Date subject to the terms and conditions of this Agreement, all of the Sellers rights and interests (beneficial, equitable or otherwise) in and to the following (collectively, the "PROPERTY"):

(a) the Land

(b) the Improvements

(b) the Personal Property, if any;

(c) all of Seller's right, title and interest in and to all intangible personal property used in connection with the ownership and operation of the Land and/or the Improvements, including, without limitation, all warranties, permits, and licenses relating thereto;

(d) all of Seller's right, title and interest, to the extent assignable or transferable, in and to all other intangible rights, titles, interests, privileges and appurtenances owned by Seller and related to or used exclusively in connection with the ownership, use or operation of the Land and/or the Improvements; and

(e) any and all of Seller's rights, entitlements and claims of any kind whatsoever under the Contribution Agreement with respect to the Land or MCRLP's appointment as Seller's nominee and agent and agreement and obligation to act as Seller's nominee and agent soley for purposes of holding title to the Land and acting with respect thereto solely in accordance with Seller's directions, including without limitation (i) Seller's right to direct MCRLP to transfer legal title to the Land to Seller at such time as the Land shall be subdivided from the 75 Clearbrook Property, and (ii) any and all claims which Seller may have under the Contribution Agreement against MCRLP in connection with MCRLP acting as nominee (with respect to the Property) for Seller pursuant to the Contribution Agreement.

On the Closing Date, Purchaser and Seller shall agree to a schedule setting forth the allocation of the Purchase Price to the Personal Property, if any, or other items of the Property described in (c) and (d) sold, conveyed and assigned to Seller hereunder, based on their respective values.

SECTION 2.2 RELATED AGREEMENTS. In addition to the sale of the Property provided for in Section 2.1 hereof, Seller hereby agrees to assign and transfer to Purchaser any and all warranties and guaranties, to the extent assignable or transferable, together with any and all service contracts and any other agreements affecting the Property (collectively, the "RELATED AGREEMENTS"). In the event any of the Related Agreements are not assignable or transferable, Seller hereby agrees, at Purchaser's sole cost and expense, to promptly enforce any such non-assignable or non-transferable Related Agreements on Purchaser's behalf upon receipt of request therefor from Purchaser. The obligations contained in this Section 2.2 shall survive the Closing Date.

ARTICLE III
CONSIDERATION

SECTION 3.1 PURCHASE PRICE. The purchase price for the Property (the "PURCHASE PRICE") shall be an amount equal to ONE MILLION AND NO/100 DOLLARS, ($1,000,000.00)

subject to adjustment as herein provided.

SECTION 3.2 METHOD OF PAYMENT OF PURCHASE PRICE. No later than 1:00 p.m. Eastern Standard Time on the Closing Date, Purchaser shall pay the Purchase Price to Seller or as Seller otherwise directs, by bank check or Federal Reserve wire transfer of immediately available funds, together with all other costs and amounts to be paid by Purchaser at the Closing pursuant to the terms of this Agreement.

ARTICLE IV

INTENTIONALLY OMITTED

ARTICLE V
SALE AS-IS, WHERE-IS

SECTION 5.1 SALE "AS IS".

(a) EXCEPT AS OTHERWISE SPECIFICALLY STATED IN THIS AGREEMENT TO THE CONTRARY, SELLER HEREBY SPECIFICALLY DISCLAIMS ANY WARRANTY, GUARANTY OR REPRESENTATION, ORAL OR WRITTEN, PAST, PRESENT OR FUTURE OF, AS TO, OR

CONCERNING: (I) THE NATURE AND CONDITION OF THE PROPERTY, INCLUDING WITHOUT LIMITATION (A) THE WATER, SOIL AND GEOLOGY AND THE SUITABILITY THEREOF, AND OF THE PROPERTY FOR ANY AND ALL ACTIVITIES AND USES WHICH PURCHASER MAY ELECT TO CONDUCT THEREON, (B) THE EXISTENCE OF ANY ENVIRONMENTAL HAZARDS OR CONDITIONS THEREON (INCLUDING BUT NOT LIMITED TO THE PRESENCE OF ASBESTOS OR THE RELEASE OR THREATENED RELEASE OF HAZARDOUS SUBSTANCES) AND (C) COMPLIANCE WITH ALL APPLICABLE LAWS, RULES OR REGULATIONS; (II) THE NATURE AND EXTENT OF ANY RIGHT-OF-WAY, LEASE, POSSESSION, LIEN, ENCUMBRANCE, LICENSE, RESERVATION, CONDITION OR OTHERWISE; (III) THE COMPLIANCE OF THE PROPERTY OR ITS OPERATION WITH ANY LAWS, ORDINANCES OR REGULATIONS OF ANY GOVERNMENT OR OTHER BODY AND (IV) THE ACCURACY OR COMPLETENESS OF ANY DOCUMENT SUPPLIED TO PURCHASER AS PART OF THE PURCHASER'S INSPECTION, OR OTHERWISE. PURCHASER FURTHER ACKNOWLEDGES THAT THE INFORMATION PROVIDED WITH RESPECT TO THE PROPERTY WAS OBTAINED FROM A VARIETY OF SOURCES AND, EXCEPT AS SPECIFICALLY STATED IN THIS AGREEMENT, SELLER (X) HAS NOT MADE ANY INDEPENDENT INVESTIGATION OR VERIFICATION OF SUCH INFORMATION AND (Y) DOES NOT MAKE ANY REPRESENTATIONS AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION. EXCEPT AS OTHERWISE SPECIFICALLY STATED IN THIS AGREEMENT, THE SALE OF THE PROPERTY AS PROVIDED FOR HEREIN IS MADE ON AN "AS IS, WHERE IS, WITH ALL FAULTS" BASIS, AND PURCHASER EXPRESSLY ACKNOWLEDGES THAT, IN CONSIDERATION OF THE AGREEMENTS OF SELLER

HEREIN, SELLER MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, OR ARISING BY OPERATION OF LAW, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTY OF CONDITION, HABITABILITY, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, IN RESPECT OF THE PROPERTY OR OTHERWISE.

(b) Except as expressly set forth in this Agreement, Purchaser agrees that Seller shall not be responsible or liable to Purchaser for any conditions, including environmental conditions affecting the Property, such as the presence of asbestos, petroleum products or other hazardous substances or contamination of the Property by a release of hazardous substances, pollutants, contaminants or petroleum products and Purchaser is purchasing the Property AS-IS, WHERE-IS and WITH ALL FAULTS.

ARTICLE VI
CONDITION OF TITLE

SECTION 6.1 CONDITION OF TITLE. Attached hereto as EXHIBIT B is a complete list of all liens and encumbrances encumbering the Land and the Improvements existing on the date hereof (the "PERMITTED EXCEPTIONS"). Notwithstanding anything to the contrary contained in Article 5 hereof, Seller shall sell, convey and assign to Purchaser the Property subject only to the Permitted Exceptions. In furtherance of the foregoing, Seller shall not place any lien or encumbrance upon the Property, including without limitation any mortgage liens or other liens used to secure debt, from and after the date hereof without the express written consent of Purchaser, which consent may be withheld or granted in Purchaser's sole discretion. If on the Closing Date there exists liens or encumbrances on the Property other than the Permitted Exceptions and other than liens or encumbrances placed upon the Property by or as a result of the actions of MCRLP, Purchaser shall have the option to either (i) waive the provisions of this Section 6.1 and proceed with the Closing with an adjustment to the Purchase Price equal to an amount Seller and Purchaser reasonably agree shall be necessary to remove such additional liens or encumbrances, or (ii) postpone the Closing for such time as may be necessary for Seller to remove such additional liens or encumbrances. In the event Purchaser elects to postpone the Closing as herein provided, if Seller does not provide Purchaser with written notice that such additional liens or encumbrances have been removed within sixty (60) days from the originally scheduled Closing Date, Purchaser shall have the right, as its sole and exclusive remedy, to terminate this Agreement upon written notice to Seller.

ARTICLE VII
REPRESENTATIONS AND WARRANTIES

SECTION 7.1 SELLER'S REPRESENTATIONS AND WARRANTIES. The following constitute the sole representations and warranties of Seller which representations and warranties shall be true as of the Effective Date. Seller represents and warrants to Purchaser the following:

(a) STATUS. Seller is a limited liability company duly organized and validly existing under the laws of the State of New York.

(b) AUTHORITY. The execution and delivery of this Agreement and the performance of Seller's obligations hereunder have been or will be duly authorized by all necessary action on the part of Seller, and this Agreement

constitutes the legal, valid and binding obligation of Seller.

(c) NON-CONTRAVENTION. The execution and delivery of this Agreement by Seller and the consummation by Seller of the transactions contemplated hereby will not violate any judgment, order, injunction, decree, regulation or ruling of any court or authority or conflict with, result in a breach of, or constitute a default under the organizational documents of Seller, any note or other evidence of indebtedness, any mortgage, deed of trust or indenture, or any lease or other material agreement or instrument to which Seller is a party or by which it is bound.

(d) CONSENTS. No consent, waiver, approval or authorization is required from any person or entity (that has not already been obtained) in connection with the execution and delivery of this Agreement by Seller or the performance by Seller of the transactions contemplated hereby.

(e) LAND. Seller is currently the sole owner of the beneficial and equitable rights and interests in the Property and the second, third and fourth whereas clauses are true and correct as if re-written herein.

SECTION 7.2 PURCHASER'S REPRESENTATIONS AND WARRANTIES. Purchaser represents and warrants to Seller the following:

(a) STATUS. Purchaser is a limited liability company duly organized and validly existing under the laws of the State of New York.

(b) AUTHORITY. The execution and delivery of this Agreement and the performance of Purchaser's obligations hereunder have been or will be duly authorized by all necessary action on the part of Purchaser and this Agreement constitutes the legal, valid and binding obligation of Purchaser.

(c) NON-CONTRAVENTION. The execution and delivery of this Agreement by Purchaser and the consummation by Purchaser of the transactions contemplated hereby will not violate any judgment, order, injunction, decree, regulation or ruling of any court or authority or conflict with, result in a breach of, or constitute a default under the organizational documents of Purchaser, any note or other evidence of indebtedness, any mortgage, deed of trust or indenture, or any lease or other material agreement or instrument to which Purchaser is a party or by which it is bound.

(d) CONSENTS. No consent, waiver, approval or authorization is required from any person or entity (that has not already been obtained) in connection with the execution and delivery of this Agreement by Purchaser or the performance by Purchaser of the transactions contemplated hereby.

ARTICLE VIII
CONDEMNATION

SECTION 8.1 CONDEMNATION OF PROPERTY. In the event of any condemnation or sale in lieu of condemnation of all or any portion of the Property Seller will assign to Purchaser any and all claims for the proceeds of such condemnation or sale to the extent the same are applicable to the Property, and Purchaser will take title to the Property with the assignment of such proceeds and subject to such condemnation and without reduction of the Purchase Price.

ARTICLE IX
INTENTIONALLY OMITTED

ARTICLE X
CLOSING

SECTION 10.1 CLOSING. The consummation of the transaction contemplated by this Agreement by delivery of documents and payments of money shall take place 10:00 a.m. on the Closing Date at the offices of Pryor Cashman Sherman & Flynn LLP, 410 Park Avenue, 10th Floor, New York, New York 10022. At Closing, the events set forth in this Article X will occur, it being understood that the performance or tender of performance of all matters set forth in this Article X are mutually concurrent conditions which may be waived by the party for whose benefit they are intended. The acceptance of the Deed and other closing documents required hereunder by Purchaser shall be deemed to be full performance and discharge of each and every agreement and obligation on the part of the Seller to be performed hereunder.

SECTION 10.2 PURCHASER'S CLOSING OBLIGATIONS. On the Closing Date, Purchaser, at its sole cost and expense, will deliver the following items to Seller at Closing as provided herein:

(a) The Purchase Price, after all adjustments are made at the

Closing as herein provided, by Federal Reserve wire transfer of immediately available funds, in accordance with the timing and other requirements of Section 3.3;

(b) A counterpart original of an assignment and assumption agreement of the Related Agreements in a form reasonably and mutually acceptable to Seller and Purchaser, duly executed by Purchaser, providing for the assignment and assumption of the Related Agreements as contemplated in Article II hereof, which assignment shall be effective as of the Closing Date (the "ASSIGNMENT AND ASSUMPTION OF RELATED AGREEMENTS");

(c) A counterpart original of the Closing Statement (as hereinafter defined), duly executed by Purchaser;

(d) Counterpart originals of the transfer tax returns, each duly executed by Purchaser; and

(e) Such other documents as may be reasonably necessary or appropriate to effect the consummation of the transaction with is the subject of this Agreement.

SECTION 10.3 SELLER'S CLOSING OBLIGATIONS. At the Closing, Seller will deliver to Purchaser the following documents:

(a) A Transfer Document (the "CONVEYANCE DOCUMENT"), duly executed and acknowledged by Seller, conveying to the Purchaser all of Seller's beneficial, equitable and other rights, benefits, title and interest in and to the Property subject only to the Permitted Exceptions;

(b) A counterpart original of the Assignment and Assumption of Related Agreements;

(c) Counterparts of the transfer tax returns, duly executed by Seller, together with any payments due in connection therewith;

(d) A certificate signed by the managing member or officer of Seller to the effect that seller is not a "foreign person" as that term is defined in Section 1445(f)(3) of the Internal Revenue Code of 1986, as amended (the "CODE"), in order to avoid the imposition of the withholding tax payment pursuant to Section 1445 of the Code.

(e) All licenses, files and all other documents in Seller's possession or control relating to the Property; and

(f) Such other documents as may be reasonably necessary or appropriate to effect the consummation of the transaction with is the subject of this Agreement.

SECTION 10.4 PRORATIONS. Seller and Purchaser agree to adjust, as of 11:59 p.m. on the day preceding the Closing Date (the "PRORATION TIME"), the real estate and personal property taxes and assessments payable by the owner of the Property (collectively, the "PRORATION ITEMS"). Seller will be charged and credited for the amounts of all of the Proration Items relating to the period up to and including the Proration Time, and Purchaser will be charged and credited for all of the Proration Items relating to the period after the Proration Time. Such preliminary estimated Closing prorations shall be set forth on a preliminary closing statement to be prepared by Purchaser and submitted to Seller for Seller's approval prior to the Closing Date (the "CLOSING STATEMENT"). The Closing Statement, once agreed upon, shall be signed by Purchaser and Seller. The proration herein contemplated shall be paid at Closing by Purchaser to Seller (if the preliminary prorations result in a net credit to Seller) or by Seller to Purchaser (if the preliminary prorations result in a net credit to Purchaser) by increasing or reducing the cash to be delivered by Purchaser in payment of the Purchase Price at the Closing. If the actual amounts of the Proration Items are not known as of the Closing Date, the prorations will be made at Closing on the basis of the best evidence then available; thereafter, when actual figures are received, re-prorations will be made on the basis of the actual figures, and a final cash settlement will be made between Seller and Purchaser. No prorations will be made in relation to insurance premiums, and Seller's insurance policies will not be assigned to Purchaser.

SECTION 10.5 INTENTIONALLY OMITTED.

SECTION 10.6 DELIVERY OF PROPERTY. Upon completion of the Closing, Seller will deliver to Purchaser possession of the Property and the Land, subject only to the Permitted Exceptions.

SECTION 10.7 CLOSING COSTS. Closing costs incurred in connection with the Closing will be allocated as follows:

(a) Seller shall pay all New York real estate transfer tax fees due in connection with the Closing.

(b) Seller shall pay Seller's attorney's fees.

(c) Purchaser shall pay the costs of recording any instruments required in connection with the Closing and Purchaser's attorney's fees.

(d) Any other costs and expenses of Closing not provided for in this Section 10.7 shall be allocated between Purchaser and Seller in accordance with the custom of Westchester County, New York.

(e) If the Closing does not occur on or before the Closing Date for any reason whatsoever, the costs incurred through the date of termination will be borne by the party incurring same.

ARTICLE XI
REMEDIES

SECTION 11.1 DEFAULT BY SELLER. In the event the Closing and the transactions contemplated hereby do not occur as herein provided by reason of any default of Seller, Purchaser may exercise any and all rights and remedies available to Purchaser at law or in equity, including, without limitation, the right to (a) terminate this Agreement, whereupon Seller and Purchaser will have no further rights or obligations under this Agreement; or (b) seek to enforce specific performance of this Agreement.

SECTION 11.2 DEFAULT BY PURCHASER. In the event the closing and the consummation of the transactions contemplated herein do not occur as provided herein by reason of any default of Purchaser, Seller may exercise any and all rights and remedies available to Seller at law or in equity, including, without limitation, the right to seek to enforce specific performance of the Agreement. Notwithstanding anything to the contrary contained herein, in no event shall Seller have the right to terminate this Agreement on account of Purchaser's default hereunder.

ARTICLE XII
NOTICES

SECTION 12.1 NOTICES. All notices or other communications required or permitted hereunder will be in writing, and will be given by (a) personal delivery, or (b) professional expedited delivery service with proof of delivery, or (c) United States mail, postage prepaid, registered or certified mail, return receipt requested, or (d) sent by a nationally recognized overnight courier service, sent to the intended addressee at the address set forth below, or to such other address or to the attention of such other person as the addressee will have designated by written notice sent in accordance herewith and will be deemed to have been given either at the time of delivery or refusal to accept delivery. Unless changed in accordance with the preceding sentence, the addresses for notices given pursuant to this Agreement will be as follows:

If to Purchaser: Clearbrook Road Associates, L.L.C.
c/o Chicago Deferred Exchange Corporation
171 North Clark Street, 9th Floor
Chicago, Illinois 60601
Attn: Miriam Golden, Esq.
(312) 223-3394 (tele.)
(312) 223-3301 (fax)

with a copy to: Chicago Deferred Exchange Corporation
171 North Clark Street, 9th Floor
Chicago, Illinois 60601
Attn: Miriam Golden, Esq.
(312) 223-3394 (tele.)
(312) 223-3301 (fax)

If to Seller: Robert Martin Company, LLC
100 Clearbrook Road
Elmsford, New York 10523
Attn.: Martin S. Berger
(914) 593-7922 (tele.)
(914) 592-4836 (fax)

with a copy to: Robert Martin Company, LLC

100 Clearbrook Road
Elmsford, New York 10523
Attn.: Lloyd I. Roos, Esq.
Senior Vice President and General Counsel
(914) 593-7918 (tele.)
(914) 592-5486 (fax)

ARTICLE XIII
ASSIGNMENT AND BINDING EFFECT

SECTION 13.1 ASSIGNMENT: BINDING EFFECT. Purchaser and Seller shall both have the right to assign this Agreement without the other's prior written consent to an entity controlled by or under common control with Purchaser or Seller, as applicable. This Agreement will be binding upon and inure to the benefit of Seller and Purchaser and their respective successors and permitted assigns, and no other party will be conferred any rights by virtue of this Agreement or be entitled to enforce any of the provisions hereof. Whenever a reference is made in this Agreement to Seller or Purchaser, such reference will include the successors and permitted assigns of such party under this Agreement.

ARTICLE XIV
MISCELLANEOUS

SECTION 14.1 WAIVERS. No waiver of any breach of any covenant or provisions contained herein will be deemed a waiver of any preceding or succeeding breach thereof, or of any other covenant or provision contained herein. No extension of time for performance of any obligation or act will be deemed an extension of the time for performance of any other obligation or act.

SECTION 14.2 RECOVERY OF CERTAIN FEES. In the event a party hereto files any action or suit against another party hereto by reason of any breach of any of the covenants, agreements or provisions contained in this Agreement, then in that event the prevailing party will be entitled to have and recover certain fees from the other party including all attorneys' fees and costs resulting therefrom. For purposes of this Agreement, the term "attorneys' fees" or "attorneys' fees and costs" shall mean the fees and expenses of counsel to the parties hereto, which may include printing, photostating, duplicating and other expenses, air freight charges, and fees billed for law clerks, paralegals and other persons not admitted to the bar but performing services under the supervision of an attorney, and the costs and fees incurred in connection with the enforcement or collection of any judgment obtained in any such proceeding. The provisions of this Section 14.2 shall survive the entry of any judgment, and shall not merge, or be deemed to have merged, into any judgment.

SECTION 14.3 INTENTIONALLY OMITTED.

SECTION 14.4 CONSTRUCTION. Headings at the beginning of each article and section are solely for the convenience of the parties and are not a part of this Agreement. Whenever required by the context of this Agreement, the singular will include the plural and the masculine will include the feminine and vice versa. This Agreement will not be construed as if it had been prepared by one of the parties, but rather as if both parties had prepared the same. All exhibits and schedules referred to in this Agreement are attached and incorporated by this reference, and any capitalized term used in any exhibit or schedule which is not defined in such exhibit or schedule will have the meaning attributable to such term in the body of this Agreement. In the event the date on which Purchaser or Seller is required to take any action under the terms of this Agreement is not a Business Day, the action will be taken on the next succeeding Business Day.

SECTION 14.5 COUNTERPARTS. To facilitate execution of this Agreement, this Agreement may be executed in multiple counterparts, each of which, when assembled to include an original signature for each party contemplated to sign this Agreement, will constitute a complete and fully executed original. All such fully executed original counterparts will collectively constitute a single agreement.

SECTION 14.6 SEVERABILITY. If any term or other provision of this Agreement is invalid, illegal, or incapable of being enforced by any rule of law or public policy, all of the other conditions and provisions of this Agreement will nevertheless remain in full force and effect, so long as the economic or legal substance of the transactions contemplated hereby is not affected in any adverse manner to either party. Upon such determination that any term or other provision is invalid, illegal, or incapable of being enforced, the parties hereto will negotiate in good faith to modify this Agreement so as to reflect the original intent of the parties as closely as possible in an acceptable

manner to the end that the transactions contemplated hereby are fulfilled to the extent possible.

SECTION 14.7 ENTIRE AGREEMENT. This Agreement is the final expression of, and contains the entire agreement between, the parties with respect to the subject matter hereof, and supersedes all prior understandings with respect thereto. This Agreement may not be modified, changed, supplemented or terminated, nor may any obligations hereunder be waived, except by written instrument, signed by the party to be charged or by its agent duly authorized in writing, or as otherwise expressly permitted herein.

SECTION 14.8 GOVERNING LAW. THIS AGREEMENT WILL BE CONSTRUED, PERFORMED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

SECTION 14.9 NO RECORDING. The parties hereto agree that neither this Agreement nor any affidavit concerning it will be recorded and any recording of this Agreement by Purchaser will be deemed an event of default hereunder.

SECTION 14.10 FURTHER ACTIONS. The parties agree to execute such other instruments and to do such further acts as may be reasonably necessary to carry out the provisions of this Agreement.

SECTION 14.11 NO OTHER INDUCEMENTS. The making, execution and delivery of this Agreement by the parties hereto has been induced by no representations, statements, or warranties except as set forth herein.

SECTION 14.12 EXHIBITS. Exhibits A through C attached hereto are incorporated herein by reference.

SECTION 14.13 NO PARTNERSHIP. Notwithstanding anything to the contrary contained herein, this Agreement shall not be deemed or construed to make the parties hereto partners or joint venturers, it being the intention of the parties to merely create the relationship of seller and purchaser with respect to the Property to be conveyed as contemplated hereby.

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SECTION 14.14 LIMITATIONS ON BENEFITS. It is the explicit intention of Purchaser and Seller that no person or entity other than Purchaser and Seller and their permitted successors and assigns is or shall be entitled to bring any action to enforce any provision of this Agreement against any of the parties hereto, and the covenants, undertakings and agreements set forth in this Agreement shall be solely for the benefit of, and shall be enforceable only by, Purchaser and Seller or their respective successors and assigns as permitted hereunder. Nothing contained in this Agreement shall under any circumstances whatsoever be deemed or construed, or be interpreted, as making any third party a beneficiary of any term or provision of this Agreement or any instrument or document delivered pursuant hereto, and Purchaser and Seller expressly reject any such intent, construction or interpretation of this Agreement.

IN WITNESS WHEREOF, Seller and Purchaser have respectively executed this Agreement to be effective as of the date first above written.

PURCHASER:

CLEARBROOK ROAD ASSOCIATES L.L.C, a
New York limited liability company

By: CDECRE, Inc., an Illinois corporation

by: /s/ Mary Cunningham

Name: Mary Cunningham
Title:

SELLER:

ROBERT MARTIN COMPANY, LLC, A NEW YORK
LIMITED LIABILITY COMPANY

By: /s/ Martin S. Berger

Name: Martin S. Berger
Title: Manager

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EXHIBIT 10.21

PURCHASE AGREEMENT

BETWEEN

M-C CAPITOL ASSOCIATES L.L.C.

(AS SELLER)

AND

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

(AS PURCHASER)

DATED: AUGUST 16, 2001

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PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT is made and entered into this 16th day of August, 2001, by and between (i) BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM ("PURCHASER") and (ii) M-C CAPITOL ASSOCIATES L.L.C., a Delaware limited liability company ("SELLER").

RECITALS

A. The Seller owns a certain parcel of land and the improvements thereon located at 1709 New York Avenue, N.W., Washington, D.C.

B. The Seller has agreed to sell to the Purchaser, and the Purchaser has agreed to purchase from the Seller, the land, the improvements and certain other tangible properties owned by the Seller and used by it in connection with the management, operation, maintenance and repair of the Property (as hereinafter defined).

NOW, THEREFORE, in consideration of the mutual promises hereinafter set forth and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 GENERAL INTERPRETIVE PRINCIPLES.

For purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires, (i) the terms defined in this Section have the meanings assigned to them in this Section and include the plural as well as the singular, and the use of any gender herein shall be deemed to include the other gender; (ii) accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles; (iii) references herein to "Articles," "Sections," "subsections," "paragraphs" and other subdivisions without reference to a document are to designated Articles, Sections, subsections, paragraphs and other subdivisions of this Agreement; (iv) a reference to a subsection without further reference to a Section is a reference to such subsection as contained in the same Section in which the reference appears, and this rule shall also apply to paragraphs and other subdivisions; (v) a reference to an Exhibit or a Schedule without a further reference to the document to which the Exhibit or Schedule is attached is a reference to an Exhibit or Schedule to this Agreement; (vi) the words "herein," "hereof," "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular provision; and (vii) the word "including" means "including, but not limited to."

Section 1.2 DEFINED TERMS.

For all purposes of this Agreement, the following terms shall have the respective meanings set forth below:

"ADDITIONAL PROPERTY DOCUMENTS" shall mean the documents described in EXHIBIT K-2.

"ADDITIONAL RENT" shall mean all reimbursements of Operating Expenses, administrative charges, reimbursements of Real Estate Taxes, rent escalations, insurance cost reimbursements and all other amounts and charges payable by Tenants to the Seller, as landlord, under their Leases (other than Minimum Rent), but shall not include Security Deposits or cost of living adjustments payable under the GSA Lease.

"AGREEMENT" shall mean this Purchase Agreement in its present form or as it may be modified, amended or restated from time to time.

"ARBITER" shall mean an independent party with no less than ten (10) years experience in the field of construction and coordination of contractors in commercial building projects in the Washington, D.C./Baltimore metropolitan region (or, if the nature of the breach or failure does not involve the condition of the Building, such other independent party with the requisite expertise to address the subject matter of the breach or failure).

"ARBITER'S ESTIMATE" shall have the meaning set forth in SECTION 6.7(b)(i).

"ARBITERS' COST DETERMINATION" shall have the meaning set forth in SECTION 6.6(a).

"ARBITRATION PROCEDURES" shall have the meaning set forth in SECTION 6.6(a).

"ASSIGNABLE CONTRACTS" shall mean all Contracts listed on the Contract Schedule other than the Contracts designated by the Purchaser for cancellation pursuant to SECTION 8.8.

"AVAILABLE PROPERTY DOCUMENTS" shall mean Delivered Property Documents and Additional Property Documents in the Seller's possession, custody or control or the possession of which can be obtained by the Seller with reasonable efforts.

"BANKRUPTCY LAW" shall mean Title 11, U.S. Code, and any similar state law for the relief of debtors.

"BILL OF SALE" shall mean a bill of sale, substantially in the form attached as EXHIBIT F, signed by the Seller.

"BUILDING" shall mean the building and other improvements situated on the Land (consisting of an 8-story building and a parking garage).

"BUILDING MANAGER" shall mean Michael Hueston who is an employee of Seller.

"BUILDING MANAGER'S OFFICE" shall have the meaning set forth in SECTION 17.1.

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"BUSINESS DAYS" shall mean any day of the week other than Saturday, Sunday or a day on which banking institutions in Washington, D.C., are obligated or authorized by law to close.

"CASUALTY" shall mean a fire or other casualty.

"CLOSING" shall have the meaning set forth in SECTION 13.1.

"CLOSING DATE" shall mean the date on which the purchase and sale of the Property and the other transactions contemplated by this Agreement are consummated.

"CONTRACTS" shall mean all contracts and agreements, oral or written, entered into by the Seller or its managing agent which provide for the management, operation, supply, maintenance or repair of the Land, the Building or the Personal Property, including service agreements, maintenance contracts, cleaning contracts, contracts for the purchase or delivery of labor, services, materials or supplies and equipment rental agreements or leases, including those in effect on the Effective Date and identified on the Contract Schedule and any new contract or agreement entered into pursuant to SECTION 8.4.

"CONTRACT SCHEDULE" shall mean the information concerning Contracts contained in SCHEDULE 1.

"CUSTODIAN" shall mean a receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

"DEED" shall mean a special warranty deed, substantially in the form attached as EXHIBIT E, signed by the Seller in proper form for recording.

"DELINQUENT RENT" shall mean Rent which is due and payable by a Tenant on or before the Proration Date but has not been paid by the Proration Date.

"DELIVERED PROPERTY DOCUMENTS" shall mean the documents described in EXHIBIT K-1.

"DEPOSIT" shall mean the payment made by the Purchaser to the Escrow Agent pursuant to SECTION 4.1.

"DUE DILIGENCE PERIOD" shall mean the period ending at 8:00 p.m., Eastern Daylight Time on the Effective Date, subject to extension pursuant to SECTION 5.6.

"EFFECTIVE DATE" shall mean August 16, 2001.

"ENVIRONMENTAL LAW" shall mean any federal, state or local law, ordinance, rule, regulation, requirement, binding written guideline, code or order or decree (including consent decrees and administrative orders) in effect on the Effective Date which regulates the use, generation, handling, storage, treatment, decontamination, clean-up, removal, encapsulation, enclosure, abatement or disposal of any Hazardous Material, including the Comprehensive

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Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601, ET SEQ., the Resource Conservation and Recovery Act, 42 U.S.C. Sections 6901, ET SEQ., the Toxic Substance Control Act, 15 U.S.C. Sections 2601, ET SEQ., the Clean Water Act, 33 U.S.C. Sections 1251 ET SEQ., their state analogs, and any other federal, state or local statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to, or imposing liability or standards of conduct concerning any Hazardous Material.

"ESCROW AGENT" shall mean Tri-State Commercial Closings, Inc., as authorized agent of Lawyers Title Insurance Corporation.

"FINANCIAL STATEMENTS" shall mean for the Real Property: (i) audited statements of operations for the years ended December 31, 2000 and 1999; (ii) a statement of operations for the period January 1, 2001 through March 31, 2001 reviewed by independent accountants; (iii) internal unaudited income and expense statements for the second quarter of 2001; (iv) the operating and capital budget for 2001; and (v) draft operating and capital budgets which have been prepared for future years, if any.

"FUND" shall have the meaning set forth in SECTION 4.2.

"GENERAL ASSIGNMENT" shall mean an Assignment of Licenses and Warranties in the form attached as EXHIBIT J.

"GOVERNMENTAL AUTHORITIES" shall mean any board, bureau, commission, department or body of any municipal, county, state or federal governmental unit,

or any subdivision thereof, having or acquiring jurisdiction over the Real Property or the management, operation, use or improvement thereof, but specifically excluding the Board of Governors of the Federal Reserve System in its capacity as Purchaser hereunder.

"GSA" shall mean the General Services Administration, an agency of the Government of the United States.

"GSA LEASE" shall mean a lease in which the tenant is GSA.

"HAZARDOUS MATERIAL" shall mean any flammable, explosive, radioactive or reactive materials, any asbestos (whether friable or non-friable), any pollutants, contaminants or other hazardous or toxic chemicals, materials or substances, any petroleum products or substances or compounds containing petroleum products, including gasoline, diesel fuel and oil, any polychlorinated biphenyls or substances or compounds containing polychlorinated biphenyls, and any other material or substance defined as a "hazardous substance," "hazardous material," "hazardous waste," "toxic materials," "contamination," and/or "pollution" within the meaning of any Environmental Law.

"IMPASSE NOTICE" shall have the meaning set forth in SECTION 6.7(b)(ii).

"INSURANCE SCHEDULE" shall mean the information concerning insurance coverage for the Real Property contained in SCHEDULE 3.

"KNOWLEDGE PARTIES" shall have the meaning set forth in SECTION 6.5.

"LAND" shall mean the parcel of land more particularly described in EXHIBIT A.

"LAND RECORDS" shall mean land records of the District of Columbia.

"LANDLORD ESTOPPEL CERTIFICATE" shall mean an estoppel certificate substantially in the form attached as EXHIBIT C-2 signed by Seller as landlord.

"LEASE AND CONTRACT ASSIGNMENT" shall mean an Assignment and Assumption of Leases and Contracts in the form attached as EXHIBIT H, providing for the assignment of all Leases and Assignable Contracts.

"LEASE SCHEDULE" shall mean the information concerning Tenants (other than Purchaser) contained in SCHEDULE 4.

"LEASE STATUS REPORT" shall mean a written statement of lease with respect to the GSA Lease, signed by the GSA Contracting Officer, in the form attached as EXHIBIT D (or, if a different form is prescribed by the GSA Lease, a statement of lease in the form prescribed by the GSA Lease).

"LEASES" shall mean all leases (other than subleases entered into by Tenants), whether written or oral, including all amendments, extensions, modifications and supplements thereto, pursuant to which any Person uses or occupies any part of the Real Property, including those in effect on the Effective Date which are identified on the Lease Schedule and any new leases, licenses or occupancy agreements entered into pursuant to SECTIONS 8.3 AND 8.4.

"LEGAL REQUIREMENTS" shall mean all laws, ordinances, rules, regulations, orders and requirements of all Governmental Authorities relating to, or regulating, the ownership, use, operation, management, maintenance and repair of the Real Property, including building, fire, safety and health laws and Environmental Laws.

"LICENSE SCHEDULE" shall mean the information concerning Licenses contained in SCHEDULE 5.

"LICENSES" shall mean all certificates of occupancy, licenses, authorizations, approvals and permits issued by Governmental Authorities relating to the Seller's (and not any Tenant's) use, operation, ownership or maintenance of the Real Property.

"MASTER LEASE" shall have the meaning set forth in SECTION 8.13.

"MINIMUM RENT" shall mean all base rent, minimum rent or basic rent payable in fixed installments and fixed amounts for stated periods by Tenants under their Leases.

"MORTGAGE" shall mean a mortgage, deed of trust or other type of security instrument of the type commonly given to secure loans or advances on, or the unpaid purchase price of, real property in the jurisdiction in which such real property is located.

"NOVATION AGREEMENT" shall have the meaning set forth in SECTION 13.4.

"OPERATING EXPENSES" shall mean all costs, expenses, charges and fees relating to the ownership, management, operation, maintenance and repair of the Real Property, including electricity, gas, water and sewer charges, telephone and other public utilities, common area maintenance charges, insurance premiums, vault charges, personal property taxes, excise taxes on Rent, business occupational taxes, periodic charges payable under Assignable Contracts, periodic fees payable under transferable Licenses for the operation (as opposed to the construction) of the Real Property, periodic charges under Reciprocal Easement Agreements, salaries, wages, vacation and sick pay, pension, welfare and other fringe benefits, employee-related taxes and other labor costs, but not including any costs, expenses, charges or fees which are the direct responsibility of a Tenant.

"OUTSIDE CLOSING DATE" shall mean December 31, 2001.

"PARKING LEASE" shall mean the collective reference to the following: (i) the Lease Agreement dated June 20, 1972 among Rekab, Inc., landlord, Diplomat Parking Corporation, tenant, and Lenkin Realty Company, managing agent; (ii) the First Amendment to Lease Agreement dated May 28, 1991 among Rekab, Inc., landlord, Diplomat Parking Corporation, tenant, and Lenkin Realty Company, managing agent; (iii) the Second Amendment to Lease entered into April 30, 1996 among 1709 Limited Partnership, as successor-in-interest to Rekab, Inc., landlord, Diplomat Parking Corporation, tenant, and QDC Property Management, Inc., managing agent; (iv) Second Amendment to Lease entered into as of April 30, 1996 between 1709 L.P., landlord, Diplomat Parking Corporation, tenant, and QDC Property Management, Inc., managing agent; (v) Consent to Assignment and Agreement dated October 1, 1997 among 1709 L.P., landlord, Diplomat Parking Corporation, tenant, Central Parking Corporation, guarantor, and QDC Property Management, Inc., managing agent; (vi) Guaranty dated October 1, 1997 by Central Parking Corporation, guarantor, in favor of 1709 L.P.; (vii) letter dated April 9, 2001 from John M. Lyon, general manager of Central Parking Corporation to the Building Manager; and (viii) letter dated May 29, 2001 from the Building Manager and signed by Bijan Eghtedari, Vice President of Central Parking Corporation.

"PERMITTED EXCEPTIONS" shall mean (i) the lien of Real Estate Taxes subsequent to the Closing Date, (ii) the Purchaser's Lease and the Leases described in the Lease Schedule and any permitted additions, renewals and replacements thereof, recorded or unrecorded, (iii) all matters disclosed (or that would be disclosed) by a survey of the Real Property which are approved, or deemed approved, by the Purchaser pursuant to SECTION 5.4, (iv) all matters, whether or not of record, that arise out of the actions of the Purchaser or its agents, employees or contractors, and (v) all additional exceptions to title which are approved, or deemed approved, by the Purchaser pursuant to SECTION 5.4, but specifically excluding liens, encumbrances, adverse claims or other matters, if any, created after the date of the title commitment but prior to the date title to the Real Property vests in the Purchaser and any new exceptions to title contained in any update of the title commitment (unless approved in writing by Purchaser).

"PERMITTED HAZARDOUS MATERIALS" shall mean Hazardous Materials in ordinary quantities which are customarily used in the operation, maintenance and repair of buildings and

other improvements similar to the Building and office supplies, cleaning materials, personal grooming items and other similar items sold for consumer use, in all such cases used in compliance with Environmental Laws.

"PERSON" shall mean an individual, estate, trust, partnership, corporation, Governmental Authority or other legal entity.

"PERSONAL PROPERTY" shall mean all tangible personal property of every kind and description owned by the Seller and now located on the Land or in the Building and used or useful in connection with the management, operation, maintenance and repair of the Real Property described in EXHIBIT B, subject, however, to depletions, replacements and additions in the ordinary course of business between the Effective Date and the Closing Date and also subject to trademark, service mark and other intellectual property restrictions on items bearing franchisor's or other Person's logos, trademarks, service marks and other registered marks, and other intellectual property rights.

"PLANS" shall mean the plans, specifications and similar materials relating to the Building within Seller's possession or control.

"POST-CLOSING FAILURE" shall mean the failure of Seller to (i) perform the affirmative covenants set forth in SECTION 8.3(a), (b) OR (d) where such failure is discovered by Purchaser or disclosed to Purchaser by Seller after the Closing, or (ii) adhere to the negative covenant set forth in SECTION 8.4(f) where such failure is discovered by Purchaser or disclosed to Purchaser by Seller after the Closing, or (iii) cure title and survey objections in accordance with SECTION 5.4 where such failure is discovered by Purchaser or disclosed to Purchaser by Seller after the Closing, or (iv) perform any of the covenants or agreements to be performed by it under this Agreement (other than those covered by the definitions of Post-Closing Non-Willful Breach and Post-Closing Willful Breach and other than those covered by ARTICLE XVI), where such failure is discovered by Purchaser or disclosed to Purchaser by Seller after the Closing.

"POST-CLOSING FAILURE CAP" shall have the meaning set forth in SECTION 6.11(a).

"POST-CLOSING NON-WILLFUL BREACH" shall mean (i) any representation or warranty made by Seller pursuant to ARTICLE VI hereof, which is untrue at the time it is made, where such misrepresentation or breach of warranty is discovered by Purchaser or disclosed to Purchaser by Seller after the Closing and which misrepresentation or breach of warranty was due to a negligent or unintentional act or omission of Seller, or (ii) the negligent or unintentional failure of Seller to adhere to the negative covenants set forth in SECTION 8.4(d), (e), (g), OR (h) where such failure is discovered by Purchaser or disclosed to Purchaser by Seller after the Closing.

"POST-CLOSING NON-WILLFUL CAP" shall have the meaning set forth in SECTION 6.10(a).

"POST-CLOSING WILLFUL BREACH" shall mean (i) any representation or warranty made by Seller pursuant to ARTICLE VI hereof, which is untrue at the time it is made, where such misrepresentation or breach of warranty is discovered by Purchaser or disclosed to Purchaser by Seller after the Closing and which misrepresentation or breach of warranty was due to a willful

act or omission of Seller, (ii) the willful failure of Seller to adhere to the negative covenants set forth in SECTION 8.4(d), (e), (g) OR (h) where such failure is discovered by Seller or disclosed to Purchaser by Seller after the Closing, or (iii) the willful breach by Seller of the covenants or agreements to be performed by it under this Agreement (other than those covered by ARTICLE XVI) and where such breach is discovered by Purchaser or disclosed to Purchaser by Seller after the Closing.

"POST-CLOSING WILLFUL CAP" shall have the meaning set forth in SECTION 6.9(a).

"PRE-CLOSING BREACH" shall mean any representation or warranty made by Seller pursuant to ARTICLE VI hereof, which is untrue at the time it is made and which misrepresentation or breach of warranty is discovered by Purchaser or disclosed to Purchaser by Seller on or prior to the Closing and regardless of whether such misrepresentation or breach of warranty was due to a willful or negligent act or omission of Seller.

"PRE-CLOSING BREACH CAP" shall have the meaning set forth in SECTION 6.7.

"PRE-CLOSING FAILURE" shall mean the failure of Seller to (i) fulfill any of the conditions set forth in SECTIONS 11.1 THROUGH 11.6 AND SECTIONS 11.8 AND 11.9 (other than a misrepresentation or breach of warranty which is covered in the definition of Pre-Closing Breach), or (ii) perform the affirmative covenants set forth in SECTION 8.3(a), (b) OR (d) where such failure is discovered by Purchaser or disclosed to Purchaser by Seller on or prior to the Closing, or (iii) adhere to the negative covenant set forth in SECTION 8.4(f) where such failure is discovered by Purchaser or disclosed to Purchaser by Seller on or prior to the Closing, or (iv) cure title and survey objections in accordance with SECTION 5.4 where such failure is discovered by Purchaser or disclosed to Purchaser by Seller on or prior to the Closing, or (v) perform any of the covenants or agreements to be performed by it under this Agreement (other than those covered by the definition of Pre-Closing Breach and other than those covered by ARTICLE XVI), where such failure is discovered by Purchaser or disclosed to Purchaser by Seller on or prior to the Closing.

"PRE-CLOSING FAILURE CAP" shall have the meaning set forth in SECTION 6.8.

"PRE-CLOSING MANDATORY CURE PERIOD" shall mean the period beginning on the date of discovery of a Pre-Closing Breach or Pre-Closing Failure by Purchaser or disclosure by Seller to Purchaser, as the case may be, and ending on the tenth (10th) Business Day after the Scheduled Closing Date.

"PROPERTY" shall have the meaning set forth in SECTION 2.1.

"PRORATION DATE" shall mean the Closing Date.

"PURCHASE PRICE" shall mean the purchase price of the Property specified in SECTION 3.1.

"PURCHASER'S LEASE" shall mean the collective reference to the following: (i) the Amended and Restated Office Lease dated April 28, 1995, between 1709 L.P., as landlord, and

Purchaser, as tenant; (ii) the Amended and Restated Office Lease No. 2 dated April 28, 1995, between 1709 L.P., as landlord, and Purchaser, as tenant; (iii) Office Lease No. 3 dated March 29, 1995, between 1709 L.P., as landlord, and Purchaser, as tenant; (iv) Option to Lease and Amendment to Original Lease, Office Lease No. 2 and Office Lease No. 3 dated as of December 30, 1997 between 1709 L.P., as landlord, and Purchaser, as tenant; (v) First Amendment to Option to Lease and Amendment to Original Lease, Office Lease No. 2 and Office No. 3 dated as of April 28, 1998 between 1709 L.P., landlord, and Purchaser, as tenant; (vi) Office Lease No. 4 dated August 5, 1998, between Seller, as landlord, and Purchaser, as tenant; (vii) Storage Space Lease made as of June 14, 1994, between 1709 L.P., as landlord, and Purchaser, as tenant; (viii) First Amendment to Storage Space Lease made as of May 13, 1998, between 1709 L.P., as landlord, and Purchaser, as tenant; (ix) Storage Space Lease (undated) between 1709 L.P., as landlord, and Purchaser, as tenant; and (x) First Amendment to Storage Space Lease made as of May 13, 1998 between 1709 L.P., as landlord, and Purchaser, as tenant.

"PURCHASER'S OUT-OF-POCKET COSTS" shall have the meaning set forth in SECTION 6.7(a).

"REAL ESTATE TAXES" shall mean all taxes, assessments, vault rentals, and other charges, if any, general, special or otherwise, including all assessments for schools, public betterments and general or local improvements, levied or assessed upon or with respect to the ownership of and/or all other taxable interests in the Real Property imposed by any public or quasi-public authority having jurisdiction.

"REAL PROPERTY" shall mean the Land and the Building.

"RECIPROCAL EASEMENT AGREEMENTS" shall mean any and all reciprocal easement agreements, declarations of covenants, conditions, restrictions and easements, party wall agreements, "tie-back" agreements, common area agreements, shared maintenance agreements, common use agreements or similar agreements or understandings, recorded or unrecorded, which burden or benefit the Real Property and other adjacent real property, and all supplements, amendments, modifications and memoranda thereof, relating to the development, use, operation, management, maintenance or occupancy of the Real Property.

"REIMBURSABLE EXPENSES" shall mean all or a portion of the Operating Expenses or Real Estate Taxes, or both, which are taken into account under a Tenant's Lease in determining the amount of Additional Rent payable by the Tenant.

"RENT" shall mean, collectively, Minimum Rent and Additional Rent.

"SALES AGENT" shall mean Julien J. Studley, Inc., representing solely the interest of the Purchaser in connection with the transactions contemplated by this Agreement.

"SECURITY DEPOSITS" shall mean all security deposits, access card or key deposits, cleaning fees and other deposits, if any (including any interest accrued thereon in accordance with the terms of the Tenant's Leases), relating to space within the Real Property paid by Tenants to the Seller, its managing agent or any other Person.

"SELLER'S ESTIMATE" shall have the meaning set forth in SECTION 6.7(b).

"TENANT ESTOPPEL CERTIFICATE" shall mean an estoppel certificate substantially in the form attached as EXHIBIT C-1 (or, if a different form is prescribed by the Tenant's Lease, an estoppel certificate in the form prescribed by the Tenant's Lease) signed by the Tenant (other than Purchaser and GSA).

"TENANTS" shall mean all Persons leasing or occupying space within the Real Property pursuant to written or oral agreements with the Seller or a prior owner of the Real Property.

"TO SELLER'S KNOWLEDGE" shall have the meaning set forth in SECTION 6.5.

"UTILITY DEPOSIT SCHEDULE" shall mean the information concerning deposits made by the Seller with utility companies servicing the Real Property contained in SCHEDULE 8.

"UTILITY DEPOSITS" shall mean all deposits made by the Seller with the Persons providing water, sewer, gas, electricity, telephone and other public utilities to the Real Property.

"WARRANTIES" shall mean all assignable warranties or guaranties in effect on the Closing Date from contractors, suppliers or manufacturers of personal property installed in or used in connection with the Real Property or any work performed or improvements included as a part of the Real Property.

ARTICLE II

PURCHASE AND SALE OF THE PROPERTY

Section 2.1 PROPERTY TO BE SOLD.

On the Closing Date, and subject to the terms and conditions set forth in this Agreement, the Seller agrees to sell to the Purchaser, and the Purchaser agrees to purchase from the Seller:

(a) the Land;

(b) the Building;

(c) all right, title and interest of the Seller, if any, in any land lying in the bed of any street, road, avenue or alley, open or closed, adjacent to or abutting the Land, to the center line thereof;

(d) all easements, covenants and other rights appurtenant to, and all the estate and rights of the Seller in and to, the Land and the Building, but not including any rights of the Seller created by or pursuant to this Agreement;

(e) all right, title and interest of the Seller in and to the Plans;

(f) all right, title and interest of the Seller in and to the proceeds of, or any award made for, a taking of all or any part of the Real Property by any Governmental Authority pursuant to the exercise of its power of eminent domain in accordance with the provisions of ARTICLE XII hereof;

(g) the Personal Property;

(h) all right, title and interest of the Seller in and to the Leases and the Assignable Contracts;

(i) all right, title and interest of the Seller, if any, in and to all transferable Licenses; and

(j) all right, title and interest of the Seller in and to the Warranties.

The items of property described in subsections (a) through (j), inclusive, are referred to collectively as the "PROPERTY". The Seller shall sell and convey and the Purchaser shall purchase and accept the Property free and clear of all liens, encumbrances, easements, covenants, conditions, Leases and other matters affecting title, except for the Permitted Exceptions, in accordance with the provisions of this Agreement.

Section 2.2 NO UNINTENDED ASSUMPTION OF LIABILITIES.

Except as expressly provided in this Agreement or in any document to be executed and delivered on the Closing Date, the Purchaser is not assuming any of the debts, liabilities, taxes or obligations of, or claims against, the Seller of any kind or character, whether direct or contingent and whether known or unknown. The only transactions contemplated by this Agreement are the sale and purchase of the Property. The Seller is not selling a business. The parties intend that the Purchaser shall not be deemed to be a successor of the Seller with respect to any of the Seller's liabilities or obligations to third parties arising before the Closing Date. The provisions of this Section shall not increase or diminish the Seller's and the Purchaser's respective indemnification obligations under ARTICLE XVI.

ARTICLE III

PURCHASE PRICE AND TERMS OF PAYMENT

Section 3.1 AMOUNT.

The purchase price to be paid by the Purchaser to the Seller for the Property (the "PURCHASE PRICE") shall be Sixty-Seven Million and 00/100 Dollars $67,000,000.00, subject to the adjustments and prorations pursuant to ARTICLE XIV and subject to the terms and conditions of this Agreement. Except as expressly provided in this Agreement, if the Closing Date occurs after September 28, 2001, then the Purchase Price shall be reduced by $7,142.86 for each day after September 28, 2001 until the Closing Date. In no event shall the reduction in Purchase Price be delayed if the Due Diligence Period is extended pursuant to SECTION 5.6. If Purchaser adjourns the Closing one or more times pursuant to SECTION 15.1(b), then the reduction in

Purchase Price shall be delayed one day for each day of adjournment by Purchaser beyond the Closing Date.

Section 3.2 PAYMENT.

On the Closing Date, and subject to the terms and conditions of this Agreement, the Purchaser shall pay the balance of the Purchase Price at the Closing by an electronic funds transfer of immediately available funds to Seller's account on or before 11:00 a.m., local time.

ARTICLE IV

DEPOSIT

Section 4.1 DELIVERY OF DEPOSIT.

Within two (2) Business Days after the Seller delivers a fully-signed counterpart of this Agreement to the Purchaser, the Purchaser shall deliver to the Escrow Agent a deposit in the amount of $2,000,000 to be held by the Escrow Agent as a good faith deposit under this Agreement (the "DEPOSIT").

Section 4.2 DEPOSIT.

The payment of the Deposit shall be in the form of an electronic funds transfer to the Escrow Agent. The Escrow Agent shall, promptly after receipt, invest the Deposit in obligations of the United States Government having a maturity of not more than 30 days; PROVIDED, HOWEVER, that in no event shall such obligations have a maturity date beyond the Closing Date. The Deposit and all interest accrued thereon, if any, shall be collectively referred to herein as the "FUND".

Section 4.3 DISPOSITION OF FUND.

Whenever the Escrow Agent is required by the terms of this Agreement to pay the Fund to the Seller, the Escrow Agent shall promptly liquidate such investments and pay the proceeds to the Seller. Whenever the Escrow Agent is required by the terms of this Agreement to pay or return the Fund to the Purchaser, the Escrow Agent shall promptly liquidate such investments and pay the proceeds to the Purchaser. If this Agreement is terminated pursuant to SECTION 5.5, the Purchaser shall deliver a copy of the Due Diligence Notice to the Escrow Agent, the Escrow Agent shall promptly return the Fund to the Purchaser and, except as otherwise provided in SECTION 5.5, no party shall have any further liability to any other party under this Agreement.

Section 4.4 ESCROW AGENT'S DUTY TO RETURN FUND.

If this Agreement is terminated pursuant to SECTION 15.1 and thereafter either the Seller or the Purchaser makes a written demand on the Escrow Agent for the return of the Fund (if the demand is made by the Purchaser) or for the payment of the Fund (if the demand is made by the Seller), the Escrow Agent shall give written notice of such demand to the other party. If the Escrow Agent does not receive a written objection from the other party to the proposed payment

or return of the Fund within five (5) Business Days after the giving of such notice, the Escrow Agent shall pay the Fund to the party making the demand. If the Escrow Agent receives a written objection from the other party within the five (5) Business Day period, the Escrow Agent shall continue to hold the Fund until otherwise directed by written instructions from the Seller and the Purchaser or until otherwise directed by a court of competent jurisdiction.

Section 4.5 INTERPLEADER.

In the event of a dispute concerning the disposition of the Fund, the Escrow Agent shall have the right at any time to deposit any cash funds held by it under this Agreement with the clerk of the court of general jurisdiction of the District of Columbia. The Escrow Agent shall give written notice of such deposit to Seller and Purchaser. Upon such deposit the Escrow Agent shall be relieved and discharged of all further obligations and responsibilities hereunder.

Section 4.6 ESCROW AGENT AS STAKEHOLDER.

The parties acknowledge that the Escrow Agent is acting solely as a stakeholder at their request and for their convenience; that the Escrow Agent shall not be deemed to be the agent of any of the parties; and that the Escrow Agent shall not be liable to any of the parties for any act or omission on its part unless taken or suffered in bad faith, in willful disregard of this Agreement or involving gross negligence. The Seller and the Purchaser shall jointly and severally indemnify and hold the Escrow Agent harmless from and against all costs, claims, and expenses, including reasonable attorneys' fees, incurred in connection with the performance of the Escrow Agent's duties hereunder, except with respect to actions or omissions taken or suffered by the Escrow Agent in bad faith, in willful disregard of this Agreement or involving gross negligence on the part of the Escrow Agent.

Section 4.7 PROHIBITION AGAINST COMMINGLING OF FUND.

The Fund held by the Escrow Agent shall constitute trust funds in the hands of the Escrow Agent and shall not be commingled with the Escrow Agent's separate funds or with funds held by the Escrow Agent for the account of any other Person.

ARTICLE V

INSPECTION AND DUE DILIGENCE PERIOD

Section 5.1 PHYSICAL INSPECTION OF REAL PROPERTY.

The Seller agrees that the Purchaser and its authorized agents shall have the right, at the Purchaser's risk, cost and expense and subject to the rights of Tenants under the terms of their Leases, to enter the Real Property at any time or times before the Closing Date, during normal business hours and after reasonable advance notice, for purposes of making such investigations and studies, including appraisals, architectural and engineering studies, surveys, soil tests, environmental studies, financial, market analysis, development and economic feasibility studies, as the Purchaser deems necessary or desirable to evaluate the Property. Except as permitted under Purchaser's Lease, Purchaser's entry upon the Real Property shall be governed by that

certain Right of Access Agreement between Seller and Purchaser dated June 20, 2001 (the "RIGHT OF ACCESS AGREEMENT"). Seller acknowledges that Purchaser has delivered the evidence of insurance required under the Right of Access Agreement.

Section 5.2 DELIVERY OF ADDITIONAL PROPERTY DOCUMENTS.

Prior to the Effective Date, Seller, at its sole cost and expense, has delivered to the Purchaser for inspection and review, true, correct, complete and legible copies of the Delivered Property Documents described on EXHIBIT K-1 attached hereto. Within five (5) Business Days after the Effective Date, the Seller shall also deliver to the Purchaser a "Property Document Notice" which shall either (i) advise Purchaser that all Available Property Documents have been delivered by the Seller to the Purchaser, (ii) identify the additional Available Property Documents then being delivered, or (iii) if the Seller is unable to deliver all Additional Property Documents at that time, state which Additional Property Documents are not Available Property Documents and are, therefore, not then being delivered to the Purchaser. Within five (5) Business Days after the Purchaser's receipt of the Additional Property Documents and the Property Document Notice from the Seller, the Purchaser shall (i) give the Seller notice (to the attention of Roger W. Thomas, general counsel) of any Additional Property Documents which the Seller stated it was delivering in the Property Document Notice but which the Purchaser did not receive or for which the Seller did not account in the Property Document Notice (the receipt of which Purchaser does not waive), or (ii) give the Seller notice (to the attention of Roger W. Thomas, general counsel) that the Seller has satisfied its obligations under this subsection regarding the delivery of the Available Property Documents. The Seller shall have a period of five (5) Business Days after receipt of the Purchaser's notice in which to deliver the requested Additional Property Documents to the Purchaser or to advise the Purchaser in writing that the requested Additional Property Documents either do not exist or are not Available Property Documents. Purchaser reserves the right to reasonably request Additional Property Documents from Seller at any time prior to the Closing Date

and Seller shall use commercially reasonable efforts to provide such Additional Property Documents to Purchaser within three (3) Business Days of Purchaser's request, provided that any additional requests by Purchaser (which are made after the expiration of the five (5) Business Day Period set forth in this Section) shall not extend the Due Diligence Period.

Section 5.3 INSPECTION OF BOOKS AND RECORDS.

Between the Effective Date and the Closing Date, the Purchaser shall have the right to inspect, and the Seller shall make available to the Purchaser for inspection, copies of all documents and agreements in the possession or control of the Seller which pertain to the construction, ownership, use, operation, occupancy, maintenance, operation or leasing of the Real Property, including correspondence with Tenants ("SELLER'S RECORDS"). The Seller shall allow such inspections to be conducted during normal business hours upon reasonable notice to the Seller and shall make the Seller's Records available to the Purchaser at the Real Property. The Purchaser understands and acknowledges that Seller's Records will be provided, and all other documents and written materials delivered by the Seller to the Purchaser will be provided, without any representation or warranty, express or implied, as to the completeness or accuracy of the facts, presumptions, conclusions or other matters contained therein, or the Purchaser's ability

to rely thereon, except for the representations and warranties made by the Seller in ARTICLE VI. The Purchaser has been expressly advised by the Seller to conduct an independent investigation and inspection of the Real Property utilizing such experts as the Purchaser deems to be necessary for an independent assessment of all liability and risk with respect to the Property. The Purchaser shall not, without the Seller's prior consent (which the Seller shall not unreasonably withhold or delay), contact any other Tenant.

Section 5.4 TITLE EXAMINATION AND SURVEY.

(a) TITLE COMMITMENT AND SURVEY. Promptly after the Effective Date, the Purchaser, at its expense, shall cause to be prepared a current, effective commitment for owner's title insurance for the Real Property (the "TITLE COMMITMENT") issued by Escrow Agent, or another recognized title insurance company acceptable to the Purchaser, which names the Purchaser as the proposed insured. The Purchaser shall also have the right, at its expense, during the Due Diligence Period to cause to be prepared a current ALTA/ACSM survey of the Real Property (the "SURVEY"). On or before the later to occur of (i) two (2) Business Days after Purchaser's receipt thereof, or (ii) the expiration of the Due Diligence Period (the "TITLE REVIEW DEADLINE"), the Purchaser shall deliver to the Seller a copy of the Title Commitment, accompanied by true, complete, and legible copies of all documents referred to in Schedule B to the Title Commitment. On or before the later to occur of (i) two (2) Business Days after Purchaser's receipt thereof, or (ii) the expiration of the Due Diligence Period (the "SURVEY DEADLINE"), the Purchaser shall deliver the Survey to the Seller.

(b) PURCHASER'S TITLE OBJECTIONS. If the Purchaser, for any reason whatsoever, objects to the condition of the Seller's title to the Real Property, it shall do so by notifying the Seller in writing on or before the Title Review Deadline concurrently with its delivery of a copy of the Title Commitment to the Seller. If the Purchaser does not object to the condition of the Seller's title to the Real Property on or before the Title Review Deadline, the Purchaser shall be conclusively deemed to have accepted the condition of title as set forth in the Title Commitment and to have approved all exceptions to title described in Schedule B to the Title Commitment other than the exceptions for unfiled mechanics' liens, Mortgages and other liens which may be removed by the payment of money. The Seller shall be obligated to pay off out of the proceeds of the Purchase Price any monetary encumbrances on the Property without a limit or cap of any kind whatsoever; PROVIDED, HOWEVER, that (i) Seller may, at its option, bond off (rather than pay off) any mechanic's or materialmen's liens, so long as said process results in the Escrow Agent removing said liens as an exception to Purchaser's title insurance policy, and (ii) Seller has no obligation to discharge Permitted Exceptions. Within three (3) Business Days after receipt of the Purchaser's notice of title objections and a copy of the Title Commitment, the Seller shall either agree in writing to cure such objections or shall notify the Purchaser in writing that the Seller is unable or unwilling to do so. If the Seller timely notifies the Purchaser that it is unable or unwilling to cure the title objections, the Purchaser may terminate this Agreement within five (5) Business Days thereafter by giving notice of termination to the Seller, in which case this Agreement shall terminate with the same effect as if the Purchaser had delivered the Due Diligence Notice pursuant to SECTION 5.5. If the Purchaser does not terminate this Agreement pursuant to the preceding sentence, the Purchaser shall be conclusively deemed to have waived the title objections, the title objections shall be deemed to be Permitted Exceptions and the

Purchaser shall be obligated to purchase the Property in accordance with the terms of this Agreement without a reduction in the Purchase Price. If the Seller timely notifies the Purchaser that it will cure the title objections, such title objections shall not be Permitted Exceptions and the Seller shall use its best efforts to cure such objections on or before the Closing Date; provided that the cost to Seller to cure such objections does not exceed Two Hundred Fifty Thousand Dollars ($250,000) in the aggregate. Any new exceptions to title contained in any update of the Title Commitment shall not be Permitted Exceptions unless approved in writing by the Purchaser.

(c) PURCHASER'S SURVEY OBJECTIONS. If the Purchaser, for any reason whatsoever, objects to any matter disclosed by the Survey, it shall do so by notifying the Seller in writing on or before the Survey Deadline concurrently with its delivery of a copy of the Survey to the Seller. If the Purchaser does not object to a matter disclosed by the Survey on or before the Survey Deadline, the Purchaser shall be conclusively deemed to have accepted the Survey and to have approved all matters disclosed by the Survey. Within five (5) Business Days after receipt of the Purchaser's notice of survey objections and a copy of the Survey, the Seller shall either agree in writing to cure such objections or shall notify the Purchaser in writing that the Seller is unable or unwilling to do so. If the Seller timely notifies the Purchaser that it is unable or unwilling to cure the survey objections, the Purchaser may terminate this Agreement within five (5) Business Days thereafter by giving notice of termination to the Seller, in which case this Agreement shall terminate with the same effect as if the Purchaser had delivered the Due Diligence Notice pursuant to SECTION 5.5. If the Purchaser does not terminate this Agreement pursuant to the preceding sentence, the Purchaser shall be conclusively deemed to have waived the survey objections, such survey objections shall be deemed to be Permitted Exceptions and the Purchaser shall be obligated to purchase the Property in accordance with the terms of this Agreement without a reduction in the Purchase Price. If the Seller timely notifies the Purchaser that it will cure the survey objections, such survey objections shall not be Permitted Exceptions and the Seller shall use its best efforts to cure such survey objections on or before the Closing Date; provided that the cost to Seller to cure such survey objections does not exceed Two Hundred Fifty Thousand Dollars ($250,000) in the aggregate.

Section 5.5 TERMINATION.

The Purchaser may terminate this Agreement at any time before the end of the Due Diligence Period by giving the Seller and the Escrow Agent written notification (the "DUE DILIGENCE NOTICE") that Purchaser elects not to consummate the purchase of the Property in accordance with the terms of this Agreement. The Purchaser shall have the absolute right, in its sole and absolute discretion, to determine whether to give the Due Diligence Notice. If the Due Diligence Notice is timely given, the Purchaser shall so notify the Escrow Agent, the Escrow Agent shall promptly return the Fund to the Purchaser, and, except as otherwise provided in this Section, no party shall have any further liability to any other party under this Agreement. If this Agreement is terminated pursuant to the provisions of this Section, the Purchaser agrees, within fifteen (15) days after the end of the Due Diligence Period, to deliver to the Seller copies of all surveys, written engineering and environmental reports prepared by third parties for the Purchaser during the Due Diligence Period and to return to the Seller all Information (as defined

in SECTION 18.7) previously delivered by the Seller to the Purchaser. All third party reports and studies shall be delivered to the Seller for information only without any right to rely thereon.

Section 5.6 EXTENSION OF DUE DILIGENCE PERIOD.

If the Seller fails to deliver all Available Property Documents to the Purchaser (or fails to deliver a notice that certain Additional Property Documents requested by the Purchaser are not within Seller's possession or control) within the period of five (5) Business Days required by SECTION 5.2 then the Due Diligence Period shall be extended on a day-for-day basis by the number of calendar days elapsing between the end of the five (5) Business Day period and the earliest day on which all Available Property Documents (or a notice that certain Additional Property Documents requested by the Purchaser are not within Seller's possession or control) have been delivered to the Purchaser.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF THE SELLER

The Seller makes the following representations and warranties to the Purchaser for the purpose of inducing the Purchaser to execute and deliver this Agreement and to consummate the transactions contemplated by this Agreement:

Section 6.1 REPRESENTATIONS AND WARRANTIES REGARDING AUTHORITY AND STATUS.

(a) ORGANIZATION. The Seller is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware and is duly qualified as a foreign limited liability company in good standing in the District of Columbia.

(b) AUTHORIZATION. The Board of Directors of the managing member of the Seller have duly authorized this Agreement and the transactions contemplated hereby and have duly authorized the execution and delivery of this Agreement.

(c) NO CONFLICTING AGREEMENTS. The execution and delivery by the Seller of, and the performance and compliance by the Seller with the terms and provisions of, this Agreement do not violate any of the terms, conditions or provisions of (i) the Seller's Certificate of Formation or operating agreement, (ii) any judgment, order, writ, injunction, decree, regulation or ruling of any court or federal, state, municipal or other governmental agency or department, commission, board, agency or instrumentality, domestic or foreign, to which the Seller is subject, or (iii) any agreement or contract listed on any Schedule to this Agreement or any other agreement or contract to which the Seller is a party or to which it or the Property is subject, and which would have a material adverse effect on the Property or the transactions contemplated by this Agreement, nor shall such execution, delivery, performance or compliance constitute a material default thereunder or give to others any material rights of termination or cancellation in or with respect to the Property, which default or rights would have a material adverse effect on the Property or the transactions contemplated by this Agreement.

(d) APPROVALS. No authorization, consent, order, approval or license from, filing with, or other act by any Governmental Authority or other Person is or will be necessary to permit the valid execution and delivery by the Seller of this Agreement or the performance by the Seller of the obligations to be performed by it under this Agreement or if any such authorizations, consents, orders, approvals or licenses are required, they have been obtained.

(e) UNITED STATES PERSON. The Seller is a "United States person" within the meaning of Sections 1445(f)(3) and 7701(a)(30) of the Internal Revenue Code of 1986, as amended.

(f) ABSENCE OF BANKRUPTCY. The Seller has not commenced (within the meaning of any Bankruptcy Law) a voluntary case, consented to the entry of an order for relief against it in an involuntary case, or consented to the appointment of a Custodian of it or for all or any substantial part of its property, nor has a court of competent jurisdiction entered an order or decree under any Bankruptcy Law that is for relief against the Seller in an involuntary case or appoints a Custodian of the Seller or for all or any substantial part of its property.

Section 6.2 REPRESENTATIONS AND WARRANTIES REGARDING REAL ESTATE AND LEGAL MATTERS.

(a) FINANCIAL STATEMENTS. The Seller has delivered the Financial Statements to the Purchaser. The Financial Statements were prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, are in accordance with the books and records of the Seller and present fairly, in all material respects, the income and expenses of the Real Property on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, for the respective periods covered thereby, subject (in the case of unaudited monthly operating statements) to year-end audit adjustments; provided, however, that Seller makes no representations with respect to the audited Financial Statements.

(b) EMPLOYEES. The Seller shall be solely responsible for all employees of Seller or Seller's managing agent engaged in the management, operation, maintenance and repair of the Real Property.

(c) REAL ESTATE TAXES. Except as disclosed in writing by Seller, the Seller has not received any written notice, and does not have knowledge, of (x) any proposed increase in the assessed valuation of the Real Property, (y) any pending or threatened special assessments affecting the Real Property, or (z) any contemplated improvements affecting the Real Property that may result in special assessments affecting the Real Property.

(d) OWNERSHIP OF REAL PROPERTY. The Seller's title to the Real Property is not directly or indirectly derived from any foreclosure proceeding or any proceeding for the sale of land for the nonpayment of Real Estate Taxes or assessments or from adverse possession or color of title in any manner which would affect the marketability of its title to the Real Property. The Seller has not received written notice of any claim against Seller, or breach by Seller, of the terms and provisions of any of the covenants, conditions, restrictions, rights-of-way or easements

constituting one or more of the Permitted Exceptions which are to be performed or complied with by the owner of the Real Property.

(e) CONDEMNATION. The Seller has not received from any Governmental Authority any written notice of pending or threatened condemnation proceedings affecting the Real Property, or any part thereof.

(f) ZONING. The Seller has not received written notice of, or threatened action in writing by, any Governmental Authority for any violation of any zoning, building or similar law, ordinance, order or regulation by the continued maintenance, operation or use of the building or any other improvements presently comprising a part of the Real Property or by the continued maintenance, operation or use of the Parking Facilities (as defined in SECTION 6.2(h)), which violation remains uncured.

(g) TITLE TO PERSONAL PROPERTY. The Seller has good and marketable title to, and owns outright, the Personal Property, free and clear of all liens, encumbrances, security interests and adverse claims of any kind or character, other than liens which will be released at the Closing. The Personal Property is being sold "as is, where is" and "with all faults."

(h) PARKING FACILITIES. The Seller has not received written notice of any violation of Legal Requirements affecting the parking facilities included as a part of the Real Property (the "PARKING FACILITIES") which consist of a garage beneath the Building, which violation remains uncured. There are no parking commitments applicable to or affecting the Real Property other than the Parking Lease, which will be terminated by Seller effective on or before the Closing Date.

(i) LICENSES. The License Schedule contains a complete list of all Licenses held by the Seller on the Effective Date. To Seller's knowledge, the Licenses listed on the License Schedule are in full force and effect. The Seller has not received written notice from any applicable Government Authorities of any termination or violation of any certificate of occupancy, building permits or licenses, or other licenses, permits, authorizations or approvals applicable to the Real Property.

(j) MECHANICS' LIENS. All bills and claims for labor performed and materials furnished to or for the benefit of the Real Property for all periods prior to the Closing Date have been (or prior to the Closing Date will be) paid in full, and there shall be no mechanics' liens or materialmen's liens (whether or not perfected) on or affecting the Real Property other than those filed because of Purchaser's work on the Real Property.

(k) LITIGATION. There are no investigations, actions, suits, proceedings or claims pending or, to Seller's knowledge, threatened in writing against or affecting the Seller's ability to perform its obligations under this Agreement or the Real Property, at law or in equity or before or by any federal, state, municipal or other governmental department, commission, board, agency or instrumentality, domestic or foreign, which are not fully covered by Seller's insurance. Seller shall provide to Purchaser a summary of all litigation affecting the Real Property or Seller's ability to perform its obligations under this Agreement.

(l) COMPLIANCE WITH LAWS. The Seller has not received written notice of any violations of Legal Requirements for the Property (including all adjoining streets, roads, parking areas, curbs, sidewalks, sewers and other utilities within the boundaries of the Land).

(m) ENVIRONMENTAL MATTERS.

(1) Except for Permitted Hazardous Materials or as disclosed in the Environmental Reports, to Seller's knowledge, (i) the Real Property does not contain, and there is not located on or about the Real Property, any Hazardous Materials in violation of Environmental Laws; (ii) no part of the Real Property is currently used, or has previously been used during the period of Seller's ownership, for the use, storage, treatment, production, manufacture, generation, transportation, release or disposal of Hazardous Materials in violation of Environmental Laws; and (iii) the Seller has not received any written complaint, order, summons, citation, notice of violation, directive letter or other communication from any Governmental Authority or other Person with regard to air emissions, water discharges, noise emissions or Hazardous Materials emanating from the Real Property, or any other environmental, health or safety matters affecting the Real Property, or any portion thereof.

(2) There are no claims pending or, to Seller's knowledge,

threatened in writing, against the Real Property or against Seller relating to the Real Property, by any Governmental Authority or other Person relating to any Hazardous Material or pursuant to any Environmental Law, whether for enforcement, clean-up, removal, remediation, assertion of liability, cost recovery, compensation, contribution, recovery of damages, injunction or other equitable relief or otherwise.

(3) The Seller has delivered to the Purchaser (i) a report prepared by Environmental Waste Management Associates, LLC dated April 1, 1998, entitled "Phase I Environmental Site Assessment" and (ii) a report prepared by Environmental Management Group, Inc. dated March 12, 1992, entitled "Phase I Environmental Assessment" (the "ENVIRONMENTAL REPORTS"). To Seller's knowledge, except as disclosed in the Environmental Reports, on the Effective Date (i) there are no reports within Seller's possession or control relating to the presence of Hazardous Materials on the Real Property other than the Environmental Reports, and (ii) to Seller's knowledge, there are no underground storage tanks on the Real Property.

(n) UNDERGROUND STORAGE TANKS. The Seller has not removed, or caused to be removed, any underground storage tanks from the Real Property and, to Seller's knowledge, no underground storage tanks were removed from the Real Property before the Seller acquired title to the Real Property.

(o) REQUIRED REPAIRS. The Seller has not received written notice within the 12 months preceding the Effective Date, and the Seller has no actual knowledge on the Effective Date, that there are any outstanding requirements or recommendations by (i) the insurance company(s) currently insuring the Building, or (ii) any board of fire underwriters or other body exercising similar functions which require or recommend any repairs to be made or work to be done to the Building.

(p) ZONING AND RELATED CHANGES. The Seller has not received written notice of (i) any proposed or pending proceeding to change or redefine the zoning classification of all or any part of the Real Property, or (ii) any threatened action by a Governmental Authority directly affecting the Real Property.

Section 6.3 REPRESENTATIONS AND WARRANTIES REGARDING LEASES, CONTRACTS, INSURANCE AND OTHER DOCUMENTS.

(a) LEASES. The Lease Schedule contains a description of all Leases (other than Purchaser's Lease) in effect on the Effective Date, including the name of each Tenant, the date of each Tenant's Lease and all amendments, if any, thereto, if the Tenant is not the original lessee, to Seller's knowledge, the name of the original lessee and the date of the instrument of assignment, the net rentable area of the leased premises being billed by Seller under each Lease if different from that set forth in the Lease, lease concessions (if any) if different from that set forth in the Lease, the gross monthly rent (including separately stated amounts for Minimum Rent and Additional Rent) billed to each Tenant under its Lease, the Tenant's renewal or expansion options, if any, if different from that set forth in the Lease, permitted subleases and the dates thereof, and the amount of any Security Deposit held by the Landlord under each Lease. The Seller has delivered to the Purchaser a complete copy of each Lease affecting the Real Property. On the Effective Date, there are no Leases or other tenancies for any space in the Real Property other than those set forth on the Lease Schedule. Except as otherwise disclosed on the Lease Schedule or elsewhere in this Agreement:

(1) to Seller's knowledge, each of the Leases is in full force and effect, there is no written notice of a claim of invalidity or termination of any of the Leases and none of the Leases has been modified, amended or extended (other than as set forth in the Leases) except as set forth on the Lease Schedule;

(2) the gross monthly rent listed opposite the name of each Tenant on the Lease Schedule is the amount, including Minimum Rent and Additional Rent, actually collected from or billed to such Tenant for the month immediately preceding the Effective Date and, except as shown in the Lease Schedule, there is no arrearage in excess of one month;

(3) none of the Tenants is in default (beyond any grace period provided by such Tenant's Lease) in the payment of any of the rent or other charges payable under its Lease and, to Seller's knowledge, none of the Tenants is in material default in the performance or observance of any of the covenants or conditions to be kept, observed or performed by it under its Lease;

(4) except as otherwise indicated in the Leases, no renewal, extension or expansion options have been granted to any Tenant;

(5) except as set forth in the Leases, no Tenant has an option (pre-emptive or otherwise) to purchase the Real Property, or any part thereof;

(6) except as set forth in the Leases, no Tenant is entitled now or in the future to any abatement, rebate, concession, deduction or offset, allowance or free rent for any period, nor has Seller received written notice of any such claim by any Tenant;

(7) no Tenant has paid any Rent for a period of more than thirty (30) days in advance except as reflected in the Lease Schedule and except for estimated pass-through payments;

(8) except as disclosed in the Leases, no Tenant is entitled to receive in the future from the Seller, as landlord, any contribution, either in money or in kind, on account of the construction of its improvements;

(9) except as set forth in the Leases, there are no oral or written agreements between the Seller, as landlord, and any of the Tenants which in any way relates to the leasing of space in the Real Property;

(10) the Seller has not received from any Tenant under a Lease a written notice of default by the Seller in performing any of its obligations as landlord under such Lease or a written notice of violation of any Legal Requirements, which default or violation has not been cured or corrected;

(11) except as shown on the Lease Schedule, the Seller has not received written notice that any Tenant is insolvent or is unable to perform any of its material obligations under its Lease;

(12) the Seller has the sole right to collect rent under each Lease and such right has not been assigned, pledged, hypothecated, or otherwise encumbered other than pursuant to a Mortgage to be released at the Closing; and

(13) except as shown in the Leases, all alterations, installations, decorations and other work required to be performed by the Seller, as landlord, under the provisions of each Lease have been completed and fully paid for, or will be completed and fully paid for on or before the Closing Date.

(b) CONTRACTS. The Contract Schedule contains a complete list of all Contracts in effect on the Effective Date. The Seller has delivered to the Purchaser true and complete copies of each of the Contracts described on the Contract Schedule. To Seller's knowledge, the Seller is not in default in payment of any of its monetary obligations or in performing any of its material non-monetary obligations under any of the Contracts described on the Contract Schedule and knows of no material default on the part of the other parties thereto. The Contracts described on the Contract Schedule represent the complete agreement between the Seller and such other parties as to the services to be performed or materials to be provided thereunder and the compensation to be paid for such services or materials, as applicable.

(c) MANAGEMENT AGREEMENT. On the Closing Date, there will be no contract or agreement in effect with any third party for the management of the Real Property (other than an agreement, if any, entered into by the Purchaser).

(d) LEASING COMMISSIONS. Except as set forth in the Leases or on the Lease Schedule, no brokerage or leasing commission, fee or other compensation is due and payable (or will, with the passage of time or occurrence of any event or both, be due and payable), with respect to any Lease, and there are no brokerage or leasing commissions, fees or other compensation payable in respect of renewals and extensions of the Leases.

(e) INSURANCE. The Insurance Schedule contains a complete and accurate description of all policies of fire, liability, burglary, theft, fidelity and other forms of insurance maintained by the Seller with respect to the Property on the Effective Date. The Seller has not received written notice from any insurance company which carries insurance on the Property, any notice of any defect or inadequacy in connection with the Property or its operation, any notice of default or any written notice threatening to terminate any of the insurance policies, which defect, inadequacy or default has not been remedied or satisfied. The Seller has not received any written notice from any insurance company or inspection or rating bureau setting forth any requirements as a condition to the continuation of any insurance coverage on or with respect to the Real Property or the continuation thereof which has not been remedied or satisfied.

Section 6.4 SURVIVAL.

All representations and warranties contained in this ARTICLE VI shall

survive the Closing for one (1) year, subject to the terms and conditions of this ARTICLE VI.

Section 6.5 SELLER'S KNOWLEDGE.

For purposes of this Agreement, the knowledge of the Seller shall be limited to the best knowledge of the Knowledge Parties (as hereinafter defined), without any independent investigation, inquiry or verification and shall not include knowledge imputed to the Seller from any other Person. "KNOWLEDGE PARTIES" shall mean Michael Hueston, property manager, Dean Cingolani, Vice President, Property Management - Northern Region, Michael Nevins, Vice President, Leasing, Timothy M. Jones, President, Roger W. Thomas, Executive Vice President, General Counsel & Secretary, Barry Lefkowitz, Chief Financial Officer & Executive Vice President. Seller represents and warrants that the Knowledge Parties are the parties who have primary responsibility for the operation, management, accounting, leasing, legal and risk management of the Property.

Section 6.6 GENERAL BREACH/FAILURE PROVISIONS.

(a) "ARBITRATION PROCEDURES" shall mean the arbitration procedures set forth in this SECTION 6.6(a). Within five (5) Business Days after delivery of an Impasse Notice (as hereinafter defined), Seller and Purchaser shall each appoint an Arbiter. Within five (5) Business Days after their appointment, the two Arbiters so appointed shall select a third qualified Arbiter. Each of the two (2) Arbiters shall be paid by the party appointing such Arbiter. If the two Arbiters are unable to agree on the third Arbiter within the time allowed, either of the parties to this Agreement, by giving five (5) Business Days notice to the other party, can file a petition with the American Arbitration Association solely for the purpose of selecting a third Arbiter. The third Arbiter shall be selected within ten (10) days. Each of the parties shall bear one-half

(1/2) of the cost of appointing the third Arbiter, including costs of appointing the third Arbiter through the American Arbitration Association, and of paying the third Arbiter's fee. The third Arbiter, however selected, shall be a person who has not previously acted in any capacity for either party. Within five (5) business days following selection of the third Arbiter, and sooner if possible, the Arbiters shall review the Seller's Estimate (as hereinafter defined), consult with the parties, and make an independent written estimate of the cost to cure all breaches or failures, as the case may be. The decision of the Arbiters as to the cost to cure all breaches or failures, as the case may be, must be by a unanimous vote or if the Arbiters cannot reach a unanimous decision as to the cost to cure all breaches or failures, as the case may be, the cost to cure shall be the average of the three estimates; provided, however, that any estimate which differs from the middle estimate by more than ten percent (10%) shall be disregarded. If only one estimate is disregarded, the remaining two estimates shall be added together and divided by two; the resulting quotient shall be the cost to cure all breaches or failures, as the case may be. If two estimates are disregarded, the remaining estimate shall be the cost to cure. After making their cost determination (the "ARBITERS' COST DETERMINATION"), the Arbiters shall promptly deliver the Arbiters' Cost Determination to Seller and Purchaser. The Arbiters' Cost Determination shall be binding upon Seller and Purchaser and shall be enforceable as provided in Chapter 43 of Title 16 of the D.C. Code (1981 ed.) or any subsequent enactments concerning binding arbitration. If any of the Arbiters resigns, or is unable or refuses to perform his duties, Seller and Purchaser shall promptly agree upon and retain a replacement Arbiter having the qualifications set forth in the definition of "ARBITER". The Arbiters shall be bound by the provisions of this Agreement and shall not have the power to add to, subtract from, or otherwise modify such provisions.

(b) If one or more Post-Closing Willful Breaches are such that they cannot be cured by the payment of a sum of money, then Seller shall be required to pay the sum of One Million Dollars ($1,000,000) to Purchaser within fifteen (15) days after the breaches are discovered by Purchaser and disclosed by Purchaser to Seller or disclosed to Purchaser by Seller. If one or more Post-Closing Non-Willful Breaches or Post-Closing Failures are such that they cannot be cured by the payment of a sum of money, then Seller shall be required to pay the sum of Two Hundred Fifty Thousand Dollars ($250,000) to Purchaser within fifteen (15) days after the breaches or failures are discovered by Purchaser and disclosed by Purchaser or disclosed to Purchaser by Seller. The payments under this Section shall be paid to Purchaser as liquidated damages for all loss, damages and expenses suffered by Purchaser, it being agreed that Purchasers' damages are impossible to ascertain.

(c) In the event of the enforcement of any obligations of or collection of any payments due from Seller under this ARTICLE VI, then Seller, its successors or assigns, shall pay to Purchaser on demand any and all expenses, including legal expenses and attorneys' fees, incurred or paid by Purchaser in collecting any amount payable hereunder or in enforcing Purchaser's rights hereunder, whether or not any legal proceeding is commenced hereunder or

thereunder.

(d) If Seller and Purchaser agree on an Arbiter pursuant to the provisions of this ARTICLE VI, then each of the parties shall bear one-half (1/2) of the cost of such Arbiter.

(e) No disputes other than those related to cost estimates under this ARTICLE VI shall be resolved by Arbiter(s).

(f) Wherever in this ARTICLE VI Seller is required to pay One Hundred Thousand Dollars ($100,000) to Purchaser (in addition to the Pre-Closing Breach Cap or Pre-Closing Failure Cap), such amount is being paid to Purchaser as liquidated damages for all loss, damages and expenses suffered by Purchaser, it being agreed that Purchaser's damages are impossible to ascertain.

Section 6.7 PRE-CLOSING BREACHES.

If there are one or more Pre-Closing Breaches, then Seller shall use best efforts to cure such Pre-Closing Breaches; PROVIDED, that (i) Seller shall not be obligated to spend more than One Million Dollars ($1,000,000) in the aggregate to cure such Pre-Closing Breaches (the "PRE-CLOSING BREACH CAP"), and (ii) all Pre-Closing Breaches can be cured with best efforts by Seller during the Pre-Closing Mandatory Cure Period. Except as otherwise provided in this Agreement, if there are one or more Pre-Closing Breaches, the reduction in the Purchase Price set forth in SECTION 3.1 shall apply.

(a) If the cost to cure all Pre-Closing Breaches is reasonably expected to exceed the Pre-Closing Breach Cap then Seller may elect whether or not to incur such excess costs to effect a cure. If Seller elects to cure all Pre-Closing Breaches, then Seller may adjourn the Closing to effect a cure, subject to the reduction in the Purchase Price set forth in SECTION 3.1; provided that in no event shall the Closing be adjourned beyond the Outside Closing Date. If Seller elects not to cure all Pre-Closing Breaches, then Seller shall so notify Purchaser, which notice shall include detailed evidence establishing Seller's expected cost to cure, within one (1) Business Day after Seller learns that the cost to cure all Pre-Closing Breaches is reasonably expected to exceed the Pre-Closing Breach Cap. Purchaser may then either: (i) proceed with the Closing without Seller curing all Pre-Closing Breaches in which case Purchaser shall receive a credit toward the Purchase Price in the amount of (x) the Pre-Closing Breach Cap plus One Hundred Thousand Dollars ($100,000) if the Pre-Closing Breaches are within Seller's reasonable control, or (y) the Pre-Closing Breach Cap if the Pre-Closing Breaches are beyond Seller's control; or (ii) terminate this Agreement by notice to Seller and Escrow Agent, whereupon Escrow Agent shall immediately return the Fund to Purchaser, this Agreement will terminate and neither party shall have any further rights, obligations or liabilities hereunder, except for obligations which specifically survive the termination of this Agreement and except that Seller shall pay any out-of-pocket costs and expenses of Purchaser (including without limitation legal fees and expenses) incurred in connection with Purchaser's proposed acquisition of the Real Property and/or due diligence not to exceed One Hundred Fifty Thousand and 00/100 Dollars ($150,000.00) (the "PURCHASER'S OUT-OF-POCKET COSTS").

(b) If the cost to cure all Pre-Closing Breaches is reasonably expected to be less than the Pre-Closing Breach Cap but cannot reasonably be cured by Seller's best efforts to effect such cure during the Pre-Closing Mandatory Cure Period, then Seller may elect whether or not to extend Closing to effect a cure, subject to the reduction in the Purchase Price pursuant to SECTION 3.1, provided that in no event shall the Closing be adjourned beyond the Outside Closing

Date. If Seller elects not to cure all Pre-Closing Breaches then Seller shall so notify Purchaser, which notice shall include detailed evidence establishing Seller's expected time to cure and an estimate (the "SELLER'S Estimate") of the cost to cure all Pre-Closing Breaches within one (1) Business Day after Seller learns that the time to cure all Pre-Closing Breaches is reasonably expected to exceed the Pre-Closing Mandatory Cure Period. If the Purchaser agrees with the Seller's Estimate then, Purchaser may either (i) proceed with the Closing, in which case Purchaser shall receive a credit toward the Purchase Price in an amount equal to the sum of (x) the Seller's Estimate (regardless of whether or not Purchaser elects to cure) and (y) One Hundred Thousand Dollars ($100,000); or (ii) terminate this Agreement by notice to Seller and Escrow Agent, whereupon Escrow Agent shall immediately return the Fund to Purchaser, this Agreement will terminate and neither party shall have any further rights, obligations or liabilities hereunder, except for obligations which specifically survive the termination of this Agreement and except that Seller shall pay Purchaser's Out-of-Pocket Costs. If the Purchaser disagrees with the Seller's Estimate, then Purchaser shall so notify Seller and during the five (5) Business Day period

immediately following such notice, Seller and Purchaser shall work in good faith to agree on either the cost to cure all Pre-Closing Breaches or, failing such agreement, an Arbiter.

(i) If Purchaser and Seller agree on the Arbiter, then within the five (5) Business Day period following the Arbiter's retention, the Arbiter shall review the Seller's Estimate and make an independent written determination (the "ARBITER'S ESTIMATE") of the cost to cure all Pre-Closing Breaches. After making the Arbiter's Estimate, the Arbiter shall promptly deliver such Arbiter's Estimate to Seller and Purchaser. The Arbiter's Estimate shall be binding upon Seller and Purchaser but shall not exceed the Pre-Closing Breach Cap. Once the Arbiter's Estimate has been determined, Purchaser may either (a) proceed with the Closing, in which case Purchaser shall receive a credit toward the Purchase Price in an amount equal to the sum of (x) the Arbiter's Estimate (regardless of whether or not Purchaser elects to cure) and (y) One Hundred Thousand Dollars ($100,000); or (b) terminate this Agreement by notice to Seller and Escrow Agent, whereupon Escrow Agent shall immediately return the Fund to Purchaser, this Agreement will terminate and neither party shall have any further rights, obligations or liabilities hereunder, except for obligations which specifically survive the termination of this Agreement and except that Seller shall pay Purchaser's Out-of-Pocket Costs.

(ii) If Purchaser and Seller cannot agree on either the cost to cure or the Arbiter within said five (5) Business Day period, then Purchaser or Seller may deliver a notice of such impasse (the "IMPASSE NOTICE") to the other party. Purchaser and Seller shall then comply with the Arbitration Procedures. The Arbiters' Cost Determination shall not exceed the Pre-Closing Breach Cap. Once the Arbiters' Cost Determination has been determined, Purchaser may either (a) proceed with the Closing, in which case Purchaser shall receive a credit toward the Purchase Price in an amount equal to the sum of (x) the Arbiters' Cost Determination (regardless of whether or not Purchaser elects to cure) and (y) One Hundred Thousand Dollars ($100,000); or (b) terminate this Agreement by notice to Seller and Escrow Agent, whereupon Escrow Agent shall immediately return the Fund to Purchaser, this Agreement will terminate and neither party shall have any further rights, obligations or liabilities hereunder, except for obligations which specifically survive the termination of this Agreement and except that Seller shall pay Purchaser's Out-of-Pocket Costs.

(c) (i) If any of the Pre-Closing Breaches is due to a willful act or omission of Seller but is such that it cannot be cured by the payment of a sum of money and is beyond Seller's reasonable control, then Purchaser may either: (i) proceed with the Closing without Seller curing such Pre-Closing Breaches and with Purchaser receiving a credit toward the Purchase Price in the amount of the Pre-Closing Breach Cap; or (ii) terminate this Agreement by notice to Seller and Escrow Agent, whereupon Escrow Agent shall immediately return the Fund to Purchaser, this Agreement will terminate and neither party shall have any further rights, obligations or liabilities hereunder, except for obligations which specifically survive the termination of this Agreement and except that Seller shall pay Purchaser's Out-of-Pocket Costs. If any of the Pre-Closing Breaches is due to a willful act or omission of Seller but is such that it cannot be cured by the payment of a sum of money and is within Seller's reasonable control, then Purchaser may either: (i) proceed with the Closing without Seller curing such Pre-Closing Breaches and with Purchaser receiving a credit toward the Purchase Price in an equal to the sum of (x) the Pre-Closing Breach Cap and (y) One Hundred Thousand Dollars ($100,000); or (ii) terminate this Agreement by notice to Seller and Escrow Agent, whereupon Escrow Agent shall immediately return the Fund to Purchaser, this Agreement will terminate and neither party shall have any further rights, obligations or liabilities hereunder, except for obligations which specifically survive the termination of this Agreement and except that Seller shall pay Purchaser's Out-of-Pocket Costs. The payments under this Section shall be paid to Purchaser as liquidated damages for all loss, damage and expenses suffered by Purchaser, it being agreed that Purchaser's damages are impossible to ascertain.

(ii) If any of the Pre-Closing Breaches is due to the negligent or unintentional act or failure of Seller but is such that it cannot be cured by the payment of a sum of money and is beyond Seller's reasonable control, then Purchaser may either: (i) proceed with the Closing without Seller curing such Pre-Closing Breaches and with Purchaser receiving a credit toward the Purchase Price in the amount of the Pre-Closing Failure Cap; or (ii) terminate this Agreement by notice to Seller and Escrow Agent, whereupon Escrow Agent shall immediately return the Fund to Purchaser, this Agreement will terminate and neither party shall have any further rights, obligations or liabilities hereunder, except for obligations which specifically survive the termination of this Agreement and except that Seller shall pay Purchaser's Out-of-Pocket Costs. If any of the Pre-Closing Breaches is due to the negligent or unintentional act or failure of Seller but is such that it cannot be cured by the payment of a sum of money and is within Seller's reasonable control, then Purchaser may either: (i) proceed with the Closing without Seller curing such Pre-Closing Breaches and with Purchaser receiving a credit toward the Purchase Price in an equal to the sum of (x) the Pre-Closing Failure Cap and (y) One Hundred Thousand Dollars

($100,000); or (ii) terminate this Agreement by notice to Seller and Escrow Agent, whereupon Escrow Agent shall immediately return the Fund to Purchaser, this Agreement will terminate and neither party shall have any further rights, obligations or liabilities hereunder, except for obligations which specifically survive the termination of this Agreement and except that Seller shall pay Purchaser's Out-of-Pocket Costs. The payments under this Section shall be paid to Purchaser as liquidated damages for all loss, damage and expenses suffered by Purchaser, it being agreed that Purchaser's damages are impossible to ascertain.

Section 6.8 PRE-CLOSING FAILURES.

If there are one or more Pre-Closing Failures, then Seller shall use best efforts to cure such Pre-Closing Failures; PROVIDED, that (i) Seller shall not be obligated to spend more than Two Hundred Fifty Thousand Dollars ($250,000) in the aggregate to cure such Pre-Closing Failures (the "PRE-CLOSING FAILURE CAP"), and (ii) all Pre-Closing Failures can be cured with best efforts by Seller during the Pre-Closing Mandatory Cure Period. Except as otherwise provided in this Agreement, if there are one or more Pre-Closing Failures, the reduction in the Purchase Price set forth in SECTION 3.1 shall apply.

(a) If the cost to cure all Pre-Closing Failures is reasonably expected to exceed the Pre-Closing Failure Cap then Seller may elect whether or not to incur such excess costs to effect a cure. If Seller elects to cure all Pre-Closing Failures, then Seller may adjourn the Closing to effect a cure, subject to the reduction in the Purchase Price set forth in SECTION 3.1; provided that in no event shall the Closing be adjourned beyond the Outside Closing Date. If Seller elects not to cure all Pre-Closing Failures then Seller shall so notify Purchaser, which notice shall include detailed evidence establishing Seller's expected cost to cure, within one (1) Business Day after Seller learns that the cost to cure all Pre-Closing Failures is reasonably expected to exceed the Pre-Closing Failure Cap. Purchaser may then either: (i) proceed with the Closing without Seller curing all Pre-Closing Failures in which case Purchaser shall receive a credit toward the Purchase Price in the amount of (x) the Pre-Closing Failure Cap plus One Hundred Thousand Dollars ($100,000) if the Pre-Closing Failures are within Seller's reasonable control, or (y) the Pre-Closing Failure Cap if the Pre-Closing Failures are beyond Seller's control; or (ii) terminate this Agreement by notice to Seller and Escrow Agent, whereupon Escrow Agent shall immediately return the Fund to Purchaser, this Agreement will terminate and neither party shall have any further rights, obligations or liabilities hereunder, except for obligations which specifically survive the termination of this Agreement and except that Seller shall pay Purchaser's Out-of-Pocket Costs; PROVIDED, HOWEVER, (x) that Seller shall not pay Purchaser's Out-of-Pocket Costs where all Pre-Closing Failures are a failure of a condition and not a breach of a covenant, representation or warranty and (y) Purchaser shall receive a credit toward the Purchase Price in the amount of Two Hundred Fifty Thousand Dollars ($250,000) under clause (i) above (and not $350,000) where all Pre-Closing Failures are a failure of a condition and not a breach of a covenant, representation or warranty.

(b) If the cost to cure all Pre-Closing Failures is reasonably expected to be less than the Pre-Closing Failure Cap but cannot reasonably be cured by Seller's best efforts to effect such cure during the Pre-Closing Mandatory Cure Period, then Seller may elect whether or not to extend Closing to effect a cure, subject to the reduction in the Purchase Price pursuant to SECTION 3.1, provided that in no event shall the Closing be adjourned beyond the Outside Closing Date. If Seller elects not to cure all Pre-Closing Failures, then Seller shall notify Purchaser, which notice shall include detailed evidence establishing Seller's expected time to cure and the Seller's Estimate of the cost to cure all Pre-Closing Failures within one (1) Business Day after Seller learns that the time to cure all Pre-Closing Failures is reasonably expected to exceed the Pre-Closing Mandatory Cure Period. If the Purchaser agrees with the Seller's Estimate then, Purchaser may either (i) proceed with the Closing, in which case Purchaser shall receive a credit toward the Purchase Price in an amount equal to the sum of (x) the Seller's Estimate (regardless

of whether or not Purchaser elects to cure) and (y) One Hundred Thousand Dollars ($100,000); or (ii) terminate this Agreement by notice to Seller and Escrow Agent, whereupon Escrow Agent shall immediately return the Fund to Purchaser, this Agreement will terminate and neither party shall have any further rights, obligations or liabilities hereunder, except for obligations which specifically survive the termination of this Agreement and except that Seller shall pay Purchaser's Out-of-Pocket Costs; PROVIDED, HOWEVER, that (i) Seller shall not pay Purchaser's Out-of-Pocket Costs where all Pre-Closing Failures are a failure of a condition and not a breach of a covenant, representation or warranty, and (ii) Purchaser shall not receive the credit for One Hundred Thousand Dollars ($100,000) under clause (y) above where all Pre-Closing Failures are a failure of a condition and not a breach of a covenant, representation or warranty. If

the Purchaser disagrees with the Seller's Estimate, then Purchaser shall so notify Seller and during the five (5) Business Day period immediately following such notice, Seller and Purchaser shall work in good faith to agree on either the cost to cure all Pre-Closing Failures or, failing such agreement, an Arbiter.

(i) If Purchaser and Seller agree on the Arbiter then within the five (5) Business Day period following the Arbiter's retention, the Arbiter shall review the Seller's Estimate and make the Arbiter's Estimate of the cost to cure all Pre-Closing Failures. After making the Arbiter's Estimate, the Arbiter shall promptly deliver such Arbiter's Estimate to Seller and Purchaser. The Arbiter's Estimate shall be binding upon Seller and Purchaser but shall not exceed the Pre-Closing Failure Cap. Once the Arbiter's Estimate has been determined, Purchaser may either (a) proceed with the Closing, in which case Purchaser shall receive a credit toward the Purchase Price in an amount equal to the sum of (x) the Arbiter's Estimate (regardless of whether or not Purchaser elects to cure) and (y) One Hundred Thousand Dollars ($100,000); or (b) terminate this Agreement by notice to Seller and Escrow Agent, whereupon Escrow Agent shall immediately return the Fund to Purchaser, this Agreement will terminate and neither party shall have any further rights, obligations or liabilities hereunder, except for obligations which specifically survive the termination of this Agreement and except that Seller shall pay Purchaser's Out-of-Pocket Costs; PROVIDED, HOWEVER, that (i) Seller shall not pay Purchaser's Out-of-Pocket Costs where all Pre-Closing Failures are a failure of a condition and not a breach of a covenant, representation or warranty, and (ii) Purchaser shall not receive the credit for One Hundred Thousand Dollars ($100,000) under clause (y) above where all Pre-Closing Failures are a failure of a condition and not a breach of a covenant, representation or warranty.

(ii) If Purchaser and Seller cannot agree on either the cost to cure or the Arbiter within said five (5) Business Day period, then Purchaser may deliver an Impasse Notice to the Seller. Purchaser and Seller shall then comply with the Arbitration Procedures. The Arbiters' Cost Determination shall not exceed the Pre-Closing Failure Cap. Once the Arbiters' Cost Determination has been determined, Purchaser may either (i) proceed with the Closing, in which case Purchaser shall receive a credit toward the Purchase Price in an amount equal to the sum of (x) the Arbiters' Cost Determination (regardless of whether or not Purchaser elects to cure) and (y) One Hundred Thousand Dollars ($100,000); or (ii) terminate this Agreement by notice to Seller and Escrow Agent, whereupon Escrow Agent shall immediately return the Fund to Purchaser, this Agreement will terminate and neither party shall have any further rights, obligations or liabilities hereunder, except for obligations which specifically survive the termination of this Agreement and except that Seller shall pay Purchaser's Out-of-

Pocket Costs; PROVIDED, HOWEVER, that (i) Seller shall not pay Purchaser's Out-of-Pocket Costs where all Pre-Closing Failures are a failure of a condition and not a breach of a covenant, representation or warranty; and (ii) Purchaser shall not receive the credit for One Hundred Thousand Dollars ($100,000) under clause (y) above where all Pre-Closing Failures are a failure of a condition and not a breach of a covenant, representation or warranty.

(c) (i) If any of the Pre-Closing Failures are such that it cannot be cured by the payment of a sum of money and are beyond Seller's reasonable control, then Purchaser may either: (i) proceed with the Closing without Seller curing all Pre-Closing Failures and with Purchaser receiving a credit toward the Purchase Price in the amount of the Pre-Closing Failure Cap; or (ii) terminate this Agreement by notice to Seller and Escrow Agent, whereupon Escrow Agent shall immediately return the Fund to Purchaser, this Agreement will terminate and neither party shall have any further rights, obligations or liabilities hereunder, except for obligations which specifically survive the termination of this Agreement and except that Seller shall pay Purchaser's Out-of-Pocket Costs; PROVIDED, HOWEVER, that Seller shall not pay Purchaser's Out-of-Pocket Costs where all Pre-Closing Failures are a failure of a condition and not a breach of a covenant, representation or warranty.

(ii) If any of the Pre-Closing Failures is such that it cannot be cured by the payment of a sum of money and are within Seller's reasonable control, then Purchaser may either (a) proceed with the Closing without Seller curing such Pre-Closing Failures and with Purchaser receiving a credit toward the Purchase Price in an amount equal to the sum of (x) the Pre-Closing Failure Cap and (y) One Hundred Thousand Dollars ($100,000); or (b) terminate this Agreement by notice to Seller and Escrow Agent, whereupon Escrow Agent shall immediately return the Fund to Purchaser, this Agreement will terminate and neither party shall have any further rights, obligations or liabilities hereunder, except for obligations which specifically survive the termination of this Agreement and except that Seller shall pay Purchaser's Out-of-Pocket Costs; PROVIDED, HOWEVER, that (i) Seller shall not pay Purchaser's Out-of-Pocket Costs where all Pre-Closing Failures are a failure of a condition and not a breach of a covenant, representation or warranty, and (ii) Purchaser shall not receive the credit for One Hundred Thousand Dollars ($100,000) under clause (y) above where

all Pre-Closing Failures are a failure of a condition and not a breach of a covenant, representation or warranty. The payments under this Section shall be paid to Purchaser as liquidated damages for all loss, damage and expenses suffered by Purchaser, it being agreed that Purchaser's damages are impossible to ascertain.

Section 6.9 POST-CLOSING WILLFUL BREACHES.

(a) If there are one or more Post-Closing Willful Breaches and the cost to cure all Post-Closing Willful Breaches is reasonably expected to exceed Two Million Dollars ($2,000,000) in the aggregate (the "POST-CLOSING WILLFUL CAP") then Seller shall pay to Purchaser an amount equal to the Post-Closing Willful Cap (regardless of whether or not Purchaser elects to cure).

(b) If there are one or more Post-Closing Willful Breaches and the cost to cure all Post-Closing Willful Breaches is reasonably expected to be less than the Post-Closing Willful

Cap, then Seller shall provide detailed evidence establishing the Seller's Estimate of the cost to cure all Post-Closing Willful Breaches within five (5) Business Days after the Post-Closing Willful Breaches are discovered by Purchaser or disclosed to Purchaser by Seller. If Purchaser agrees with the Seller's Estimate, then the Seller shall pay to Purchaser an amount equal to the Seller's Estimate. If the Purchaser disagrees with the Seller's Estimate, then Purchaser shall so notify Seller and during the five (5) Business Day period immediately following such notice, Seller and Purchaser shall work in good faith to agree on either the cost to cure all Post-Closing Willful Breaches or, failing such agreement, an Arbiter.

(i) If Purchaser and Seller agree on the Arbiter then within five (5) Business days following the Arbiter's retention, the Arbiter shall review the Seller's Estimate and make the Arbiter's Estimate of the cost to cure all Post-Closing Willful Breaches. After making the Arbiter's Estimate, the Arbiter shall promptly deliver such Arbiter's Estimate to Seller and Purchaser. The Arbiter's Estimate shall be binding upon Seller and Purchaser but shall not exceed the Post-Closing Willful Cap. Once the Arbiter's Estimate has been determined, Seller shall pay to Purchaser an amount equal to the Arbiter's Estimate (regardless of whether or not Purchaser elects to cure).

(ii) If Purchaser and Seller cannot agree on either the cost to cure or the Arbiter within said five (5) Business Day period, then Purchaser may deliver an Impasse Notice to the Seller. Purchaser and Seller shall then comply with the Arbitration Procedures. The Arbiters' Cost Determination shall not exceed the Post-Closing Willful Cap. Within five (5) Business days after the Arbiters' Cost Determination, Seller shall pay to Purchaser an amount equal to the Arbiters' Cost Determination (regardless of whether or not Purchaser elects to cure).

Section 6.10 POST-CLOSING NON-WILLFUL BREACHES.

(a) If there are one or more Post-Closing Non-Willful Breaches and the cost to cure all Post-Closing Non-Willful Breaches is reasonably expected to exceed One Million Dollars ($1,000,000) in the aggregate (the "POST-CLOSING NON-WILLFUL CAP") then Seller shall pay to Purchaser an amount equal to the Post-Closing Non-Willful Cap (regardless of whether or not Purchaser elects to cure).

(b) If there are one or more Post-Closing Non-Willful Breaches and the cost to cure all Post-Closing Non-Willful Breaches is reasonably expected to be less than the Post-Closing Non-Willful Cap, then Seller shall provide detailed evidence establishing the Seller's Estimate of the cost to cure all Post-Closing Non-Willful Breaches within five (5) Business Days after the Post-Closing Non-Willful Breaches are discovered by Purchaser or disclosed to Purchaser by Seller. If Purchaser agrees with the Seller's Estimate, then the Seller shall pay to Purchaser an amount equal to the Seller's Estimate. If the Purchaser disagrees with the Seller's Estimate, then Purchaser shall so notify Seller and during the five (5) Business Day period immediately following such notice, Seller and Purchaser shall work in good faith to agree on either the cost to cure all Post-Closing Non-Willful Breaches or, failing such agreement, an Arbiter.

(i) If Purchaser and Seller agree on the Arbiter, then within five (5) Business Days following the Arbiter's retention, the Arbiter shall review the Seller's Estimate and make the Arbiter's Estimate of the cost to cure all Post-Closing Non-Willful Breaches. After making the Arbiter's Estimate, the Arbiter shall promptly deliver such Arbiter's Estimate to Seller and Purchaser. The Arbiter's Estimate shall be binding upon Seller and Purchaser but shall not

exceed the Post-Closing Non-Willful Cap. Once the Arbiter's Estimate has been determined, Seller shall pay to Purchaser an amount equal to the Arbiter's Estimate (regardless of whether or not Purchaser elects to cure).

(ii) If Purchaser and Seller cannot agree on either the cost to cure or the Arbiter within said five (5) Business Day period, then Purchaser may deliver an Impasse Notice to the Seller. Purchaser and Seller shall then comply with the Arbitration Procedures. The Arbiters' Cost Determination shall not exceed the Post-Closing Non-Willful Cap. Within five (5) Business Days after the Arbiters' Cost Determination, Seller shall pay to Purchaser an amount equal to the Arbiters' Cost Determination (regardless of whether or not Purchaser elects to cure).

Section 6.11 POST-CLOSING FAILURES.

(a) If there are one or more Post-Closing Failures and the cost to cure all Post-Closing Failures is reasonably expected to exceed Two Hundred Fifty Thousand Dollars ($250,000) in the aggregate (the "POST-CLOSING FAILURE CAP") then Seller shall pay to Purchaser an amount equal to the Post-Closing Failure Cap (regardless of whether or not Purchaser elects to cure).

(b) If there are one or more Post-Closing Failures and the cost to cure all Post-Closing Failures is reasonably expected to be less than the Post-Closing Failure Cap, then Seller shall provide detailed evidence establishing the Seller's Estimate of the cost to cure all Post-Closing Failures within one (1) Business Day after the Post-Closing Failures are discovered by Purchaser or disclosed to Purchaser by Seller. If Purchaser agrees with the Seller's Estimate, then the Seller shall pay to Purchaser an amount equal to the Seller's Estimate. If the Purchaser disagrees with the Seller's Estimate, then Purchaser shall so notify Seller and during the five (5) Business Day period immediately following such notice, Seller and Purchaser shall work in good faith to agree on either the cost to cure all Post-Closing Failures or, failing such agreement, an Arbiter.

(i) If Purchaser and Seller agree on the Arbiter, then within five (5) Business Days following the Arbiter's retention, the Arbiter shall review the Seller's Estimate and make the Arbiter's Estimate of the cost to cure all Post-Closing Failures. After making the Arbiter's Estimate, the Arbiter shall promptly deliver such Arbiter's Estimate to Seller and Purchaser. The Arbiter's Estimate shall be binding upon Seller and Purchaser but shall not exceed the Post-Closing Failure Cap. Once the Arbiter's Estimate has been determined, Seller shall pay to Purchaser an amount equal to the Arbiter's Estimate (regardless of whether or not Purchaser elects to cure).

(ii) If Purchaser and Seller cannot agree on either the cost to cure or the Arbiter within said five (5) Business Day period, then Purchaser may deliver an Impasse Notice to the Seller. Purchaser and Seller shall then comply with the Arbitration Procedures. The Arbiters' Cost Determination shall not exceed the Post-Closing Failure Cap. Within five (5) Business Days after the Arbiters' Cost Determination, Seller shall pay to Purchaser an amount equal to the Arbiters' Cost Determination (regardless of whether or not Purchaser elects to cure).

Section 6.12 SALE "AS IS".

(a) THE TRANSACTION CONTEMPLATED BY THIS AGREEMENT HAS BEEN NEGOTIATED BETWEEN SELLER AND PURCHASER. THIS AGREEMENT REFLECTS THE MUTUAL AGREEMENT OF SELLER AND PURCHASER, AND PURCHASER HAS THE RIGHT TO CONDUCT ITS OWN INDEPENDENT EXAMINATION OF THE PROPERTY. OTHER THAN THE MATTERS REPRESENTED IN ARTICLE VI HEREOF, BY WHICH ALL OF THE FOLLOWING PROVISIONS OF THIS SECTION 6.12 ARE LIMITED, PURCHASER HAS NOT RELIED UPON AND WILL NOT RELY UPON ANY REPRESENTATION OR WARRANTY OF SELLER OR ANY OF SELLER'S AGENTS OR REPRESENTATIVES, AND PURCHASER HEREBY ACKNOWLEDGES THAT NO SUCH REPRESENTATIONS OR WARRANTIES HAVE BEEN MADE.

EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, SELLER SPECIFICALLY DISCLAIMS, AND NEITHER SELLER NOR ANY OTHER PERSON IS MAKING, ANY REPRESENTATION, WARRANTY OR ASSURANCE WHATSOEVER TO PURCHASER, AND NO WARRANTIES OR REPRESENTATIONS OF ANY KIND OR CHARACTER, EITHER EXPRESS OR IMPLIED, ARE MADE BY SELLER OR RELIED UPON BY PURCHASER WITH RESPECT TO THE STATUS OF TITLE TO OR THE MAINTENANCE, REPAIR, CONDITION, DESIGN OR MARKETABILITY OF THE PROPERTY, OR ANY PORTION THEREOF, INCLUDING BUT NOT LIMITED TO (A) ANY IMPLIED OR EXPRESS WARRANTY OF MERCHANTABILITY, (B) ANY IMPLIED OR EXPRESS WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE, (C) ANY IMPLIED OR EXPRESS WARRANTY OF CONFORMITY TO MODELS OR SAMPLES OF MATERIALS, (D) ANY RIGHTS OF PURCHASER UNDER APPROPRIATE STATUTES TO CLAIM DIMINUTION OF CONSIDERATION, (E) ANY CLAIM BY PURCHASER FOR DAMAGES BECAUSE OF DEFECTS WHETHER KNOWN OR UNKNOWN, WITH RESPECT TO THE IMPROVEMENTS OR THE PERSONAL PROPERTY, (F) THE FINANCIAL CONDITION OR PROSPECTS OF THE PROPERTY AND (G) THE COMPLIANCE OR LACK THEREOF OF THE REAL PROPERTY OR THE IMPROVEMENTS WITH LEGAL REQUIREMENTS, NOW EXISTING OR HEREAFTER ENACTED OR PROMULGATED, IT BEING THE EXPRESS INTENTION OF SELLER AND PURCHASER THAT, EXCEPT

AS EXPRESSLY SET FORTH IN THIS AGREEMENT, THE PROPERTY WILL BE CONVEYED AND TRANSFERRED TO PURCHASER IN ITS PRESENT CONDITION AND STATE OF REPAIR, "AS IS" AND "WHERE IS" WITH ALL FAULTS. PURCHASER ACKNOWLEDGES THAT IT HAS BEEN GIVEN A SUFFICIENT OPPORTUNITY HEREIN TO CONDUCT AND HAS CONDUCTED OR WILL CONDUCT SUCH INSPECTIONS, INVESTIGATIONS AND OTHER INDEPENDENT

EXAMINATIONS OF THE PROPERTY AND RELATED MATTERS AS PURCHASER DEEMS NECESSARY, INCLUDING BUT NOT LIMITED TO THE PHYSICAL AND ENVIRONMENTAL CONDITIONS THEREOF, AND WILL RELY UPON SAME AND NOT UPON ANY STATEMENTS OF SELLER (EXCLUDING THE MATTERS REPRESENTED BY SELLER IN ARTICLE VI HEREOF) NOR OF ANY OFFICER, DIRECTOR, EMPLOYEE, AGENT OR ATTORNEY OF SELLER. EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS AGREEMENT, PURCHASER ACKNOWLEDGES THAT ALL INFORMATION OBTAINED BY PURCHASER WAS OBTAINED FROM A VARIETY OF SOURCES, AND SELLER WILL NOT BE DEEMED TO HAVE REPRESENTED OR WARRANTED THE COMPLETENESS, TRUTH OR ACCURACY OF ANY OF THE DOCUMENTS OR OTHER SUCH INFORMATION HERETOFORE OR HEREAFTER FURNISHED TO PURCHASER. PURCHASER ACKNOWLEDGES AND AGREES THAT, UPON CLOSING, SELLER WILL SELL AND CONVEY TO PURCHASER, AND PURCHASER WILL ACCEPT THE PROPERTY, "AS IS, WHERE IS," WITH ALL FAULTS, SUBJECT TO THE EXPRESS PROVISIONS OF THIS AGREEMENT TO THE CONTRARY. PURCHASER FURTHER ACKNOWLEDGES AND AGREES THAT THERE ARE NO ORAL AGREEMENTS, WARRANTIES OR REPRESENTATIONS COLLATERAL TO OR AFFECTING THE PROPERTY BY SELLER, ANY AGENT OF SELLER OR ANY THIRD PARTY. SELLER IS NOT LIABLE OR BOUND IN ANY MANNER BY ANY ORAL OR WRITTEN STATEMENTS, REPRSENTATIONS OR INFORMATION PERTAINING TO THE PROPERTY FURNISHED BY ANY REAL ESTATE BROKER, AGENT, EMPLOYEE OR OTHER PERSON, UNLESS THE SAME ARE SPECIFICALLY SET FORTH OR REFERRED TO IN THIS AGREEMENT. PURCHASER, WITH PURCHASER'S COUNSEL, HAS FULLY REVIEWED THE DISCLAIMERS AND WAIVERS SET FORTH IN THIS AGREEMENT AND UNDERSTANDS THEIR SIGNIFICANCE AND AGREES THAT THE DISCLAIMERS AND OTHER AGREEMENTS SET FORTH HEREIN ARE AN INTEGRAL PART OF THIS AGREEMENT, AND THAT SELLER WOULD NOT HAVE AGREED TO SELL THE PROPERTY TO PURCHASER FOR THE PURCHASE PRICE WITHOUT THE DISCLAIMERS AND OTHER AGREEMENTS SET FORTH IN THIS AGREEMENT.

(b) Notwithstanding anything to the contrary contained in this Agreement and without limiting the generality of the foregoing "As Is" provisions, Purchaser (i) acknowledges the current state of the following matters and (ii) acknowledges and agrees that Seller shall have no liability whatsoever in connection with such matters:

(1) The condition of the roof of the Building;

(2) The condition of the floor of the garage located in the Building;

(3) Any requirement under the GSA Lease to refurbish the premises demised thereunder;

(4) The pressurization condition of the stairwells in the Building; and

(5) The existence of sprinklers (or lack thereof) in the premises leased by Tae Rhin Chung and Chung Ok Chung.

The parties agree that the limitation of liability contained herein shall survive the Closing.

ARTICLE VII

REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

Section 7.1 GENERAL.

The Purchaser makes the following representations and warranties to the Seller for the purpose of inducing the Seller to execute and deliver this Agreement and to consummate the transactions contemplated by this Agreement:

(a) ORGANIZATION. The Purchaser is an agency of the United States created by an act of the U.S. Congress.

(b) AUTHORIZATION. Upon approval by the Board of Governors of the Federal Reserve System, which approval shall be confirmed in writing to the Seller prior to the expiration of the Due Diligence Period, the execution and delivery of this Agreement and the transactions contemplated hereby shall have been properly authorized on behalf of Purchaser.

(c) NO CONFLICTING AGREEMENTS. The execution and delivery by the Purchaser of, and the performance and compliance by the Purchaser with the terms

and provisions of, this Agreement do not violate any of the terms, conditions or provisions of (i) any judgment, order, injunction, decree, regulation or ruling of any court or other governmental authority to which the Purchaser is subject, or (ii) any agreement or contract to which the Purchaser is a party or to which it is subject.

Section 7.2 SURVIVAL.

All representations and warranties made by the Purchaser in SECTION 7.1 shall survive the Closing for one (1) year.

ARTICLE VIII

ADDITIONAL OBLIGATIONS OF THE SELLER

Section 8.1 POSSESSION.

The Seller agrees to give full, complete and actual possession of the Real Property to the Purchaser on the Closing Date, subject only to the rights of Tenants under the Leases described in the Lease Schedule and permitted additions, renewals and replacements thereof. The Seller agrees to cooperate fully with the Purchaser to ensure that the transfer of possession on the Closing Date takes place with the least possible disruption in the normal operation of the Real Property.

Section 8.2 OPERATING RECORDS.

On the Closing Date, the Seller shall also turn over to Purchaser, or leave at the Real Property, all books, records, operating reports, files and other materials relating to the Property and necessary for complete continuity in the operation of the business, or copies thereof. The Purchaser shall permit the Seller to have access to such records and files at all reasonable times after the Closing Date.

Section 8.3 AFFIRMATIVE COVENANTS.

Between the Effective Date and the Closing Date, the Seller agrees that it will:

(a) manage and operate the Real Property in the ordinary and usual manner, maintain in full force and effect until the Closing Date the insurance policies described in the Insurance Schedule, or renewals thereof for not more than one year, and use all reasonable efforts to preserve its relations with Tenants, suppliers and others having business dealings with it;

(b) at its expense, maintain the Real Property in its present order and condition, and make all necessary repairs and replacements in order to deliver the Real Property on the Closing Date in substantially the same condition it is in on the Effective Date, reasonable wear and tear and Casualty excepted;

(c) give prompt notice to the Purchaser in accordance with ARTICLE XII of any Casualty affecting the Property after the Effective Date;

(d) deliver to the Purchaser, promptly after receipt by the Seller, copies of all notices of violation issued by Governmental Authorities with respect to the Real Property received by the Seller after the Effective Date and, at its sole cost and expense, subject to the Pre-Closing Failure Cap, remedy before the Closing Date all violations of Legal Requirements affecting or relating to the Real Property and any outstanding requirements of any company insuring the Real Property against Casualty;

(e) perform, observe and comply with all material terms and provisions of all Leases to be performed, observed or complied with by the Seller as the landlord under such Leases;

(f) deliver to the Purchaser copies of the current statements and reports referred to in SECTION 6.2(A) promptly after they become available;

(g) notify the Purchaser in writing, promptly after the Seller acquires knowledge thereof, of any facts or events which would cause any of the Seller's representations and warranties to be untrue or incorrect;

(h) maintain in full force and effect all Licenses listed on the License Schedule and timely apply for renewals of all Licenses which will expire before the Closing Date.

Section 8.4 NEGATIVE COVENANTS.

Between the Effective Date and the Closing Date, the Seller agrees that, without the Purchaser's written consent in each case, which consent may be given or withheld in Purchaser's sole and absolute discretion, it will not:

(a) voluntarily grant, create, assume or permit to exist any Mortgage, lien, lease, encumbrance, easement, covenant, condition, right-of-way or restriction upon the Property other than the Permitted Exceptions or voluntarily take or permit any action adversely affecting the title to the Property as it exists on the Effective Date;

(b) make any commitment or incur any liability to any labor union, through negotiations or otherwise;

(c) except as otherwise provided in SECTION 8.8, alter or amend any of the Assignable Contracts or become a party to any amended or new Contract unless the amended or new Contract is terminable without payment or penalty by the then-owner of the Building upon not more than thirty (30) days' notice;

(d) alter, amend, renew or extend any Lease in any respect;

(e) except as required in any Lease or as otherwise provided in this Agreement, terminate any Lease, or accept a surrender of the leased premises thereunder, except for non-payment of rent or the breach of material nonmonetary obligations;

(f) remove any Personal Property from the Building unless the same is replaced with similar items of equal or better quality before the Closing Date;

(g) permit occupancy of, or enter into any new Lease for, space in the Building which is presently vacant or which becomes vacant between the Effective Date and the Closing Date;

(h) agree to any request by a Tenant for permission to assign its Lease or sublet the leased premises thereunder without Purchaser's prior written consent, but if such Tenant's Lease requires that the landlord's consent to an assignment or subletting may not unreasonably be withheld, then Purchaser's consent shall be given or withheld subject to the provisions of the Tenant's Lease; or

(i) enter into a contract for the sale of the Real Property to any other Person, whether or not such contract is contingent on the termination of this Agreement.

Section 8.5 ESTOPPEL CERTIFICATES.

The Seller agrees to request each Tenant (other than GSA) whose Lease is described on the Lease Schedule to sign a Tenant Estoppel Certificate, dated no earlier than thirty (30) days prior to the Scheduled Closing Date, that complies with SECTION 11.4. The Seller agrees to

request that GSA sign a Lease Status Report, dated no earlier than forty-five (45) days prior to the Scheduled Closing Date, for the GSA Lease.

Section 8.6 EXPENSES.

The Seller agrees to pay all expenses incurred by it in connection with the negotiation, execution and performance of this Agreement and the transactions contemplated hereby, including the fees and expenses of its legal counsel.

Section 8.7 SALES COMMISSION.

The Seller agrees to pay a commission to the Sales Agent equal to one percent (1%) of the Purchase Price at Closing pursuant to a separate agreement between Seller and the Sales Agent.

Section 8.8 CANCELLATION OF CONTRACTS.

The Seller shall cancel, as of the Closing Date, all Contracts designated for cancellation by the Purchaser in a written notice given to the Seller not less than forty (40) days before the Closing Date. Seller hereby agrees that the Parking Lease will be terminated on or before the Closing Date.

Section 8.9 AVAILABILITY OF RECORDS.

For a period of three years after the Closing Date, the Seller shall, upon the Purchaser's written request, make its books and records relating to the Property available to the Purchaser for inspection, copying and audit, at the

Purchaser's sole cost and expense, by the Purchaser's designated accountants, and shall cooperate with the Purchaser in connection with any audit of the Seller's books and records necessary to comply with any applicable law.

Section 8.10 TITLE AND SURVEY.

Within five (5) Business Days after the Seller delivers a fully-signed counterpart of this Agreement to the Purchaser, the Seller shall deliver to Purchaser copies of all of the Seller's existing title documents and surveys for the Real Property.

Section 8.11 REMOVAL OF SCULPTURE.

On or prior to the Closing Date, Seller shall, at its sole risk and expense, and in accordance with all applicable Legal Requirements, remove the sculpture outside the Building and Seller shall promptly repair any damage to the Land resulting from such removal and replace, refill and regrade any holes made in, or excavation of, the Land in connection with such removal to Purchaser's reasonable satisfaction.

Section 8.12 TENANT DELINQUENCIES.

If any of the Tenants (other than GSA) is more than thirty (30) days late in the payment of any of the Minimum Rent or Additional Rent payable under its Lease, then Seller shall use its best efforts to terminate the Lease and evict the Tenant prior to Closing.

Section 8.13 GSA LEASE; MASTER LEASE.

If, on the Closing Date, the GSA is in material default under the GSA Lease, the Purchaser shall, notwithstanding such material default, proceed to Closing; PROVIDED, HOWEVER, that, if requested by Purchaser, Seller shall enter into a master lease for the GSA premises on substantially the same economic terms as those contained in the GSA Lease (the "MASTER LEASE"). Such Master Lease shall contain the following provisions:

(a) At any time during the term of the Master Lease, Purchaser may elect to terminate the Master Lease, in which event Purchaser shall take the GSA premises subject to the GSA Lease and occupancy if the GSA Lease remains in effect, and subject to any sublease that has been entered into by Seller (and approved by Purchaser).

(b) At any time during the term of the Master Lease, Purchaser may elect to terminate the Master Lease with respect to any portion of the former GSA premises that is then vacant (i.e., space that is no longer subject to the GSA Lease or any sublease).

(c) At any time during the term of the Master Lease, Purchaser shall have a right of first refusal with respect to any proposed subleases to be entered into between Seller, as master lessor, and sublessees.

(d) Seller shall not sublease any space in the Building to any institution over which Purchaser has regulatory supervision, or to any entity which Purchaser considers to be a security risk, in Purchaser's sole and absolute discretion.

Seller hereby agrees to indemnify Purchaser in connection with all debts, liabilities and obligations arising out of the GSA Lease occurring prior to Closing in accordance with the provisions of ARTICLE XVI. Seller's obligations under this Section shall survive the Closing, subject to the provisions of ARTICLE XVI.

ARTICLE IX

ADDITIONAL OBLIGATIONS OF THE PURCHASER

Section 9.1 EXPENSES.

The Purchaser agrees to pay all expenses incurred by it in connection with the negotiation, execution and performance of this Agreement and the transactions contemplated hereby, including the fees and expenses of its legal counsel.

ARTICLE X

CONDITIONS PRECEDENT TO THE SELLER'S OBLIGATIONS

The obligations of the Seller to sell the Property to the Purchaser and to perform the other covenants and obligations to be performed by it on the Closing Date shall be subject to the following conditions (all or any of which may be waived in writing, in whole or in part, by the Seller):

Section 10.1 PURCHASER'S REPRESENTATIONS AND WARRANTIES TRUE.

The representations and warranties made by the Purchaser in ARTICLE VII shall be true and correct in all material respects on and as of the Closing Date with the same force and effect as though such representations and warranties had been made on and as of such date. The certificate delivered by the Purchaser to the Seller pursuant to SECTION 13.3(D) shall not disclose that any of the Purchaser's representations and warranties in ARTICLE VII is untrue or incorrect in any material respect as of the date of such certificate. The Seller and the Escrow Agent shall have received the evidence of approval of this Agreement and the transactions contemplated hereby by the Board of Governors of the Federal Reserve System.

Section 10.2 PURCHASER'S PERFORMANCE.

The Purchaser shall have performed all obligations required by this Agreement to be performed by it on or before the Closing Date, subject to the notice and cure periods set forth in SECTION 15.1.

ARTICLE XI

CONDITIONS PRECEDENT TO THE PURCHASER'S OBLIGATIONS

The obligations of the Purchaser to purchase the Property from the Seller and to perform the other covenants and obligations to be performed by it on the Closing Date shall be subject to the following conditions (all or any of which may be waived in writing, in whole or in part, by the Purchaser):

Section 11.1 SELLER'S REPRESENTATIONS AND WARRANTIES TRUE.

The representations and warranties made by the Seller in ARTICLE VI shall be true and correct in all material respects on and as of the Closing Date with the same force and effect as if such representations had been made on and as of such date. The certificate delivered by the Seller to the Purchaser pursuant to SECTION 13.2(G) shall not disclose that any of the Seller's representations and warranties in ARTICLE VI is untrue or incorrect in any material respect as of the date of such certificate.

Section 11.2 SELLER'S PERFORMANCE.

The Seller shall have performed all covenants and obligations required by this Agreement to be performed by it on or before the Closing Date, subject to the notice and cure periods set forth in SECTION 15.1.

Section 11.3 TITLE TO REAL PROPERTY.

On the Closing Date, other than the Permitted Exceptions, the Seller's title to the Real Property shall be marketable, good of record and in fact, free and clear of all Mortgages, liens, encumbrances, easements, Leases, conditions and other matters affecting title, recorded or unrecorded.

Section 11.4 TENANT ESTOPPEL CERTIFICATES.

The Seller shall use its best efforts to obtain a Tenant Estoppel Certificate from each Tenant (other than the Purchaser and GSA). If , notwithstanding Seller's best efforts, Seller is unable to obtain a Tenant Estoppel Certificate from each Tenant (other than the Purchaser and GSA), then Seller shall provide a Landlord Estoppel Certificate to Purchaser and Seller shall indemnify Purchaser with respect to such Landlord Estoppel Certificates in accordance with the provisions of SECTION 16.1(a). Each Tenant Estoppel Certificate shall be addressed to the Purchaser, shall be dated not more than thirty (30) days before the Closing Date, and shall conform in all material respects to the Seller's representation and warranty in SECTION 6.3(A) with respect to such Tenant and if any such Tenant Estoppel Certificate fails to so conform to the Seller's representation and warranty in SECTION 6.3(A), then Seller shall use its best efforts to cure the cause of the discrepancy, subject to the Pre-Closing Failure Cap. No Tenant Estoppel Certificate for any Tenant shall disclose the existence of any material amendment, modification or other document affecting the Tenant's Lease that was not identified in the Lease Schedule or otherwise disclosed to the Purchaser in writing on or before the Effective Date. For this purpose, an amendment, modification or other document affecting a Tenant's Lease shall be deemed to be material if it (i) reduces the Tenant's rent, grants rent or other concessions or obliges the landlord to pay money or make improvements, (ii) shortens or extends the term of the Lease, (iii) gives the Tenant a right to terminate or extend the Lease, or (iv) limits the landlord's rights to occupy or lease other space in the Real Property. The

Purchaser shall have received from GSA a Lease Status Report for the GSA Lease described in the Lease Schedule. The Lease Status Report shall be addressed to the Purchaser, shall be dated not more than forty-five (45) days before the Closing Date, and shall confirm the Seller's representations and warranties in SECTION 6.3(a) with respect to the GSA Lease.

Section 11.5 ZONING.

On the Closing Date, (i) the Real Property shall be zoned under the applicable zoning regulation of the District of Columbia Office of Zoning to permit all purposes for which the Real Property is being used at the expiration of the Due Diligence Period, (ii) all improvements constituting a part of the Real Property shall comply in all material respects with all laws, ordinances, rules and regulations of all applicable Governmental Authorities, and (iii) the continued maintenance, operation and use of the Real Property shall not violate any zoning, building or other similar law, ordinance, order or regulation. With respect to clauses (i), (ii) and

(iii) above, Seller shall use its best efforts to cure all violations, subject to the Pre-Closing Failure Cap.

Section 11.6 NO LITIGATION.

On the Closing Date, no action or proceeding applicable to the Property shall have been instituted or threatened in writing before any court to restrain or prohibit, or to obtain substantial damages in respect of, or which is related to or arises out of, this Agreement or the consummation of the transactions contemplated herein.

Section 11.7 CONDEMNATION.

On the Closing Date, subject to the provisions of SECTION 12.4, no part of the Building and no part of the Real Property which adversely affects or impacts the occupancy of or access to the Building, shall be about to be acquired, or shall previously have been acquired, by authority of any governmental agency in the exercise of its power of eminent domain or by private purchase in lieu thereof, nor on the Closing Date shall there be any threat or imminence of any such acquisition or purchase.

Section 11.8 GSA LEASE.

On the Closing Date, if GSA is in material default under the GSA Lease and Purchaser shall have requested that Seller enter into the Master Lease pursuant to Section 8.13, then Seller shall have entered into the Master Lease in accordance with the provisions of SECTION 8.13.

Section 11.9 EMPLOYEES.

As of the Closing Date, Seller shall have terminated or transferred within Seller's organization (but not at the Real Property) all of the employees of Seller, including but not limited to Seller's managing agent, engaged in the management, operation, maintenance and repair of the Real Property.

ARTICLE XII

DAMAGE BY CASUALTY/CONDEMNATION

Section 12.1 ABSENCE OF MAJOR UNREPAIRED DAMAGE.

At the time of Closing, and as a condition precedent to the obligation of the Purchaser to purchase the Property pursuant to this Agreement, there shall be no unrepaired damage by Casualty to any portion of the Real Property.

Section 12.2 EFFECT OF UNREPAIRED DAMAGE.

(a) If any portion of the Property is damaged by Casualty after the Effective Date, the cost to repair such damage exceeds Two Hundred Fifty Thousand Dollars ($250,000) and the damage is not repaired and restored substantially to its original condition before the

Closing, or the Tenant under the GSA Lease has the right, which it has not waived in writing, to terminate the GSA Lease by reason of such Casualty, the Purchaser may, at its sole option: (i) postpone the Closing until such times as the Seller shall have fully repaired all such damage; (ii) subject to the next sentence, terminate this Agreement, in which case the Escrow Agent shall return the Fund to the Purchaser and no party shall have any further liability or obligation to any other party under this Agreement, except as otherwise

expressly provided in this Agreement; or (iii) elect to proceed with the Closing, in which case the Seller's obligations shall be as specified in SECTION 12.2(b). If Purchaser elects to terminate this Agreement pursuant to the preceding sentence, prior to the effective date of such termination, Seller may elect to adjourn the Closing to repair and restore the Property to its original condition, subject to the reduction of the Purchase Price set forth in SECTION 3.1; PROVIDED, HOWEVER, that in no event shall the Seller be permitted to adjourn the Closing beyond the Outside Closing Date. If a Casualty to any part of the Property has occurred and Purchaser is required or elects to complete the purchase of the Property, the Seller shall cooperate with the Purchaser in prosecuting all insurance claims assigned to the Purchaser at Closing.

(b) If Purchaser elects not to terminate this Agreement pursuant to SECTION 12.2(a) or if the cost to repair such damage is less than Two Hundred Fifty Thousand Dollars ($250,000) then Purchaser shall elect one of the following: (i) Purchaser shall require that Seller commence and diligently pursue the repair and restoration of the Property to its original condition until the Closing and if such repair and restoration cannot be completed with due diligence prior to Closing, then, at Closing, Seller shall assign to the Purchaser all insurance claims and proceeds (other than claims and proceeds for rent loss insurance payable with respect to periods prior to the Closing Date) with respect to such damage and shall pay or credit to the Purchaser the amount of any deductible or uninsured loss with respect to such Casualty which has not been repaired or restored; (ii) Purchaser shall require that, at Closing, Seller assign to the Purchaser all insurance claims and proceeds (other than claims and proceeds for rent loss insurance payable with respect to periods prior to the Closing Date) with respect to such damage and shall pay or credit to the Purchaser the amount of any deductible or uninsured loss with respect to such Casualty without Seller repairing or restoring the Property prior to Closing; (iii) Purchaser shall require that Seller commence and diligently pursue the repair and restoration of the Property to its original condition until the Closing and if such repair and restoration cannot be completed with due diligence prior to Closing, then Purchaser may require that Seller continue with due diligence to repair and restore the Property and the Closing shall be automatically adjourned during such period without any reduction of the Purchase Price; PROVIDED, HOWEVER, that in no event shall the Closing be adjourned beyond the Outside Closing Date; PROVIDED, FURTHER, that if the repair and restoration of the Property to its original condition cannot be completed with due diligence prior to the Outside Closing Date then, at Closing, Seller shall assign to the Purchaser all insurance claims and proceeds (other than claims and proceeds for rent loss insurance payable with respect to periods prior to the Closing Date) with respect to such damage and shall pay or credit to the Purchaser the amount of any deductible or uninsured loss with respect to such Casualty which has not been repaired or restored. In no event shall Seller be permitted to settle any insurance claims pursuant to this SECTION 12.2 without the prior written consent of Purchaser, which may be given or withheld in Purchaser's sole and absolute discretion.

Section 12.3 ESTIMATE OF COSTS.

For purposes of this ARTICLE XII, a general contractor selected by the Seller and approved in writing by the Purchaser shall determine the estimated cost to repair damage caused by Casualty.

Section 12.4 CONDEMNATION.

If, prior to the Closing Date, all or any portion of the Building, or all or any portion of the Real Property which adversely affects or impacts the occupancy of the Building or access to the Building is taken by eminent domain or condemnation (or is the subject of a pending taking which has not been consummated), Seller shall notify Purchaser of such fact and the Purchaser shall have the option to terminate this Agreement upon notice to the Seller given not later than ten (10) days after receipt of the Seller's notice. If this Agreement is so terminated, then neither party shall have any further rights, obligations or liabilities hereunder except for obligations which specifically survive the termination of this Agreement and except that the Escrow Agent shall promptly return the Fund to the Purchaser. If Purchaser does not elect to terminate this Agreement or if the taking or condemnation is such that Purchaser would not have the right to terminate this Agreement, then the Purchase Price shall not be reduced, but at Closing Seller shall assign and turn over, and Purchaser shall be entitled to receive and keep, all awards or other proceeds for such taking by eminent domain or condemnation. In no event shall Seller settle any pending taking without the prior written consent of Purchaser, which may be given or withheld in Purchaser's sole and absolute discretion.

ARTICLE XIII

CLOSING

Section 13.1 CLOSING DATE AND ESCROW.

The closing of the purchase and sale of the Property (the "CLOSING") shall take place on a business day (the "CLOSING DATE") on or before September 28, 2001 (the "SCHEDULED CLOSING DATE"); PROVIDED, HOWEVER, if Seller effectively exercises its Extension Option (as hereinafter defined), the Closing shall take place on a business day after September 28, 2001 but on or before November 15, 2001 ("EXTENDED CLOSING DATE") selected by Seller. The Closing shall take place at the offices of Arter & Hadden LLP, 1801 K Street, N.W., Suite 400K, Washington, D.C. 20006, or such other place as is mutually agreed upon by the parties hereto. Seller may extend the Scheduled Closing Date or Extended Closing Date, as applicable, one or more times for up to forty-eight (48) days in the aggregate (collectively, the "EXTENSION OPTION"). In order to exercise such extension right, Seller shall deliver to Purchaser written notice (each an "EXTENSION NOTICE") of such extension no later than five (5) Business Days prior to the Scheduled Closing Date or Extended Closing Date, as applicable. Upon the giving of the Extension Notice to Purchaser, the Closing Date shall be extended to the Extended Closing Date set forth in the Extension Notice, subject to the reduction of the Purchase Price set forth in SECTION 3.1. On or before 11:00 a.m., local time, on the Closing Date, the Purchaser shall cause to be deposited with the Escrow Agent immediately available funds in an amount equal to the

sum of the Purchase Price and the costs, expenses, prorations and adjustments payable by the Purchaser under this Agreement, reduced by (x) the amount of the Fund, and (y) the amount of the prorations and adjustments for which the Purchaser receives credit on the Closing Statement. If (x) the Seller and the Purchaser have each notified the Escrow Agent that the conditions in ARTICLE X (in the case of the Seller) and the conditions in ARTICLE XI and ARTICLE XII (in the case of the Purchaser) have been satisfied or waived (other than the respective covenants and obligations of the Seller and the Purchaser to be performed pursuant to this ARTICLE XIII), (y) the Escrow Agent has received the funds from the Purchaser in accordance with the preceding sentence, the Escrow Agent has received the documents and instruments to be delivered by the Seller pursuant to SECTION 13.2, and the Escrow Agent has received documents and instruments to be delivered by the Purchaser pursuant to SECTION 13.3, then the Escrow Agent shall promptly (in the following order) not later than 3:00 p.m., local time, on the Closing Date, (i) record the Deed among the Land Records, (ii) disburse to the Seller an amount equal to the Purchase Price (including as a part of the Purchase Price the Fund), reduced by the costs, expenses, prorations and adjustments payable by the Seller under this Agreement, including but not limited to the commission of the Sales Agent pursuant to SECTION 8.7, and increased by the amount of the prorations and adjustments for which the Seller receives credit on the Closing Statement, (iii) deliver to the Purchaser the documents and instruments referred to in SECTION 13.2 and all other documents and instruments received by it which, in accordance with the terms of this Agreement, are to be delivered by the Seller to the Purchaser at the Closing, (iv) deliver to the Seller the documents and instruments referred to in SECTION 13.3 and all other documents and instruments received by it which, in accordance with the terms of this Agreement, are to be delivered by the Purchaser to the Seller at the Closing, and (v) make the other disbursements and deliveries required by the Closing Statement. If (i) any of the conditions set forth in ARTICLE XI and ARTICLE XII have not been satisfied by Seller, or (ii) Seller is in breach of any representation, warranty or covenant of Seller contained in this Agreement, then Purchaser's and Seller's rights, liabilities and obligations shall be as specified in SECTIONS 6.6 THROUGH 6.11, as applicable.

Section 13.2 SELLER'S DELIVERIES.

At the Closing, the Seller shall deliver to the Purchaser the following:

(a) the Deed, signed by the Seller in recordable form;

(b) the Bill of Sale, signed by the Seller;

(c) the Lease and Contract Assignment, signed by Seller;

(d) the General Assignment, signed by Seller;

(e) letters signed by the Seller addressed to all Tenants under Leases (other than the Purchaser's Lease and the GSA Lease) in a form approved by the Purchaser notifying such Tenants of the transfer of ownership of the Real Property and directing the Tenants to pay rent that becomes payable after the Closing Date or rent that is unpaid on the Closing Date, or both, to the Purchaser or at its direction; a letter in the form of EXHIBIT G signed by the Seller, advising the Tenants of the change in ownership of the Real Property;

(f) a certification as to the Seller's non-foreign status which complies with the provisions of Section 1445(b)(2) of the Internal Revenue Code

of 1986, as amended, any temporary or final regulations promulgated thereunder, and any revenue procedures or other officially published announcements of the Internal Revenue Service or the U.S. Department of the Treasury in connection therewith;

(g) a certificate executed by the Seller, dated as of the Closing Date, pursuant to which the Seller shall have certified to the Purchaser that all of Seller's representations and warranties in ARTICLE VI are true and correct in all material respects as of the date of such certificate as if such representations and warranties were made on and as of the date of such certificate or, if and to the extent any of such representations and warranties is not so true and correct, shall identify with reasonable particularity the nature and extent to which any such representation or warranty is not so true and correct;

(h) an Owner's Affidavit signed by the Seller, addressed to the title insurance company designated by the Purchaser, with respect to the absence of claims which would give rise to mechanics' liens, the absence of parties in possession of the Real Property other than Tenants under the Leases (and other than subtenants of Tenants) and the absence of unrecorded easements granted by the Seller, in the form required by the title insurance company to eliminate the exceptions for those matters from the Purchaser's title insurance policy;

(i) affidavits and other instruments, including all organizational documents of the Seller, and good standing certificates reasonably requested by the Purchaser and its title insurance company, evidencing the power and authority of the Seller to enter into this Agreement and to consummate the transactions contemplated by this Agreement;

(j) the Closing Statement referred to in SECTION 14.1;

(k) an original executed counterpart of each Lease and Assignable Contract then in effect;

(l) all keys and Kastle security system keys and access codes and cards to the Real Property and the Personal Property, if any, which are in Seller's possession;

(m) all certificate(s) of occupancy, if any, for the Building which are in Seller's possession;

(n) a schedule updating the Lease Schedule and setting forth all past due and uncollected Rent owed by Tenants, all prepayments of Rent and all Security Deposits (including letters of credit), if any, held by the Seller, its managing agent or any other Person under all Leases;

(o) all Plans in the Seller's possession;

(p) the instruments or other documents required to cure exceptions to title which the Seller has agreed to cure pursuant to SECTION 5.4(b);

(q) internal unaudited income and expense statements for the months of July and August, 2001 and, to the extent available, any subsequent months prior to the Closing;

(r) an original executed counterpart of Purchaser's index of all Delivered Property Documents and Additional Property Documents;

(s) all other documents, instruments, agreements and certificates required by this Agreement to be signed by the Seller or delivered to the Purchaser at the Closing; and

(t) all required transfer and other tax declarations and returns duly executed and acknowledged by the Seller.

Section 13.3 PURCHASER'S DELIVERIES.

At the Closing, the Purchaser shall deliver to the Seller the following:

(a) the cash portion of the Purchase Price payable at the Closing pursuant to SECTION 3.1, subject to apportionments, credits and adjustments as provided in this Agreement.

(b) the Lease and Contract Assignment, signed by the Purchaser;

(c) the Closing Statement referred to in SECTION 14.1.

(d) a certificate executed by the Purchaser, dated as of the Closing Date, pursuant to which the Purchaser shall have certified to the Seller that all of Purchaser's representations and warranties in ARTICLE VII are true and correct in all material respects as of the date of such certificate as if such

representations and warranties were made on and as of the date of such certificate or, if and to the extent any of such representations and warranties is not so true and correct, shall identify with reasonable particularity the nature and extent to which any such representation or warranty is not so true and correct;

(e) all other documents, instruments, agreements and certificates required by this Agreement to be signed by the Purchaser or delivered to the Seller at the Closing; and

(f) all required transfer and other tax declarations and returns duly executed and acknowledged by the Purchaser.

Section 13.4 NOVATION AGREEMENT.

At the Closing, the Seller and the Purchaser shall each sign triplicate counterparts of a Novation Agreement for the GSA Lease in the form attached as EXHIBIT I hereto (the "NOVATION AGREEMENT"). The Purchaser shall receive the signed counterparts at the Closing and deliver them to the GSA Contracting Officer(s) promptly after the Closing, with instructions to return one fully-signed counterpart to the Seller and a second to the Purchaser.

Section 13.5 DELIVERY IN ESCROW.

The delivery to the Escrow Agent of the Purchase Price, the executed Deed and Bill of Sale and all other documents and instruments required to be delivered by either party to the other by the terms of this Agreement shall be deemed to be a good and sufficient tender of performance of the terms hereof.

ARTICLE XIV

CLOSING ADJUSTMENTS AND PRORATIONS

Section 14.1 GENERAL.

All rentals, revenues and other income generated by the Real Property and all utilities, Real Estate Taxes, maintenance charges and other operating expenses incurred in connection with the ownership, management and operation of the Real Property shall be paid or shall be prorated between the Seller and the Purchaser in accordance with the provisions of this Article. For purposes of the prorations and adjustments to be made pursuant to this Article, the Seller shall be deemed to own the Real Property and therefore be entitled to any revenues and be responsible for any expenses up until midnight of the day preceding the Closing Date. Any apportionments and prorations which are not expressly provided for in this Article shall be made in accordance with the customary practice in Washington D.C. The Escrow Agent shall prepare a schedule of adjustments (the "CLOSING STATEMENT") before the Proration Date. Any net adjustment in favor of the Purchaser shall be credited against the Purchase Price at the Closing. Any net adjustment in favor of the Seller shall be paid in cash or cash equivalent at the Closing by the Purchaser to the Seller. A copy of the Closing Statement agreed upon by the Seller and the Purchaser shall be executed by the Seller and the Purchaser and delivered to the Escrow Agent at the Closing. The prorations required by this Article shall be subject to post-Closing adjustments as necessary to reflect later relevant information not available at the Closing and to correct any errors made at the Closing with respect to such prorations. Except as otherwise provided in this ARTICLE XIV, such prorations shall be deemed final and not subject to further post-Closing adjustments if no such adjustments have been requested by the Purchaser or the Seller within a period of one (1) year after the Closing. All obligations of the Seller and the Purchaser under this ARTICLE XIV shall survive the Closing.

Section 14.2 RENT.

Rent shall be prorated at the Closing in accordance with the following provisions:

(a) MINIMUM RENT. Subject to SECTION 14.2(B) (relating to Delinquent Rent), Minimum Rent shall be prorated between the Seller and the Purchaser as of the Proration Date on an accrual basis based on the actual number of days in the month during which the Proration Date occurs. The Seller shall be entitled to all Minimum Rent which accrues before the Proration Date and the Purchaser shall be entitled to all Minimum Rent which accrues on and after the Proration Date.

(b) DELINQUENT RENT. Delinquent Rent shall be prorated between the Seller and the Purchaser as of the Proration Date but not until it is actually collected by the Purchaser

after the Closing. The Purchaser shall pay to the Seller all Delinquent Rent collected by the Purchaser after the Closing which is attributable to the period before the Proration Date, net of the costs of collection (including reasonable attorneys' fees and costs). The Seller's share of Delinquent Rent actually collected by the Purchaser during each month shall be paid to the Seller by the fifteenth day of the following month. As a part of the Final Closing Adjustment, any Delinquent Rent which has not as yet been paid shall be assigned to the Seller, but after the Closing and continuing through and after the Final Closing Adjustment, without the express written consent of the Purchaser, the Seller shall not take any action against a Tenant owing Delinquent Rent which would affect such Tenant's right to occupy the premises leased under its Lease. Delinquent Rent collected by the Purchaser after the Closing, net of the costs of collection (including reasonable attorneys' fees and costs), shall be applied in the following order of priority:

(1) first, in the case of Delinquent Rent which is less than 31 days overdue as of the Proration Date, against the Tenant's Rent obligations in the chronological order in which they accrue; and

(2) second, in the case of Delinquent Rent which is more than 30 days overdue as of the Proration Date, against the Tenant's Rent obligations in the inverse chronological order in which they accrue.

(c) RENT PAYABLE UNDER THE GSA LEASE. The Seller and the Purchaser recognize that Minimum Rent is payable under the GSA Lease in arrears. If (i) GSA does not prorate the Minimum Rent payable under the GSA Lease for the month in which the Closing Date occurs, and (ii) after the Closing Date, GSA pays to the Seller or Purchaser the entire Minimum Rent payable under the GSA Lease for the month in which the Closing Date occurs, the Seller or Purchaser shall, within five (5) Business Days after receipt, pay to the other party its prorated share of such Minimum Rent for such month.

(d) OTHER RENT ADJUSTMENTS. All Rent payable by each Tenant whose Lease was terminated before the Proration Date shall belong entirely to the Seller; and the Purchaser shall pay to the Seller, on or before the fifteenth day of each month, all payments received by the Purchaser from the Tenant on account of such Rent during the immediately preceding month. All Rent payable by each Tenant whose Lease commences on or after the Proration Date shall belong entirely to the Purchaser.

Section 14.3 TAXES AND ASSESSMENTS.

(a) PRORATION OF TAXES AT CLOSING. All non-delinquent Real Estate Taxes assessed against the Real Property and all non-delinquent personal property taxes assessed against the Personal Property ("PERSONAL PROPERTY TAXES") shall be prorated between the Seller and the Purchaser on an accrual basis, based upon the actual current tax bill. If the most recent tax bill received by the Seller before the Proration Date is not the actual current tax bill, then the Seller and the Purchaser shall initially prorate the Real Estate Taxes at the Closing by applying 100% of the tax rate for the period covered by the most current available tax bill to the latest assessed valuation, and shall reprorate the Real Estate Taxes retroactively at the Final Closing

Adjustment so long as the actual current tax bill is then available. All Real Estate Taxes and Personal Property Taxes accruing before the Proration Date shall be the obligation of the Seller. Purchaser is exempt from all Real Estate Taxes and Personal Property Taxes. In no event shall Seller have any obligation for Real Estate Taxes and Personal Property Taxes accruing on and after the Proration Date. Any delinquent Real Estate Taxes assessed against the Real Property shall be paid (together with any interest and penalties) by the Seller at the Closing from the Purchase Price.

(b) POST-CLOSING SUPPLEMENTAL TAXES. If, after the Proration Date, any additional or supplemental Real Estate Taxes are assessed against the Real Property by reason of back assessments, corrections of previous tax bills or other events occurring before the Proration Date, the Seller and the Purchaser shall reprorate the Real Estate Taxes at the Final Closing Adjustment to provide the appropriate credit to the Purchaser.

(c) POST-CLOSING REFUNDS OF TAXES. Any refunds of Real Estate Taxes made after the Closing shall be held in trust by the Purchaser (and, if received by the Seller, shall be delivered immediately to the Purchaser to be held in trust in accordance with this Section) and shall first be applied to the unreimbursed costs incurred in obtaining the refund, then paid to any Tenants who are entitled to the same and the balance, if any, shall be paid to the Seller (for the period prior to the Closing Date) and to the Purchaser (for the period commencing on and after the Closing Date).

(d) PENDING TAX PROCEEDINGS. Any proceeding to determine the assessed value of the Real Property or the Real Estate Taxes payable with respect to the Real Property which has been commenced before the Effective Date

and shall be continuing as of the Closing Date shall be solely Seller's responsibility.

Section 14.4 OPERATING EXPENSES.

All Operating Expenses shall be prorated between the Seller and the Purchaser as of the Proration Date on an accrual basis, based on the actual number of days in the month during which the Proration Date occurs. The Seller shall be responsible for all Operating Expenses attributable to the period before the Proration Date and the Purchaser shall be responsible for all Operating Expenses attributable to the period on and after the Proration Date. To the extent commercially reasonable and practicable, the Seller and the Purchaser shall obtain billings and meter readings as of the Business Day preceding the Proration Date to aid in the proration of charges for gas, electricity and other utility services which are not the direct responsibility of Tenants. If billings or meter readings as of the Business Day preceding the Proration Date are obtained, adjustments of any costs, expenses, charges or fees shown thereon shall be made in accordance with such billings or meter readings. If billings or meter readings as of the Business Day preceding the Proration Date are not available for any utility service, the charges therefor shall be adjusted at the Closing on the basis of the per diem charges for the most recent prior period for which bills were issued and shall be further adjusted at the Final Closing Adjustment on the basis of the actual bills for the current period. In addition to the prorations between the Seller and Purchaser for Operating Expenses as set forth in this Section, Tenant's Expense Increase Share (as defined in

Purchaser's Lease) for the Adjustment Year (as defined in Purchaser's Lease) in which the Closing occurs shall be reconciled in accordance with the terms of the Purchaser's Lease as if the Proration Date were the date of expiration of the term of Purchaser's Lease. If Seller pays any amounts for the Calendar Year of Proration for which Purchaser has paid Tenant's Expense Increase Share and any portion of such amount is refunded to Seller then Purchaser shall be entitled to a refund of Tenant's Expense Increase Share in an amount equal to Purchaser's share of such refund (net of expenses incurred to obtain the refund).

Section 14.5 SELLER'S CREDIT FOR PREPAID EXPENSES.

At the Closing, the Seller shall receive credit from the Purchaser for all Operating Expenses, Real Estate Taxes, Personal Property Taxes and other items of cost or expense being prorated under this Article which, as of the Closing Date, have been prepaid by the Seller for a period on and after the Proration Date.

Section 14.6 PURCHASER'S CREDIT FOR UNPAID EXPENSES.

At the Closing, the Purchaser shall receive credit from the Seller for all Operating Expenses, Real Estate Taxes, Personal Property Taxes and other items of cost or expense being prorated under this Article which are accrued, but unpaid, as of the Closing Date, but only to the extent such accrued, unpaid items relate to a period before the Closing Date. On and after the Closing Date, the Purchaser shall pay all amounts for which the Purchaser receives credit under this Section.

Section 14.7 SECURITY DEPOSITS, OTHER TENANT CREDITS AND PURCHASER'S CREDIT FOR LATE FEE.

The Purchaser shall be credited with and the Seller shall be charged with an amount equal to the sum of (i) all Security Deposits (other than Security Deposits in the form of letters of credit) being held by the Seller, the Seller's managing agent or any other Person under the Leases, and (ii) the amount of any other credits due to Tenants as of the Closing Date in accordance with the terms of the Leases. The Seller shall be entitled to retain all Security Deposits or other such credits due Tenants for which the Purchaser receives credit and the Seller is charged pursuant to this Section or SECTION 14.6. The Purchaser shall be credited with and the Seller shall be charged with an amount equal to Twenty Thousand Two Hundred Twenty-Five and 67/100 Dollars ($20,225.67) to reimburse Purchaser for a late fee assessed against and paid by Purchaser to Seller pursuant to Purchaser's Lease.

Section 14.8 UTILITY DEPOSITS.

The Seller shall be entitled to retain all Utility Deposits. If any of the Utility Deposits is not refundable to the Seller without replacement by the Purchaser, the Purchaser shall either: (i) deliver the requisite replacement Utility Deposit to the utility company on or before the Closing Date, or (ii) pay to the Seller at the Closing the amount of such Utility Deposit, against a good and sufficient transfer by the Seller to the Purchaser of all interest of the Seller in the Utility Deposit.

Section 14.9 COLLECTION OF DELINQUENT RENT.

The Purchaser shall have the right after the Closing to collect Delinquent Rent relating to the period before the Proration Date, but shall not be obligated to do so.

Section 14.10 REQUIRED STATEMENTS AND REPORTS.

In addition to the statements to be delivered to Purchaser pursuant to and in accordance with the Purchaser's Lease, as soon as reasonably practical after the Closing Date, the Seller shall furnish to the Purchaser a statement, certified to be true and correct by the Seller, setting forth all Operating Expenses incurred by the Seller during the period beginning on the first day of the calendar year in which the Proration Date occurs (the "CALENDAR YEAR OF PRORATION") and ending on the day before the Proration Date and all reimbursements (if any) received by the Seller, as landlord, under the Leases for each Tenant's share of Reimbursable Expenses for the Calendar Year of Proration.

Section 14.11 FINAL CLOSING ADJUSTMENT.

No later than one (1) year after the Closing, the Seller and the Purchaser shall make a final adjustment to the prorations made pursuant to this Article (the "FINAL CLOSING ADJUSTMENT"). The Final Closing Adjustment shall be made in the following manner:

(a) GENERAL. All adjustments or prorations which could not be determined at the Closing because of the lack of actual statements, bills or invoice for the current period, the year-end adjustment of Additional Rent or any other reason shall be made as a part of the Final Closing Adjustment. Any net adjustment in favor of the Purchaser shall be paid in cash or cash equivalent by the Seller to the Purchaser no later than twenty (20) days after the Final Closing Adjustment. Any net adjustment in favor of the Seller shall be paid in cash or cash equivalent by the Purchaser to the Seller no later than twenty (20) days after the Final Closing Adjustment.

(b) NO FURTHER ADJUSTMENTS. Except for: (i) additional or supplemental Real Estate Taxes, real estate tax credits or rebates, or other adjustments to Real Estate Taxes due to back assessments, corrections to previous tax bills or real estate tax appeals or contests, and (ii) any item of Additional Rent which may be contested by a Tenant, the Final Closing Adjustment shall be conclusive and binding upon the Seller and the Purchaser and the Seller and the Purchaser hereby waive any right to contest after the Final Closing Adjustment any prorations, apportionments or adjustments to be made pursuant to this Section.

Section 14.12 CLOSING COSTS AND TRANSFER TAXES.

At the Closing, Seller shall pay all of the transfer taxes (the "TRANSFER TAXES") imposed pursuant to the Laws of the District of Columbia in respect of the transactions contemplated by this Agreement and shall cause to be prepared any return (the "TRANSFER TAX RETURN") required thereby, which shall be duly executed by Seller and Purchaser. Seller shall also pay the fees of Seller's attorneys. Purchaser is exempt from the recordation tax imposed pursuant to the Laws of the District of Columbia pursuant to D.C. Code Ann. ss.45-922(2) (1981 & Supp. 2000). Purchaser shall pay the fees of Purchaser's attorneys and the costs of Purchaser's physical inspections, due diligence, survey costs and title insurance premiums, if any. Purchaser and Seller shall each pay one-half of all other fees, escrow costs and costs of closing.

Section 14.13 INCOME TAXES.

Notwithstanding any other provision of this Agreement to the contrary, all federal, state or local income or gross receipts taxes payable with respect to the Seller or the Property, if any, accruing before the Proration Date, or any such income or gross receipts tax assessed with respect to the transaction described in this Agreement, if any, shall be the obligation of and for the account of the Seller, and the Purchaser shall have no obligation or liability whatsoever with respect thereto.

Section 14.14 LEASING COMMISSIONS.

If any brokerage or leasing commission, fee or other compensation is due and payable (or will, with the passage of time or occurrence of any event or both, be due and payable), with respect to any Lease properly entered into by Seller pursuant to the terms of this Agreement following the Effective Date, then such brokerage or leasing commission, fee or other compensation shall be prorated between the Seller and the Purchaser as of the Proration Date on an

accrual basis, based on the actual number of days in the month during which the Proration Date occurs. The Seller shall be responsible for all brokerage or leasing commission, fee or other compensation attributable to the period before the Proration Date and the Purchaser shall be responsible for all brokerage or leasing commission, fee or other compensation attributable to the period on and after the Proration Date.

ARTICLE XV

TERMINATION

Section 15.1 REASONS FOR TERMINATION.

This Agreement may be terminated upon written notice given to the Escrow Agent and the other party by:

(a) the Purchaser at the Closing, if any one of the conditions set forth in ARTICLE XI or ARTICLE XII is not satisfied in all material respects on the Closing Date, PROVIDED HOWEVER, that Purchaser shall not terminate this Agreement unless Seller fails to satisfy the condition in accordance with the provisions of SECTIONS 6.6 THROUGH 6.11, as applicable; or

(b) the Seller at the Closing, if any one of the conditions set forth in ARTICLE X is not satisfied in all material respects on the Closing Date; PROVIDED HOWEVER, that Seller shall not terminate this Agreement unless Purchaser fails to satisfy any one of the conditions in accordance with the cure rights set forth in the next two sentences. In the case of any condition which can be satisfied solely by the payment of a sum of money, Purchaser shall satisfy such condition within ten (10) days after written notice from Seller to Purchaser. In the case of any condition which cannot be satisfied solely by the payment of a sum of money, Purchaser shall satisfy such condition within thirty (30) days after written notice from Seller to Purchaser; provided, however, if such condition is reasonably susceptible of satisfaction, but not within such thirty (30) day period, then Purchaser may be permitted up to an additional thirty (30) days to satisfy such condition provided that Purchaser diligently and continuously pursues such

satisfaction. The Closing shall be automatically adjourned during the time periods set forth in this Section; PROVIDED, HOWEVER, that the reduction in the Purchase Price set forth in SECTION 3.1 shall be delayed one day for each day of adjournment pursuant to this Section.

Section 15.2 TERMINATION BY PURCHASER.

If the Purchaser terminates this Agreement pursuant to SECTION 15.1(A), this Agreement shall become null and void, the Escrow Agent shall return the Fund to the Purchaser and no party shall have any further liability or obligation to any other party under this Agreement, except as otherwise provided in any of ARTICLE V, SECTION 18.7 or the next sentence. If the Purchaser terminates this Agreement pursuant to SECTION 15.1(A) because of a breach by the Seller of any of the representations or warranties made by it in this Agreement or the failure of the Seller to perform any of the covenants or agreements to be performed by it under this Agreement, the Purchaser may sue to recover its damages arising out of such breach or nonperformance, subject to the limitations set forth in ARTICLE VI. Except as expressly provided in this Agreement to the contrary, in no event and under no circumstances shall Seller have any liability to Purchaser for the Seller's misrepresentation, breach of warranty or default or for the failure of a condition.

Section 15.3 TERMINATION BY SELLER.

If the Seller terminates this Agreement pursuant to SECTION 15.1(B), this Agreement shall become null and void, the Escrow Agent shall return the Fund to the Purchaser and no party shall have any further liability or obligation to any other party under this Agreement, except as otherwise provided in any of ARTICLE V, SECTION 18.7 or the next sentence. If the Seller terminates this Agreement pursuant to SECTION 15.1(b) because of a breach by the Purchaser of any of the representations or warranties made by it in this Agreement or the failure of the Purchaser to perform any of the covenants or agreements to be performed by it under this Agreement, the Escrow Agent shall pay the Fund to the Seller. The Seller's sole and exclusive remedy for the Purchaser's misrepresentation, breach of warranty or default shall be to receive the Fund as liquidated damages. In no event and under no circumstances shall the Seller be entitled to receive more than the Fund as damages for the Purchaser's misrepresentation, breach of warranty or default. THE SELLER AND THE PURCHASER ACKNOWLEDGE THAT THE DAMAGES TO THE SELLER IN THE EVENT OF A BREACH OF THIS AGREEMENT BY THE PURCHASER WOULD BE DIFFICULT OR IMPOSSIBLE TO DETERMINE, THAT THE AMOUNT OF THE FUND REPRESENTS THE PARTIES' BEST AND MOST ACCURATE ESTIMATE OF THE DAMAGES THAT WOULD BE SUFFERED BY THE SELLER IF THE TRANSACTION FAILS TO CLOSE AND THAT SUCH ESTIMATE IS REASONABLE UNDER THE CIRCUMSTANCES EXISTING ON THE EFFECTIVE DATE AND UNDER THE CIRCUMSTANCES THAT THE SELLER AND THE PURCHASER

REASONABLY ANTICIPATE WOULD EXIST AT THE TIME OF SUCH BREACH. THE PURCHASER AND THE SELLER AGREE THAT THE SELLER'S RIGHT TO RETAIN THE FUND SHALL BE THE SELLER'S SOLE REMEDY, AT LAW AND IN EQUITY, FOR THE PURCHASER'S FAILURE TO PURCHASE THE PROPERTY IN ACCORDANCE WITH THE TERMS OF THIS AGREEMENT.

Section 15.4 PURCHASER'S RIGHT TO SEEK SPECIFIC PERFORMANCE.

If the Seller defaults in performing any of the covenants or agreements to be performed by it under this Agreement, the Purchaser shall have the right, instead of terminating this Agreement pursuant to SECTION 15.1, to elect to permit this Agreement to remain in effect and to sue for specific performance and for any damages caused by the Seller's default, subject to the limitations set forth in ARTICLE VI.

ARTICLE XVI

INDEMNIFICATION

Section 16.1 BY SELLER.

Subject to the provisions of SECTION 16.3, the Seller agrees to indemnify, hold harmless and defend the Purchaser from and against:

(a) all debts, liabilities and obligations arising from business done, transactions entered into or other events occurring before the Closing Date with respect to the Leases and/or the Contracts, other than the debts, liabilities and obligations which are being adjusted between the Seller and the Purchaser pursuant to this Agreement;

(b) any loss, liability or damage suffered or incurred by the Purchaser arising out of or resulting from injury or death to individuals or damage to property of third parties sustained on the Real Property before the Closing and caused by the willful or negligent act or omission (where applicable law imposes a duty to act) of the Seller; and

(c) all reasonable costs and expenses (including reasonable attorneys' fees) incurred by the Purchaser in connection with any action, suit, proceeding, demand, assessment or judgment incident to any of the matters indemnified against in this Section.

Section 16.2 BY PURCHASER.

Subject to the provisions of SECTION 16.3, the Purchaser agrees to indemnify, hold harmless and defend the Seller from and against:

(a) all debts, liabilities and obligations arising from business done, transactions entered into or other events occurring on and after the Closing with respect to the Leases and/or the Contracts, other than the debts, liabilities and obligations which are being adjusted between the Seller and the Purchaser pursuant to this Agreement;

(b) any loss, liability or damage suffered or incurred by the Seller arising out of or resulting from injury or death to individuals or damage to property of third parties sustained on the Real Property before the Closing and caused by the willful or negligent act or omission (where applicable law imposes a duty to act) of the Purchaser; and

(c) all reasonable costs and expenses (including reasonable attorneys' fees) incurred by the Seller in connection with any action, suit, proceeding, demand, assessment or judgment incident to any of the matters indemnified against in this subsection.

Section 16.3 LIMITATIONS ON INDEMNIFICATION OBLIGATIONS.

The obligations of the Seller to indemnify the Purchaser pursuant to SECTION 16.1 and the obligations of the Purchaser to indemnify the Seller pursuant to SECTION 16.2 are limited as follows:

(a) LIMIT ON THE SELLER'S OBLIGATION WITH CLOSING. If the Closing is consummated, the Seller shall not have any liability or obligation to the Purchaser pursuant to SECTION 16.1 unless the Seller receives written notice of Purchaser's claim for indemnity within one (1) year after the Closing Date.

(b) LIMIT ON THE PURCHASER'S OBLIGATION WITH CLOSING. If the Closing is consummated, the Purchaser shall not have any liability or obligation to the Seller pursuant to SECTION 16.2 unless the Purchaser receives written notice of Seller's claim for indemnity within one (1) year after the Closing Date.

Section 16.4 PROCEDURE FOR OBTAINING INDEMNIFICATION.

(a) DEFINITIONS. For purposes of this Section, (i) the term "CLAIM" shall mean any claim, litigation, setoff, defense, counterclaim or other legal action taken or asserted by any Person against the Asserting Party, (ii) the term "ASSERTING PARTY" shall mean the party, I.E., the Seller or the Purchaser, as the case may be, against whom a Claim is asserted and who seeks indemnification under SECTION 16.1 or SECTION 16.2, and (iii) the term "DEFENDING PARTY" shall mean the party, I.E., the Seller or the Purchaser, from whom indemnification is sought under SECTION 16.1 or SECTION 16.2.

(b) NOTICE OF CLAIM; ASSUMPTION OF DEFENSE. If a Claim is made against the Asserting Party which the Asserting Party believes to be covered by the Defending Party's indemnification obligation under SECTION 16.1 or SECTION 16.2, the Asserting Party shall promptly notify the Defending Party of the Claim and, in such notice, shall offer to the Defending Party the opportunity to assume the defense of the Claim within ten (10) Business Days after receipt of the notice (with counsel reasonably acceptable to the Asserting Party). If the Defending Party timely elects to assume the defense of the Claim, the Defending Party shall do so on behalf of both the Asserting Party and the Defending Party, unless both the Asserting Party and the Defending Party are named in the same litigation and representation of both of them by the same counsel would be inappropriate.

(c) RIGHT TO SETTLE. If the Defending Party timely elects to assume the defense of the Claim, the Defending Party shall have the right to settle the Claim on any terms it considers reasonable as long as the settlement shall not require the Asserting Party to render any performance or pay any consideration without its consent.

(d) RIGHT TO ASSUME DEFENSE. If the Defending Party fails timely to elect to assume the defense of the Claim, or if the Defending Party timely elects to assume the defense of the Claim but thereafter fails to defend the Claim with diligence and continuity, the Asserting Party shall have the right to take over the defense of the Claim and to settle the Claim on any terms it considers reasonable. Any such settlement shall be valid as against the Defending Party.

(e) SELECTION OF COUNSEL. If the Defending Party assumes the defense of a Claim, the Asserting Party may employ its own counsel but such employment shall be at the sole expense of the Asserting Party. If the Defending Party assumes the defense of a Claim but the same counsel may not represent both the Asserting Party and the Defending Party, or if the Defending Party fails timely to assume the defense of the Claim or, after having elected to assume the defense fails to defend the Claim with diligence and continuity, the Asserting Party may employ its own counsel and such employment shall be at the sole expense of the Defending Party.

(f) COOPERATION. Whether or not the Defending Party elects to assume the defense of a Claim, the Defending Party shall cooperate with the Asserting Party in the defense of the Claim.

(g) EXTENSION TO OTHER PERSONS. The indemnification obligations under this Agreement shall also extend to any present or future advisor, trustee, director, officer, partner, member, employee, beneficiary, shareholder, participant or agent of or in the Asserting Party or any Person now or hereafter having a direct or indirect ownership interest in Indemnitee.

ARTICLE XVII

POST-CLOSING OBLIGATIONS

Section 17.1 RELOCATION OF BUILDING MANAGER.

Seller's Building Manager currently occupies space in the Building which is shown on EXHIBIT L attached hereto and made a part hereof (the "BUILDING MANAGER'S OFFICE"). As of the Effective Date, the buildings which Seller owns in the District of Columbia do not contain any available space where Seller can relocate the Building Manager. Seller shall use its reasonable best efforts to relocate the Building Manager prior to Closing; provided, however, that in the event that Seller cannot relocate the Building Manager (notwithstanding Seller's reasonable best efforts) prior to Closing, Purchaser shall permit the Building Manager to have a license for the space shown on EXHIBIT L for up to three (3) months after the Closing Date; PROVIDED, HOWEVER, that (i) the Building Manager shall not be engaged in the management, operation, maintenance and repair of the Real Property, (ii) the Building Manager shall continue to be the employee of the Seller and shall not be an employee, agent or representative of Purchaser and Purchaser shall have no liabilities or obligations whatsoever with respect to the Building Manager, (iii) the Building Manager shall comply with the rules and regulations applicable to the Building, and (iv) the Seller shall indemnify,

hold harmless and defend the Purchaser from and against all costs, claims, and expenses, including reasonable attorneys' fees, resulting from the Building Manager's presence on the Property after the Closing in accordance with ARTICLE XVI. The

Building Manager shall be available to Purchaser, and will cooperate and consult with Purchaser, at no cost to Purchaser, on all transition issues for three (3) months after the Closing Date, regardless of whether or not the Building Manager has been relocated prior to or during such three (3) month period.

ARTICLE XVIII

MISCELLANEOUS PROVISIONS

Section 18.1 ENTIRE AGREEMENT.

This Agreement, together with the Exhibits and Schedules hereto, contains the entire agreement between the parties relating to the purchase and sale of the Property, all prior negotiations between the parties are merged by this Agreement and there are no promises, agreements, conditions, undertakings, warranties or representations, oral or written, express or implied, between them other than as herein set forth. No change or modification of this Agreement shall be valid unless the same is in writing and signed by the parties hereto. No waiver of any of the provisions of this Agreement, or any other agreement referred to herein, shall be valid unless in writing and signed by the party against whom it is sought to be enforced.

Section 18.2 COUNTERPARTS.

This Agreement may be executed in any number of counterparts and it shall not be necessary that each party to this Agreement execute each counterpart. Each counterpart so executed (or, if all parties do not sign on the same counterpart, each group of counterparts signed by all parties) shall be deemed to be an original, but all such counterparts together shall constitute one and the same instrument. In making proof of this Agreement, it shall not be necessary to account for more than one counterpart or group of counterparts signed by all parties.

Section 18.3 BENEFIT AND BURDEN.

All terms of this Agreement shall be binding upon, and inure to the benefit of and be enforceable by, the respective personal representatives, heirs, successors and assigns of the parties hereto. Neither party shall have the right to assign its rights under this Agreement to any other Person, except as contemplated by SECTION 18.5.

Section 18.4 GOVERNING LAW.

This Agreement is intended to be performed in the jurisdiction in which the Real Property is located and shall be construed and enforced in accordance with the laws of such jurisdiction, without reference to principles of conflicts of laws.

Section 18.5 LIKE KIND EXCHANGE.

If the Seller shall desire to receive other real property (the "EXCHANGE PROPERTY") in lieu of cash that is designated by the Seller and can be acquired from a third party, the Purchaser shall, if requested by the Seller before the Closing Date, cooperate with Seller so that Seller can

obtain the Exchange Property pursuant to a purchase contract (the "EXCHANGE PROPERTY CONTRACT") and the Purchaser shall, in lieu of the cash payment to Seller, make the cash payment to a Qualified Intermediary (as defined in the Internal Revenue Code of 1986, as amended), subject to the following provisions: (a) Purchaser shall not be required to enter into the Exchange Property Contract, (b) the Exchange Property Contract shall provide that the Purchaser shall not have any liability thereunder, and (c) the Purchaser shall not be required to take title to the Exchange Property.

Section 18.6 NOTICES.

(a) MANNER OF GIVING NOTICE. Each notice, request, demand, consent, approval or other communication (hereafter in this Section referred to collectively as "NOTICES" and referred to singly as a "NOTICE") which the Seller or the Purchaser is required or permitted to give to the other party pursuant to this Agreement shall be in writing and shall be deemed to have been duly and sufficiently given if

(1) personally delivered with proof of delivery thereof (any notice so delivered shall be deemed to have been received at the time so delivered),

(2) sent by FedEx (or other similar overnight courier) designating early morning delivery (any notice so delivered shall be deemed to have been received on the next Business Day following receipt by the courier),

(3) sent by United States registered or certified mail, return receipt requested, postage prepaid, at a post office regularly maintained by the United States Postal Service (any notice so sent shall be deemed to have been received three days after mailing in the United States), or

(4) sent by telecopier or facsimile machine which automatically generates a transmission report that states the date and time of the transmission, the length of the document transmitted and the telephone number of the recipient's telecopier or facsimile machine (with a copy thereof sent in accordance with paragraph (2) above) (any notice so delivered shall be deemed to have been received (i) on the date of transmission, if so transmitted before 5:30 p.m. (local time of the recipient) on a Business Day, or (ii) on the next Business Day, if so transmitted on or after 5:30 p.m. (local time of the recipient) on a Business Day or if transmitted on a day other than a Business Day), addressed to the parties at their respective addresses designated pursuant to subsection (b).

(b) ADDRESS FOR NOTICES.

All notices shall be addressed to the parties at the following addresses:

(1) if to the Seller:

c/o Mack-Cali Realty Corporation
11 Commerce Drive
Cranford, New Jersey 07016
Attn: Roger W. Thomas, General Counsel
Telecopy: (908) 497-0485

with a copy to:

Sheldon J. Weisel, Esq.
Shaw Pittman
2300 N Street, N.W.
Washington, D.C. 20037-1128
Telecopy: (202) 663-8007

(2) if to the Purchaser:

Board of Governors of the Federal Reserve System
Mail Stop 148
Washington, D.C. 20551
Attn: Robert E. Frazier, Director
Telecopy: (202) 728-5800

with a copy to:

Board of Governors of the Federal Reserve System
Mail Stop 13
Washington, D.C. 20551
Attn: Stephen L. Siciliano, Assistant General Counsel
Telecopy: (202) 452-2005

Philip M. Horowitz, Esq.
Arter & Hadden LLP
1801 K Street, N.W., Suite 400K
Washington, D.C. 20006
Telecopy: (202) 857-0172

(3) if to the Escrow Agent:

c/o Tri-State Commercial Closings, Inc..
1150 18th Street, N.W., Suite 575
Washington, D.C. 20036
Attn: Richard W. Klein, Jr.
Telecopy: (202) 955-5646

Either party may, by notice given pursuant to this Section, change the

person or persons and/or address or addresses, or designate an additional person or persons or an additional address or addresses, for its notices, but notice of a change of address shall only be effective upon receipt. The Seller and the Purchaser each agrees that it will not refuse or reject delivery of any notice given hereunder, that it will acknowledge, in writing, receipt of the same upon request by the other party and that any notice rejected or refused by it shall be deemed for all purposes of this Agreement to have been received by the rejecting party on the date so refused or rejected, as conclusively established by the records of the U.S. Postal Service or the courier service.

(c) NOTICE GIVEN BY COUNSEL. All Notices that are required or permitted to be given by either party to the other under this Agreement may be given by such party or its legal counsel, who are hereby authorized to do so on the party's behalf.

Section 18.7 CONFIDENTIALITY.

The Purchaser shall hold all information concerning the Property supplied to Purchaser by Seller (the "INFORMATION") in confidence and shall not at any time disclose or permit the disclosure of the Information to any Person without the Seller's prior written consent. The Purchaser further agrees to use the Information only for purposes of evaluating the Property in connection with its purchase of the Property in accordance with the terms of this Agreement. Notwithstanding the foregoing, (i) the Purchaser may disclose the Information to its legal counsel, accountants, lenders, third party consultants and other Persons who need to review the Information in connection with the Purchaser's purchase of the Property in accordance with the terms of this Agreement, (ii) the provisions of this Section shall not apply to any portions of the Information that are available from public sources other than through the actions of the Purchaser or its agents, and (iii) the Purchaser may disclose the Information to the extent that such disclosure is required by law or court order, but the Purchaser first shall provide written notice thereof to the Seller. If this Agreement is terminated before the Closing, the Purchaser promptly shall return the Information to the Seller and shall not retain copies thereof. Prior to Closing, unless disclosure is required by law, or on the advice of securities counsel, the Seller shall not make any public announcements concerning the sale of the Property pursuant to this Agreement without first obtaining the prior written consent of the Purchaser. If, prior to Closing, disclosure is required by law or on the advice of securities counsel, the public announcement shall contain all information that Seller's securities counsel determines is required by law to be disclosed. On the Effective Date, Seller and Purchaser agree that the press releases in the forms attached hereto and made a part hereof as EXHIBIT M may be issued by Seller and/or Purchaser. In addition, on or after the Closing Date, Purchaser agrees that Seller may disclose any information which does not contradict and is otherwise consistent with that contained in the press releases attached hereto

and made a part hereof as EXHIBIT M as part of Seller's "road shows" to investors, lenders and other parties in the commercial real estate industry. The provisions of this Section shall survive the Closing or termination of this Agreement.

Section 18.8 BROKERS.

Purchaser and Seller represent and warrant to each other that the Sales Agent is the sole broker with whom it has dealt in connection with the Property and the transactions described herein. Seller shall be liable for, and shall indemnify Purchaser against, the One Percent (1%) brokerage commission due to the Sales Agent arising out of the transactions contemplated in this Agreement. Each party hereto agrees to indemnify, defend and hold the other harmless from and against any and all claims, causes of action, losses, costs, expenses, damages or liabilities, including reasonable attorneys' fees and disbursements, which the other may sustain, incur or be exposed to, by reason of any claim or claims by any broker, finder or other person, except the Sales Agent, for fees, commissions or other compensation arising out of the transactions contemplated in this Agreement if such claim or claims are based in whole or in part on dealings or agreements with the indemnifying party. The obligations and representations and warranties contained in this SECTION 18.8 shall survive the termination of this Agreement and the Closing.

Section 18.9 FURTHER ASSURANCES.

Each party to this Agreement shall execute and deliver any additional documents and instruments and perform any additional acts that may be necessary or appropriate to effectuate and perform the provisions of this Agreement and the transactions contemplated herein.

Section 18.10 NO RECORDING.

The provisions of this Agreement shall not constitute a lien on the Property. Neither the Purchaser nor its agents or representatives shall record

or file this Agreement or any notice or memorandum hereof in any public records, except in connection with a suit by the Purchaser for specific performance following the Seller's default.

Section 18.11 PARTIAL INVALIDITY.

If any term or provision of this Agreement or the application thereof to any persons or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Agreement or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby, and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

Section 18.12 LIMITATION OF LIABILITY.

(a) No present or future member, officer, employee, advisor or agent of or in Purchaser shall have any personal liability, directly or indirectly, under or in connection with this Agreement or any agreement made or entered into under or in connection with the provisions of this Agreement, or any amendment or amendments to any of the foregoing made at any time or times, heretofore or hereafter, and the Seller hereby waives any and all such personal liability.

In addition, neither the Purchaser nor any successor or assign of the Purchaser intends to assume any personal liability, directly or indirectly, under or in connection with any agreement to which the Property is now or hereafter subject, and no such assumption shall be implied except to the extent expressly provided for herein. The limitations of liability contained in this Section are in addition to, and not in limitation of, any limitation on liability applicable to the Purchaser provided elsewhere in this Agreement or by law or by any other contract, agreement or instrument.

(b) No present or future partner, member, director, officer, shareholder, employee, advisor, affiliate or agent of or in Seller shall have any personal liability, directly or indirectly, under or in connection with this Agreement or any agreement made or entered into under or in connection with the provisions of this Agreement, or any amendment or amendments to any of the foregoing made at any time or times, heretofore or hereafter, and the Purchaser and its successors and assigns and, without limitation, all other Persons, shall look solely to the assets and property of the Seller, for the payment of any claim arising out of this Agreement or for any performance, and the Purchaser hereby waives any and all such personal liability. In addition, neither the Seller nor any successor or assign of the Seller intends to assume any personal liability, directly or indirectly, under or in connection with any agreement to which the Property is now or hereafter subject, and no such assumption shall be implied except to the extent expressly provided for herein. The limitations of liability contained in this Section are in addition to, and not in limitation of, any limitation on liability applicable to the Seller provided elsewhere in this Agreement or by law or by any other contract, agreement or instrument. Notwithstanding the foregoing, from and after the Closing Date until the Final Date (as hereinafter defined), Mack-Cali Realty, L.P. (the "PARENT"), by executing this Agreement, hereby absolutely, unconditionally and irrevocably guarantees the full and prompt payment and performance of all duties, covenants, agreements, commitments and obligations of Seller pursuant to this Agreement (including without limitation, any amounts that, but for the initiation of any proceeding under any insolvency or bankruptcy law would be or become due thereunder) (the "PARENT GUARANTY"). As used herein, "FINAL DATE" shall mean the date which is one (1) year after the Closing Date, provided that if on such date Purchaser has commenced a claim against Seller under this Agreement, the Final Date shall be extended until such claim is resolved by final non-appealable court order or by settlement.

Section 18.13 WAIVER OF JURY TRIAL.

The Seller and the Purchaser waive trial by jury in any action, proceeding or counterclaim brought by either of them against the other on any matter arising out of or in any way connected with this Agreement.

Section 18.14 SOIL CONDITIONS.

In accordance with the provisions of ss.45-508(b) of the District of Columbia Code, according to the "Soil Survey of District of Columbia" (prepared by the United States Department of Agriculture, Soil Conservation Service, and issued July 1976) at page 50 and map sheet 9 at the back of the publication, the condition of the soil of the Real Property is that of "Urban Land" (Ub). Further information concerning the characteristic of the soil and the Real

Property may be obtained from a soil testing laboratory, the District of

Columbia Department of Environmental Services or the Soil Conservation Service of the Department of Agriculture.

Section 18.15 TIME OF ESSENCE.

Purchaser and Seller agree that, wherever this Agreement provides that a party must send or give any notice, make an election or take some other action within a specific time period in order to exercise a right or remedy it may have hereunder, time shall be of the essence with respect to the taking of such action, and such party's failure to take such action within the applicable time period shall be deemed to be an irrevocable waiver by such party of such right or remedy.

[SIGNATURES ARE ON THE FOLLOWING PAGE.]

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the day and year first above stated.

SELLER

M-C CAPITOL ASSOCIATES L.L.C.

By: Mack-Cali D.C. Management Corp., managing member

By: /s/ Mitchell E. Hersh

Name: Mitchell E. Hersh

Title: Chief Executive Officer

PURCHASER

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

By: /s/ Robert E. Frazier

Robert E. Frazier, Director of the Division of Support Services

Solely for the purpose of agreeing to the provisions of SECTION 18.12:

PARENT:

MACK-CALI REALTY, L.P.

By: Mack-Cali Realty Corporation, its general partner

By: /s/ Mitchell E. Hersh

Name: Mitchell E. Hersh

Title: Chief Executive Officer

[SIGNATURES CONTINUED ON NEXT PAGE]

Solely for the purpose of agreeing to the provisions of ARTICLES IV, XIII AND XIV:

ESCROW AGENT

TRI-STATE COMMERCIAL CLOSINGS, INC.

By: /s/ Richard W. Klein, Jr.

Richard W. Klein, Jr.
President

and

LAWYERS TITLE INSURANCE CORPORATION

By: /s/ Carson Mills

Name: Carson Mills

Title: Vice President and Area Counsel
