

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1996

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

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 of 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 NO and (2) has been subject to such filing requirements for the past ninety (90) days YES NO

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

There were 15,206,361 shares of \$.01 par value common stock outstanding at August 6, 1996.

CALI REALTY CORPORATION

Form 10-Q

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CALI REALTY CORPORATION

Part I - Financial Information

Item 1 Financial Statements

The information furnished in the accompanying consolidated balance sheets, statements of operations, of cash flows, and of stockholders' equity reflect all adjustments (consisting of normal, recurring adjustments), which are, in the opinion of management, necessary for a fair presentation of the aforementioned financial statements 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 the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995.

The results of operations for the three and six month periods ended June 30, 1996 are not necessarily indicative of the results to be expected for the entire fiscal year or any other period.

<TABLE>

<CAPTION>

CALI REALTY CORPORATION AND SUBSIDIARIES

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

	June 30, 1996	December 31, 1995
<S>	<C>	<C>
ASSETS		
Rental property		
Land	\$ 43,797	\$ 38,962
Buildings and improvements	348,013	319,028
Tenant improvements	33,366	28,588
Furniture, fixtures and equipment	1,099	1,097
	-----	-----
	426,275	387,675
Less - accumulated depreciation and amortization	(61,310)	(59,095)
	-----	-----
Total rental property	364,965	328,580
Cash and cash equivalents	1,907	967
Unbilled rents receivable	18,930	18,855
Deferred charges and other assets, net of accumulated amortization	11,297	10,873
Restricted cash	3,785	3,229
Accounts receivable, net of allowance for doubtful accounts of \$157 and \$134	1,326	1,341
Other receivables	56	104
	-----	-----
Total assets	\$ 402,266	\$ 363,949
	=====	=====

(Continued)

<CAPTION>

CALI REALTY CORPORATION AND SUBSIDIARIES

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

	June 30, 1996	December 31, 1995
<S>	<C>	<C>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Mortgages and loans payable	\$ 169,147	\$ 135,464
Dividends and distributions payable	7,610	7,606
Accounts payable and accrued expenses	4,044	3,245
Rents received in advance and security deposits	4,214	3,114
Accrued interest payable	485	629

Total liabilities	185,500	150,058
Minority interest of unitholders in Operating Partnership	27,545	28,083
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, authorized 5,000,000 shares, none issued		
Common stock, \$.01 par value, 95,000,000 shares authorized, 15,206,361 shares and 15,104,725 shares outstanding	152	151
Additional paid-in capital	186,808	185,657
Retained earnings	2,261	--
Total stockholders' equity	189,221	185,808
Total liabilities and stockholders' equity	\$ 402,266	\$ 363,949

</TABLE>

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

<TABLE>

<CAPTION>

CALI REALTY CORPORATION AND SUBSIDIARIES

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	1996	1995	1996	1995
<S>	<C>	<C>	<C>	<C>
REVENUES				
Base rents	\$17,264	\$12,200	\$33,276	\$23,440
Escalations and recoveries	3,151	2,414	6,232	4,535
Parking and other	519	471	923	872
Interest income	79	66	153	176
Total revenues	21,013	15,151	40,584	29,023
EXPENSES				
Real estate taxes	2,194	1,437	4,153	2,751
Utilities	1,873	1,473	3,755	2,837
Operating services	2,512	1,962	5,315	3,824
General and administrative	1,128	1,001	2,064	1,934
Depreciation and amortization	3,614	3,095	6,908	5,927
Interest expense	2,999	2,173	5,568	3,814
Total expenses	14,320	11,141	27,763	21,087
Income before gain on sale of rental property, minority interest and extraordinary item	6,693	4,010	12,821	7,936
Gain on sale of rental property	--	--	5,658	--
Income before minority interest and extraordinary item	6,693	4,010	18,479	7,936
Minority interest	1,009	873	2,821	1,709
Income before extraordinary item	5,684	3,137	15,658	6,227
Extraordinary item-loss on early retirement of debt (net of minority interest's share of \$86)	--	--	475	--
Net income	\$ 5,684	\$ 3,137	\$15,183	\$ 6,227
Net income per common share:				
Income before extraordinary item- loss on early retirement of debt	\$ 0.37	\$ 0.30	\$ 1.03	\$ 0.60
Extraordinary item-loss on early retirement of debt	--	--	0.03	--
Net income	\$ 0.37	\$ 0.30	\$ 1.00	\$ 0.60
Dividends declared per common share	\$ 0.43	\$ 0.40	\$ 0.85	\$ 0.81
Weighted average shares outstanding	15,203	10,400	15,175	10,436

</TABLE>

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

<TABLE>
 <CAPTION>
 CALI REALTY CORPORATION AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands)

	Six Months Ended June 30,	
	1996	1995
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 15,183	\$ 6,227
Adjustments to reconcile net income to net cash flows provided by operating activities		
Depreciation and amortization	6,908	5,927
Gain on sale of rental property	(5,658)	--
Minority interest	2,821	1,709
Extraordinary item-loss on early retirement of debt	475	--
Changes in operating assets and liabilities		
Increase in unbilled rents receivable	(204)	(223)
Increase in deferred charges and other assets, net	(2,180)	(983)
Decrease (increase) in accounts receivable, net	15	(543)
Decrease in other receivables	48	170
Increase in accounts payable and accrued expenses	799	56
Increase (decrease) in rents received in advance and security deposits	1,100	(24)
(Decrease) increase in accrued interest payable	(144)	251
Net cash provided by operating activities	19,163	12,567
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to rental property	(46,321)	(17,900)
Proceeds from sale of rental property	10,324	--
Increase in restricted cash	(556)	(536)
Net cash used in investing activities	(36,553)	(18,436)

(Continued)
 <CAPTION>
 CALI REALTY CORPORATION AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands)

	Six Months Ended June 30,	
	1996	1995
<S>	<C>	<C>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from mortgages and loans payable	109,500	16,000
Repayments of mortgages and loans payable	(75,817)	(3,000)
Debt prepayment premiums and other costs	(312)	--
Purchase of treasury stock	--	(1,595)
Proceeds from stock options exercised	173	--
Payment of dividends and distributions	(15,214)	(10,715)
Net cash provided by financing activities	18,330	690
Net increase (decrease) in cash and cash equivalents ...	940	(5,179)
Cash and cash equivalents, beginning of period	967	6,394
Cash and cash equivalents, end of period	\$ 1,907	\$ 1,215
Supplemental Cash Flow Information:		
Cash paid for interest	\$ 5,800	\$ 3,563
Interest capitalized	\$ 88	\$ --

</TABLE>

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

<TABLE>
 <CAPTION>
 CALI REALTY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (in thousands)

Total Stockholders' Equity	Common Stock		Additional	Retained
	Shares	Par Value	Paid-In Capital	Earnings
	-----	-----	-----	-----
<S> <C>	<C>	<C>	<C>	<C>
Balance at January 1, 1996	15,105	\$ 151	\$ 185,657	--
\$ 185,808				
Conversions of 92 Units to shares	92	1	978	--
979				
Net income	--	--	--	\$ 15,183
15,183				
Dividends	--	--	--	(12,922)
(12,922)				
Stock options exercised	9	--	173	--
173				
	-----	-----	-----	-----
Balance at June 30, 1996	15,206	\$ 152	\$ 186,808	\$ 2,261
\$ 189,221				
	=====	=====	=====	=====

</TABLE>

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

CALI REALTY CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (dollars in thousands, except per share amounts)

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization Cali Realty Corporation (the "Company"), a Maryland corporation, 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 June 30, 1996, the Company owned and operated 43 properties, consisting of 42 office and office/flex buildings totaling approximately 4.2 million square feet and a 327 unit residential complex. The properties are located in New Jersey, New York, and Pennsylvania.

The Company was incorporated on May 24, 1994 and commenced operations on August 31, 1994. On August 31, 1994, the Company completed an initial public offering and effected a business combination with the Cali Group (not a legal entity). The Company raised (net of offering costs) approximately \$165,518 of capital through an initial public offering of 10,500,000 shares of common stock, and used the proceeds to acquire a 78.94 percent interest in Cali Realty, L.P. (the "Operating Partnership") and related entities, which are the successors to the operations of the Cali Group. Prior to the completion of the business combination with the Company, the Cali Group was engaged in development, ownership and operation of a portfolio of twelve office buildings and one multi-family residential property, all located in New Jersey (the "Initial Properties").

In 1994 and 1995, following the Company's initial public offering, the Company acquired 28 office and office/flex properties totaling 1,723,000 square feet for approximately \$157,000. These acquisitions are all located in New Jersey and New York.

On March 20, 1996, the Company sold its office building located at 15 Essex Road in Paramus, New Jersey ("Essex Road") and concurrently acquired a

95,000 square foot office building at 103 Carnegie Center in Princeton, New Jersey. The concurrent transactions qualified as a tax free exchange, as the Company used substantially all of the proceeds from the sale of Essex Road to acquire the Princeton property. The financial statements for the six months ended June 30, 1996 include a gain of \$5,658 relating to this transaction.

In advance of the sale of Essex Road, on March 12, 1996, the Company prepaid \$5,492 of the Mortgage Financing (Note 5) and obtained a release of the mortgage liens on the property. On account of prepayment penalties, loan origination fees, legal fees and other costs incurred in the retirement of the debt, an extraordinary loss of \$475, net of minority interest's share of the loss (\$86), was recorded for the six months ended June 30, 1996.

On May 2, 1996, the Company acquired Rose Tree Corporate Center, a two-building suburban office complex totaling approximately 260,000 square feet, located in Media, Pennsylvania. The complex was acquired for approximately \$28 million, which was drawn on one of the Company's credit facilities.

Additionally, on July 23, 1996, the Company acquired 222 and 233 Mount Airy Road, two suburban office buildings totaling approximately 115,000 square feet, located in Basking Ridge, New Jersey. The buildings were acquired for approximately \$10.5 million, which was drawn on one of the Company's credit facilities.

Basis of
Presentation

The accompanying consolidated financial statements include all accounts of the Company and its majority owned subsidiaries which consist principally of the Operating Partnership. The Company's investment in Cali Services, Inc. (an entity formed to provide third party property management services, in which the Operating Partnership has a 99 percent interest) is accounted for under the equity method.

All significant intercompany accounts and transactions have been eliminated.

The preparation of financial statements in conformity with generally accepted accounting principles 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. Costs include interest, property taxes, insurance and other project costs incurred during the period of construction. Ordinary repairs and maintenance are expensed as incurred; major replacements and betterments are capitalized and depreciated over their estimated useful lives. Fully depreciated assets are removed from the accounts. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and improvements	39 to 40 years

Tenant improvements	The shorter of the term of the related lease or useful lives

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. Management does not believe that the value of any of

its real estate properties are impaired.

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 were \$267 and \$435 for the three month periods ended June 30, 1996 and 1995, respectively, and \$527 and \$877 for the six month periods ended June 30, 1996 and 1995, 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. Unamortized deferred leasing costs are charged to amortization expense upon early termination of the lease.

Revenue
Recognition

The Company recognizes base rental revenue 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 revenue includes income from parking spaces leased to tenants.

Rental income on residential property under operating leases having terms generally of one year or less is recognized when earned.

Cash and Cash
Equivalents

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

Income and
Other Taxes

The Company has elected to be taxed as a REIT under Sections 856 through 860 of the Code. As a REIT, the Company will not be subject to federal income tax to the extent it distributes at least 95 percent of its REIT taxable income to its shareholders. REITs are subject to a number of organizational and operational requirements. 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 may be subject to certain state and local taxes.

Net Income
Per Share

Net income per share is computed using the weighted average common shares outstanding during the period. The weighted average shares outstanding during the three month periods ended June 30, 1996 and 1995 were 15,202,912 and 10,400,000 respectively, and six month periods ended June 30, 1996 and 1995 were 15,174,500 and 10,436,464, respectively. The assumed exercise of outstanding stock options using the Treasury Stock method is not considered dilutive in any period.

Dividends and
Distributions
Payable

The dividends and distributions payable at June 30, 1996 represent dividends payable to shareholders of record on July 3, 1996 (15,206,361 shares) and distributions payable to minority interest unitholders (2,699,002 Units) on that same date. The second quarter dividends and distributions of \$0.425 per share and per Unit were approved by the Board of Directors on June 20, 1996 and were paid on July 19, 1996.

3. RESTRICTED CASH

Restricted cash includes security deposits for the residential property, 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:

<TABLE>
<CAPTION>

	June 30, 1996	December 31, 1995
	-----	-----
<S>	<C>	<C>

Escrow and other reserve funds	\$ 3,453	\$ 2,901
Residential security deposits	332	328
	-----	-----
Total restricted cash	\$ 3,785	\$ 3,229
	=====	=====

</TABLE>

4. DEFERRED CHARGES AND OTHER ASSETS

<TABLE>

<CAPTION>

	June 30, 1996	December 31, 1995
	-----	-----
<S>	<C>	<C>
Deferred leasing costs	\$ 13,630	\$ 13,498
Deferred financing costs	5,347	5,778
	-----	-----
Accumulated amortization	18,977	19,276
	(8,350)	(9,035)
	-----	-----
Deferred charges, net	10,627	10,241
Prepaid expenses and other assets	670	632
	-----	-----
Total deferred charges and other assets	\$ 11,297	\$ 10,873
	=====	=====

</TABLE>

5. MORTGAGES AND LOANS PAYABLE

<TABLE>

<CAPTION>

	June 30, 1996	December 31, 1995
	-----	-----
<S>	<C>	<C>
Mortgage Financing [a]	\$ 64,508	\$ 70,000
Fair Lawn Property Loan [b]	18,639	18,764
Initial Credit Facility [c]	15,000	46,700
Additional Credit Facility [d]	71,000	--
	-----	-----
Total mortgages and loans payable	\$169,147	\$135,464
	=====	=====

</TABLE>

[a]

Concurrent with the Company's initial public offering, the Company's initial operating subsidiaries, which own the Initial Properties, issued five-year mortgage notes with an aggregate principal balance of \$144,500 secured and cross-collateralized by the Initial Properties to an affiliate ("PSI") of Prudential Securities Inc. PSI then issued commercial mortgage pay-through bonds ("Bonds") collateralized by the mortgage notes. Bonds with an aggregate principal balance of \$70,000 were purchased by unrelated third parties. Bonds with an aggregate principal balance of \$74,500 were purchased by the Company. As a result, the Company's initial mortgage financing was \$70,000 (the "Mortgage Financing"). Approximately \$38,000 of the \$70,000 is guaranteed under certain conditions by certain partners of the partnerships which owned the Initial Properties. The Mortgage Financing requires monthly payments of interest only, with all principal and any accrued but unpaid interest due in August 1999. \$46,000 of the \$70,000 Mortgage Financing bears interest at a net cost to the Company equal to a fixed rate of 8.02 percent per annum and the remaining \$24,000 bears interest at a net cost to the Company equal to a floating rate of 100 basis points over 30-day London Inter Bank Offered Rate (LIBOR) with a lifetime interest rate cap of 11.6 percent.

In advance of the sale of Essex Road, on March 12, 1996, the Company prepaid \$5,492 (\$1,687-fixed rate, \$3,805-floating rate debt) of the Mortgage Financing, resulting in outstanding balances of \$44,313 for the 8.02 percent fixed rate debt and \$20,195 for the floating rate debt.

[b]

In connection with the acquisition of an office building in Fair Lawn, New Jersey on March 3, 1995, the Company assumed an \$18,764 non-recourse mortgage loan ("Fair Lawn Property Loan") bearing interest at a fixed rate of 8.25 percent per annum. The loan requires payment of interest only through March 15,

1996 and payment of principal and interest thereafter, on a 20-year amortization schedule, with the remaining principal balance due October 1, 2003. For the six months ended June 30, 1996, the Company has paid \$125 for amortization of the principal on the Fair Lawn Property Loan.

[c] The Company has a \$70,000 revolving credit facility ("Initial Credit Facility"), which may be used to fund acquisitions and new development projects and for general working capital purposes, including capital expenditures and tenant improvements. In connection with the Mortgage Financing, the Company obtained a \$6,005 letter of credit, secured by the Initial Credit Facility, to meet certain tenant improvement and capital expenditure reserve requirements. The Initial Credit Facility currently bears interest at a floating rate equal to 150 basis points over LIBOR. The Initial Credit Facility is a recourse liability of the Operating Partnership and is secured by a pledge of the \$74,500 Bonds held by the Company. The Initial Credit Facility requires monthly payments of interest only, with outstanding advances and any accrued but unpaid interest due May 31, 1997 and is subject to renewal at the lender's sole discretion. The Initial Credit Facility also requires a fee equal to one quarter of one percent of the unused balance payable quarterly in arrears. Since June 30, 1996, the Company has drawn an additional \$16,400 on the Initial Credit Facility.

[d] On February 1, 1996, the Company obtained an additional credit facility (the "Additional Credit Facility") secured by certain of its properties in the amount of \$75,000 from two participating banks. The Additional Credit Facility has a three-year term and bears interest at 150 basis points over 30-day LIBOR. The terms of the Additional Credit Facility include certain restrictions and covenants which limit, among other things, dividend payments and additional indebtedness and which require compliance with specified financial ratios and other financial measurements. The Additional Credit Facility also requires a fee equal to one quarter of one percent of the unused balance payable quarterly in arrears. Since June 30, 1996, the Company has repaid \$2,000 on the Additional Credit Facility.

Interest Rate Swap Agreements:

On May 24, 1995, the Company entered into an interest rate swap agreement with a commercial bank. The swap agreement fixes the Company's one-month LIBOR base to a fixed 6.285 percent per annum on a notional amount of \$24,000 through August 1999.

On January 23, 1996, the Company entered into an interest rate swap agreement with one of the participating banks in its Additional Credit Facility. The swap agreement has a three-year term and a notional amount of \$26,000 which fixes the Company's one-month LIBOR base to 5.265 percent (with a 150 basis point spread, an interest rate of 6.765 percent) on its floating rate credit facilities.

The Company is exposed to credit loss in the event of non-performance by the other parties to the interest rate swap agreements. However, the Company does not anticipate non-performance by either counterparty.

6. MINORITY INTEREST

In conjunction with the Company's initial public offering, individuals contributing interests to the Operating Partnership had the right to elect either to receive common stock of the Company or Units. A Unit and a share of common stock of the Company have substantially the same economic characteristics in as much as they effectively share equally in the net income or loss of the Operating Partnership. Minority interest in the accompanying consolidated financial statements relates to Units held by parties other than the Company.

Beginning one year after the closing of the Company's initial public stock offering (which occurred on August 31, 1994), certain Units are able to be redeemed by the unitholders at their option on the basis of one Unit for either one share of common stock or cash equal to the fair market value of a share at the time of the redemption. The Company has the option to deliver shares of common stock in exchange for all or any portion of the cash requested. When a unitholder redeems a Unit, minority interest is reduced and the Company's investment in the Operating Partnership is increased. During the six months ended June 30, 1996, 91,614 Units were redeemed for common stock of the Company.

7. RELATED PARTY TRANSACTIONS

Certain employees of the Operating Partnership provide leasing services to the Properties and receive fees as compensation ranging from 0.667 to 2.667 percent of adjusted rents. For the three and six month periods ended June 30, 1996, such fees, which are capitalized and amortized, approximated \$112 and \$192, respectively.

8. SIGNIFICANT TENANT

At December 31, 1995, Donaldson, Lufkin, and Jenrette Securities Corporation ("DLJ") leased approximately 55 percent of the space in the Company's 95 Christopher Columbus Drive, Jersey City, New Jersey property. On April 9, 1996, DLJ signed a lease with the Company for an additional 73,200 square feet of space ("DLJ Expansion"), increasing its occupancy to approximately 66 percent of the property.

Total rental income from DLJ, including escalations and recoveries, for the three and six month periods ending June 30, 1996 and 1995 were as follows:

<TABLE>
<CAPTION>

	Three Months Ended:		Six Months Ended:	
	June 30, 1996	June 30, 1995	June 30, 1996	June 30, 1995
<S>	<C>	<C>	<C>	<C>
	\$2,559	\$2,409	\$4,983	\$4,840
	=====	=====	=====	=====

</TABLE>

At June 30, 1996 and December 31, 1995, unbilled rents receivable included \$12,521 and \$12,164, respectively, from DLJ.

9. STOCK OPTION PLAN

In 1994, and as amended on May 13, 1996, the Company established the Cali Employee Stock Option Plan ("Employee Plan") and the Cali Director Stock Option Plan ("Directors Plan"), under which a total of 1,880,188 (subject to adjustment) of the Company's shares of common stock have been reserved for issuance (1,780,188 shares under the Employee Plan and 100,000 under the Directors Plan). Options granted under the Employee Plan generally become exercisable over a three to five year period, while options under the Directors Plan become exercisable in one year. All options were granted at not less than fair market value at dates of grant and have a term of ten years.

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

<TABLE>
<CAPTION>

Shares under option:	Cali Employee Stock Option Plan	Cali Director Stock Option Plan
<S>	<C>	<C>
Granted on August 31, 1994 at \$17.25 per share	600,000	25,000
Outstanding at December 31, 1994	600,000	25,000
Granted at \$17.25-\$19.875 per share	220,200	10,000
Less--		
Lapsed or canceled	(3,588)	--
Outstanding at December 31, 1995	816,612	35,000
\$17.25 - \$19.875 per share		
Granted at \$21.50 per share	361,750	--
Less--		
Lapsed or canceled	(4,447)	--
Exercised at \$17.25 per share	(1,143)	(5,000)
Outstanding at March 31, 1996	1,172,772	30,000
\$17.25 - \$21.50 per share		
Granted at \$21.50 per share	--	14,000
Less--		
Lapsed or canceled	(380)	--
Exercised at \$17.25 per share	(3,879)	--
Outstanding at June 30, 1996	1,168,513	44,000
\$17.25-\$21.50 per share		
Exercisable at June 30, 1996	267,245	30,000

Available for grant at December 31, 1995	463,576	15,000

Available for grant at June 30, 1996	606,653	51,000

</TABLE>

10. EMPLOYEE BENEFIT PLAN

All employees of the Company who meet certain minimum age and period of service requirements are eligible to participate in a Section 401(k) plan (the "Plan") as defined by the Internal Revenue Code. The Plan allows eligible employees to defer up to 15 percent of their annual compensation. The amounts contributed by employees are immediately vested and non-forfeitable. The Company, at management's discretion, may match employee contributions. No employer contributions have been made to date.

11. COMMITMENTS AND CONTINGENCIES

Pursuant to the terms of the Mortgage Financing, the Company is required to escrow \$143 per month for tenant improvements and leasing commissions and \$53 per month for capital improvements.

Pursuant to an agreement with the City of Jersey City, New Jersey expiring in 2009, the Company is required to make payments in lieu of property taxes ("PILOT") on its property in Jersey City. Such PILOT is determined based on the greater of 2 percent of the property cost, as defined, or \$1,131 per annum, through 1999 and 2.5 percent, or \$1,414 per annum, through 2004.

12. TENANT LEASES

The Properties are leased to tenants under operating leases with various expiration dates through 2011. 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.

13. 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 (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 provides 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.

On March 7, 1995, the Board of Directors authorized the Company to purchase up to 100,000 shares of its outstanding common stock so that the total number of shares and Units may be reduced to approximately 13,300,000. On March 8, 1995, the Company purchased, for constructive retirement, 100,000 shares of its outstanding common stock for \$1,595. The excess of the purchase price over par value was recorded as a reduction to additional paid-in capital. Concurrent with this purchase, the Company sold to the Operating Partnership 100,000 Units for \$1,595.

On November 6, 1995, the Company completed a second public offering of 4,000,000 shares of its common stock at \$19.50 per share (the "Second Offering"). Net proceeds to the Company after the underwriting discounts and other offering costs were approximately \$72,512 which was used along with funds drawn on the Initial Credit Facility to acquire certain properties. Additionally, on November 17, 1995, pursuant to an over-allotment option granted to the underwriters of the Second Offering, the Company issued an additional 600,000 shares of its common stock at \$19.50 per share. Net proceeds to the Company after underwriting discounts totaled approximately \$11,082, which was used to repay an equal amount of indebtedness on the Initial Credit Facility. The \$89.7 million in total proceeds from the Second Offering and over-allotment option were obtained off of the Company's \$250 million shelf registration, leaving \$160.3 million of available funds under the shelf.

On May 13, 1996, the Company's stockholders approved an increase in the authorized shares of common stock in the Company from 25,000,000 to 95,000,000.

On July 29, 1996, the Company filed an additional shelf registration statement with the Securities and Exchanges Commission ("SEC") for an aggregate amount of \$500 million in securities of the Company. The registration statement was declared effective by the SEC on August 2, 1996.

* * * * *
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 Cali Realty Corporation and the notes thereto.

The following comparisons for the three and six month periods ended June 30, 1996 ("1996"), as compared to the three and six month periods ended June 30, 1995 ("1995") make reference to the following: (i) the effect of the "Pre-Acquisition Properties," which represents all properties owned by the Company at March 31, 1995 (for the three-month periods comparisons), and which represents all properties owned by the Company at December 31, 1994 (for the six-month periods comparisons), (ii) the effect of the "Acquired Properties," which represents all properties acquired by the Company since April 1, 1995 (for the three-month periods comparisons), and which represents all properties acquired since January 1, 1995 (for the six-month period comparisons), and (iii) the effect of the "Disposition," which refers to the Company's sale of Essex Road on March 20, 1996 (for both the three and six month periods comparisons).

Three Months Ended June 30, 1996 Compared to
Three Months Ended June 30, 1995

Total revenues increased \$5.9 million, or 38.7 percent, for the three months ended June 30, 1996 over 1995. Base rents increased \$5.1 million, or 41.5 percent, of which \$5.3 million, or 43.8 percent, was attributable to the Acquired Properties, \$0.1 million, or 0.8 percent, to occupancy changes at the Pre-Acquisition Properties, offset by a decrease of \$0.4 million, or 3.1 percent, as a result of the Disposition. Escalations and recoveries increased \$0.7 million, or 30.5 percent, of which \$0.8 million, or 34.4 percent, was attributable to the Acquired Properties, offset by a decrease of \$0.1 million, or 2.9 percent, due to the Pre-Acquisition Properties.

Total expenses for the three months ended March 31, 1996 increased \$3.2 million, or 28.5 percent, as compared to the same period in 1995. Real estate taxes increased \$0.8 million, or 52.7 percent, for 1996 over 1995 substantially attributable to the Acquired Properties. Additionally, operating services increased \$0.6 million, or 28.0 percent, and utilities increased \$0.4 million, or 27.2 percent for 1996 over 1995. The aggregate increase in operating services and utilities of \$1.0 million, or 27.7 percent, consists of \$1.1 million, or 31.6 percent, attributable to the Acquired Properties, offset by a decrease of \$0.1 million, or 4.6 percent, as a result of the Disposition. General and administrative expenses increased \$0.1 million, or 12.7 percent, primarily due to the additional costs associated with the Acquired Properties. Depreciation and amortization increased \$0.5 million, or 16.8 percent, for 1996 over 1995, of which \$0.9 million, or 29.2 percent, relates to depreciation on the Acquired Properties, offset by decreases of \$0.1 million, or 3.1 percent, for depreciation and \$0.2 million, or 6.2 percent, for amortization of deferred financing costs due to a reduction in debt outstanding on the Pre-Acquisition Properties, and \$0.1 million, or 3.0 percent, of a reduction in depreciation as a result of the Disposition. Interest expense increased by \$0.8 million, or 38.0 percent, primarily due to an increase in indebtedness resulting from drawings on the Company's credit facilities in connection with property acquisitions. Income before minority interest and extraordinary item increased to \$6.7 million in 1996 from \$4.0 million in 1995. The increase of \$2.7 million was due to the factors discussed above.

Net income increased \$2.5 million for the three months ended June 30, 1996 from \$3.2 million (net of minority interest of \$0.9 million) in 1995 to \$5.7 million (net of minority interest of \$1.0 million) in 1996, as a result of the increase in income before minority interest and extraordinary item of \$2.7 million.

Six Months Ended June 30, 1996 to Six Months Ended June 30, 1995

Total revenues increased \$11.6 million, or 39.8 percent, for the six months ended June 30, 1996 over 1995. Base rents increased \$9.8 million, or 42.0 percent, of which \$10.5 million, or 44.8 percent, was attributable to the Acquired Properties, offset by decreases of \$0.1 million, or 0.3 percent, as a result of occupancy changes at the Pre-Acquisition Properties and \$0.6 million, or 2.5 percent, as a result of the Disposition. Escalations and recoveries increased \$1.7 million, or 37.4 percent, of which \$1.8 million, or 39.1 percent, was attributable to the Acquired Properties, offset by a decrease of \$0.1 million, or 1.1 percent, as a result of the combined effect of both the Disposition and occupancy changes at the Pre-Acquisition Properties.

Total expenses for the six months ended June 30, 1996 increased \$6.7 million, or 31.7 percent, as compared to the same period in 1995. Real

estate taxes increased \$1.4 million, or 51.0 percent, for 1996 over 1995 of which \$1.5 million, or 53.5 percent, was as a result of the Acquired Properties, offset by a decrease \$0.1 million, or 2.4 percent, due to the Disposition. Additionally, operating services increased \$1.5 million, or 39.0 percent, and utilities increased \$0.9 million, or 32.4 percent. The aggregate increase in operating services and utilities of \$2.4 million, or 36.2 percent, consists of \$2.3 million, or 34.7 percent, attributable to the Acquired Properties, \$0.2 million, or 3.2 percent, at the Pre-Acquisition Properties which was due primarily to a harsher winter in 1996, offset by a decrease of \$0.1 million, or 1.3 percent, as a result of the Disposition. General and administrative expenses increased \$0.1 million, or 6.7 percent, primarily due to the additional costs associated with the Acquired Properties. Depreciation and amortization increased \$1.0 million, or 16.6 percent, for 1996 over 1995, of which \$1.7 million, or 28.7 percent, related to depreciation on the Acquired Properties, offset by decreases of \$0.2 million, or 3.5 percent, for depreciation and \$0.4 million, or 7.1 percent, for amortization of deferred leasing and financing costs due to a reduction of debt on the Pre-Acquisition Properties, and \$0.1 million as a result of the Disposition. Interest expense increased by \$1.8 million, or 46.0 percent, primarily due to an increase in indebtedness resulting from drawings on the Company's credit facilities in connection with property acquisitions.

Income before minority interest and extraordinary item increased to \$18.5 million in 1996 from \$7.9 million in 1995. The increase of \$10.5 million was due to the gain on sale of rental property (the Disposition) of \$5.7 million in 1996, as well as due to the factors discussed above. Net income increased \$9.0 million for the six months ended June 30, 1996 from \$6.2 million (net of minority interest of \$1.7 million) in 1995 to \$15.2 million (net of minority interest of \$2.8 million) in 1996, as a result of an increase in income before minority interest and extraordinary item of \$10.5 million, partially offset by the recognition in 1996 of an extraordinary loss for the early retirement of debt of \$0.5 million (net of minority interest's share of \$0.1 million).

Liquidity and Capital Resources

Statement of Cash Flows

During the six months ended June 30, 1996, the Company generated \$19.2 million in cash flow from operating activities, and, together with \$10.3 million of proceeds from the sale of a rental property, \$39.2 million in net borrowings on its credit facilities and \$0.2 million of proceeds from stock options exercised, used an aggregate \$68.9 million to (i) purchase two rental properties for \$38.5 million, (ii) acquire tenant improvements and building improvements for \$7.8 million (includes \$2.9 million from tenant improvements costs in connection with the DLJ Expansion and \$1.8 million in tenant improvement costs in connection with the leasing of 62,275 square feet to Berlitz International at the Company's 400 Alexander Park, Princeton, New Jersey office property), (iii) pay quarterly dividends and distributions of \$15.2 million, (iv) prepay a portion of its mortgage notes in the amount of \$5.5 million, (v) increase the escrow cash balances relating to the Mortgage Financing by \$0.6 million, (vi) pay debt prepayment penalties and other related costs of \$0.3 million, (vii) pay the amortization on mortgage principal of \$0.1 million, and (viii) increase its cash and cash equivalents balance by \$0.9 million.

Capitalization

On November 6, 1995, the Company completed a second public offering of 4,000,000 shares of its common stock at \$19.50 per share (the "Second Offering"). Net proceeds to the Company after the underwriting discounts and other offering costs were approximately \$72,512 which was used along with funds drawn on the Initial Credit Facility to acquire certain properties, as fully described in the Company's Form 10-K for the year ended December 31, 1995. Additionally, on November 17, 1995, pursuant to an over-allotment option granted to the underwriters of the Second Offering, the Company issued an additional 600,000 shares of its common stock at \$19.50 per share. Net proceeds to the Company after underwriting discounts totaled approximately \$11,082, which was used to repay an equal amount of indebtedness on the Initial Credit Facility. The \$89.7 million in total proceeds from the Second Offering and over-allotment option were obtained off of the Company's \$250 million shelf registration, leaving \$160.3 million of available funds under the shelf.

On February 1, 1996, the Company obtained from two participating banks the \$75 million Additional Credit Facility. The Additional Credit Facility bears interest at a floating rate equal to 150 basis points over LIBOR. The Additional Credit Facility is also subject to certain financial covenants, including the ratio of earnings before interest, taxes, depreciation and amortization to debt service, minimum net worth and debt-to-market capitalization. In addition, the Additional Credit Facility restricts distributions by the Company in excess of 100 percent of Funds from Operations for three successive quarters, provided that the Company retains the right to make distributions necessary to maintain its status

as a REIT. The Additional Credit Facility is secured by a first lien mortgage on certain of the Company's properties. Additional Credit Facility borrowings are recourse to the Operating Partnership and guaranteed by the Company.

On May 24, 1995, the Company entered into an interest rate swap agreement with a commercial bank. The swap agreement fixes the Company's one-month LIBOR base to a fixed 6.285 percent per annum on a notional amount of \$24,000 through August 1999.

In addition, on January 23, 1996, the Company entered into a second interest rate swap agreement with one of the participating banks in its Additional Credit Facility. This swap agreement has a three-year term and a notional amount of \$26,000 which fixes the Company's one-month LIBOR base at 5.265 percent on its floating rate credit facilities.

On March 20, 1996, the Company sold its office building located at 15 Essex Road in Paramus, New Jersey ("Essex Road") and concurrently acquired a 95,000 square foot office building at 103 Carnegie Center in Princeton, New Jersey. The concurrent transactions qualified as a tax free exchange, as the Company used substantially all of the proceeds from the sale of Essex Road to acquire the Princeton property. The financial statements for the six months ended June 30, 1996 include a gain of \$5,658 relating to this transaction.

On May 2, 1996, the Company acquired Rose Tree Corporate Center, a two-building suburban office complex totaling approximately 260,000 square feet, located in Media, Pennsylvania. The complex was acquired for approximately \$28 million, which was drawn on the Initial Credit Facility.

Additionally, on July 23, 1996, the Company acquired 222 and 233 Mount Airy Road, two suburban office buildings totaling approximately 115,000 square feet located in Basking Ridge, New Jersey. The buildings were acquired for approximately \$10.5 million, which was drawn on one of the Company's credit facilities.

On July 29, 1996, the Company filed an additional shelf registration statement with the Securities and Exchanges Commission ("SEC") for an aggregate amount of \$500 million in securities of the Company. The registration statement was declared effective by the SEC on August 2, 1996.

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 costs and other capital expenditures, the Company expects to finance such activities through the credit facilities and other debt and equity financing.

The Company presently has no plans for major capital improvements to the existing properties, other than normal recurring expenditures. The Company is currently constructing two office/flex buildings aggregating approximately 47,000 square feet of space at its Commercenter complex, located in Totowa, New Jersey. As of June 30, 1996, the Company has incurred \$0.6 million of costs out of a total of \$3.1 million anticipated to be incurred in connection with the construction project.

The Company expects to meet its short-term liquidity requirements generally through its working capital and net cash provided by operating activities along with the Initial Credit Facility and Additional Credit Facility. The Company is frequently examining potential property acquisitions and, at any one given time, one or more of such acquisitions may be under consideration. Accordingly, being able to fund property acquisitions is a major part of the Company's financing requirements. The Company expects to meet its financing requirements through funds generated from operations, long-term or short-term borrowings (including draws on the Company's credit facilities) and the issuance of debt securities or additional equity securities.

The Company does not intend to reserve funds to retire the existing Mortgage Financing, indebtedness under the credit facilities or other 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 securities. 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 real estate investment trust, the Company must make annual distributions to its stockholders of at least 95

percent of its REIT taxable income, excluding the dividends paid deduction and net capital gains. Moreover, the Company intends to make regular quarterly distributions to its stockholders which, based upon current policy, in the aggregate would equal approximately \$25.9 million on an annual 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 and required annual capital expenditure reserves pursuant to its mortgage indenture.

Funds from Operations

The Company considers Funds from Operations after adjustment for the straight-lining of rents 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, excluding gains (or losses) from debt restructuring and sales of 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 for the three and six month periods ended June 30, 1996 and 1995, as calculated in accordance with the National Association of Real Estate Investment Trusts definition published in March 1995, are summarized in the following table (in thousands):

<TABLE>
<CAPTION>

Ended June 30, -----	Three Months Ended June 30,		Six Months
	----- 1996	1995	----- 1996
1995			

<S>	<C>	<C>	<C>
<C>			
Income before gain on sale of property, minority interest, and extraordinary item	\$ 6,693	\$ 4,010	\$ 12,821
\$ 7,936			
Add: Real estate related depreciation and amortization	3,334	2,651	6,355
5,020			

	10,027	6,661	19,176
12,956			
Funds from Operations			
Deduct: Rental income adjustment for straight-lining of rents	(135)	(188)	(204)
(223)			

Funds from Operations after adjustment for straight-line rents	\$ 9,892	\$ 6,473	\$ 18,972
\$ 12,733			
=====			
Weighted average shares outstanding (1)	17,902	13,295	17,900
13,301			
=====			

</TABLE>

(1) Assumes redemption of all Units, calculated on a weighted average basis, for shares of common stock in the Company.

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.

CALI REALTY CORPORATION

Part II -- Other Information and Signatures

Item 6. Exhibits

The following exhibits are filed herewith:

Exhibit 10.40 Purchase Agreement between Metfer - I and Mounty Airy Realty Associates L.P., dated July 23, 1996

Exhibit 10.41 Purchase Agreement between Metfer - II and Mount Airy Realty Associates L.P., dated July 23, 1996.
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.

Cali Realty Corporation

(Registrant)

Date: August 7, 1996

/s/ Barry Lefkowitz

Barry Lefkowitz
Vice President - Finance and
Chief Financial Officer
(signing on behalf of the
Registrant)

=====

PURCHASE AGREEMENT

DATED JULY 23, 1996 BETWEEN

METFER - I

and

MOUNT AIRY REALTY ASSOCIATES L.P.

Premises: 233 Mount Airy Road
Basking Ridge, New Jersey

=====

INDEX TO PURCHASE AGREEMENT
dated July 23, 1996, between
METFER - I
and
MOUNT AIRY REALTY ASSOCIATES L.P.

Section

- - - - -

1. Subject of Conveyance
2. Definitions of Certain Terms
3. Inspection Period;
Purchaser's Right of Inspection Prior to Closing
4. Purchase Price and Terms of Payment
5. Matters to Which this Sale is Subject
6. Adjustments
7. Estoppel Certificate
8. Items to be Delivered by Seller on the Closing Date
9. Seller's Representations and Warranties
10. Seller's Covenants
11. Conditions Precedent to Purchaser's Obligations
12. 222 Mount Airy Road
13. Expenses
14. Tax Reduction and Appeals
15. Lease Payment
16. Broker
17. Title Report
18. Casualty Loss
19. Condemnation

INDEX TO PURCHASE AGREEMENT
dated July 23, 1996, between

METFER - I
and
MOUNT AIRY REALTY ASSOCIATES L.P.

Section
- - - - -

- 20. Remedies
- 21. Assessment
- 22. Closing
- 23. Notice
- 24. Escrow Agreement
- 25. Assignment
- 26. Environmental Representations and Warranties; Covenants; Conditions
- 27. Miscellaneous

SCHEDULE OF EXHIBITS

- Exhibit A Land
- Exhibit B List of Personal Property
- Exhibit C Deleted Prior to Execution
- Exhibit D Title Exceptions
- Exhibit E Estoppel Certificate
- Exhibit F Assignment of Leases and Intangible Property
- Exhibit G Rent Roll
- Exhibit H Assignment of Service Contracts

AGREEMENT

THIS AGREEMENT made this day of July, 1996 between METFER - I, a New Jersey general partnership having an office at c/o Mt. Airy Associates/Management, P.O. Box 421, Basking Ridge, New Jersey (the "Seller") and MOUNT AIRY REALTY ASSOCIATES L.P., a New Jersey limited partnership, having an office c/o Cali Realty Corporation, 11 Commerce Drive, Cranford, New Jersey 07016 ("Purchaser").

RECITALS

A. Seller is the owner of the building located at 233 Mount Airy Road, in the Township of Basking Ridge, County of Somerset, State of New Jersey (the "Building").

B. Seller has agreed to sell to Purchaser, and Purchaser has agreed to purchase from Seller, the Premises (as hereinafter defined), subject to the terms and conditions set forth herein.

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 hereto, intending to be legally bound hereby, do hereby agree as follows:

1. SUBJECT OF CONVEYANCE.

Seller hereby agrees to sell and convey, and Purchaser hereby agrees to purchase, subject to all terms and conditions set forth in this Agreement:

(a) that certain plot, piece or parcel of land situate, lying and being in the County of Somerset, Township of Basking Ridge and State of New Jersey comprised of approximately 10.3 acres in the aggregate of developed land, as described in Exhibit A annexed hereto (the "Land") on which there is improved a Building of sixty six thousand two hundred sixty eight (66,268) square feet; and

(b) the Building, open parking areas and improvements, including without limitation, all mechanical, electrical, heating, ventilation, air conditioning and plumbing fixtures, systems and equipment as well as all compressors, engines, elevators and escalators, if any, erected on the Land; and

(c) The Lease (as defined below) and the rents, additional rents, reimbursements, profits, income and receipts thereunder and all of Seller's right, title and interest in and to those contracts and

agreements for the servicing, maintenance and operation of the Land and the Building ("Service Contracts") to the extent Purchaser elects to assume same as provided in Section 9 herein; and

(d) all right, title and interest, if any, of the Seller in and to those certain fixtures, equipment, furniture and other personal property affixed to or appurtenant to the Land and the Building including, without limitation, all carpets, drapes and other furnishings; maintenance equipment and tools; keys to locks on or in the Building; and all other machinery, equipment, meters, boilers, repair parts, fixtures and tangible personal property of every kind and character and all accessions and additions thereto owned by and in the possession of Seller and attached to or located upon and used in connection with the ownership, maintenance, or operation of the Land or the Building which are not the property of tenants of the Building or of other persons (the "Personal Property"); and

(e) all right, title and interest, if any, of the Seller in and to any land lying in the bed of any public street, road, alley, easements, rights of way, water, water courses, hereditaments or avenue opened or proposed, in front of or adjoining said Land and the Building, including all strips and gores between the Land and abutting property, to the center line thereof; and

(f) all right, title and interest of Seller, if any, in and to all site plans, surveys, soil and substrata studies, architectural drawings, plans and specifications, engineering plans and studies, floor plans, landscape plans, operating or maintenance manuals and other plans and studies of any kind owned by Seller, if any, with respect to the Land, the Building, or the Personal Property ("Plans"); and

(g) all books, records, promotional material, tenant data, leasing material and forms, past and current rent rolls, paid bill files, market studies, keys, and other materials of any kind owned by Seller, if any, which are or may be used in Seller's ownership or use of the Land, the Building or the Personal Property ("Books and Records"); and

(h) all right, title and interest of Seller, if any, in and to any name by which the property is commonly known, and all goodwill, if any, related to the name by which the property is commonly known; and

(i) all right, title and interest of Seller, if any, in and to any and all licenses and permits owned or held by Seller (including any certificates of occupancy) to the extent such are assignable and in any way related to or arising out of or used in connection with the ownership or operation of the Land, the Building or the Personal Property (collectively, "Licenses and Permits"); and

(j) all other rights, privileges and appurtenances owned by Seller, if any, and in any way related to the rights and interests described above in this Section.

(The foregoing properties, rights and interests set forth or described in sub-sections (a) - (j) of this Section 1 are hereinafter collectively referred to as the "Premises".)

2. DEFINITIONS OF CERTAIN TERMS.

For purposes of this Agreement, unless the context otherwise requires:

"Appurtenances" shall mean all right, title and interest, if any, of Seller in and to any award or payment made, or to be made, (x) for any taking in condemnation, eminent domain or agreement in lieu thereof of land adjoining all or any part of the Land or the Building, (y) for damage to the Land or the Building or any part thereof by reason of change of grade or closing of any such street, road, highway or avenue, and (z) for any taking in condemnation or eminent domain of any part of the Land or the Building.

"Commission" is as defined in Section 15.

"Cash Payment" is as defined in Section 4.

"Closing" is on or about July 15, 1996, but subject to the provisions of Section 22.

"Closing Date" shall mean the date on which the deed to the Premises shall be delivered and title thereto conveyed to Purchaser.

"Deed" shall mean a bargain and sale deed with covenants in proper statutory form for recording so as to convey to Purchaser good and marketable title to the fee simple of the Premises, free and clear of all liens and encumbrances, except the Permitted Encumbrances.

"Deposit" is One-Hundred Twenty Five Thousand

(\$125,000.00) Dollars.

"Element" is as defined in Section 26.

"Environmental Documents" is as defined in Section 26.

"Escrow Agent" is First American Title Insurance Company of New York.

"Estoppel Certificate" is as defined in Section 7.

"Execution Date" is the date that a fully executed copy of this Agreement is in the possession of counsel to Purchaser and Seller.

"Governmental Authorities" shall mean any agency, board, bureau, commission, department or body of any municipal, county, state or federal governmental unit, or any subdivision thereof, having, asserting or acquiring jurisdiction over all or any part of the Premises or the management, operation, use or improvement thereof.

"Hazardous Materials" shall include, without limitation, gasoline, petroleum products, explosives, radioactive materials, polychlorinated biphenyls, asbestos or any materials containing asbestos, or related or similar materials, or any other substance or material defined as a hazardous or toxic substance or waste or toxic pollutant by any federal, state or local law, ordinance, rule, or regulation.

"Inspection Period" is the period commencing on the Execution Date and ending at 12:00 p.m. on July 9, 1996.

"ISRA" is the Industrial Site Recovery Act, N.J.S.A. 13:1K-6 et seq., the regulations promulgated thereunder and any amending or successor legislation and regulations.

"ISRA Compliance Date" is as defined in Section 26.

"Lease" is that certain lease dated November 28, 1990 by and between Seller, as landlord, and AT&T Corp. (as successor to AT&T Resource Management Corporation), as tenant, for the Premises as amended by amendments dated December 1994, August 27, 1995 and April 1996.

"Lease Payment" is as defined in Section 9.

"Major Facility" is as defined in the Spill Act.

"NJDEP" is the New Jersey Department of Environmental Protection.

"Permitted Encumbrances" is as defined in Section 5.

"Premises" is as defined in Section 1.

"Purchase Price" is as defined in Section 4.

"Rent Roll" is the rent roll for the Premises set forth in Exhibit G in the form required under Section 9(b).

"Second Amendment" is as defined in Section 9.

"Service Contracts" shall mean those contracts set forth in Exhibit H.

"Spill Act" shall mean the Spill Compensation and Control Act, N.J.S.A. 58:10-23.11 et seq., together with any amendments or revisions thereof and any regulations promulgated thereunder and any amending or successor legislation and regulations.

"Tenant" shall mean AT&T Corp., which is the tenant under the Lease.

"Tests and Studies" is as defined in Section 3.

"Title Company" is First American Title Insurance Company of New York.

"Title Policy" is as defined in Section 17.

"222 Mount Airy Road Premises" is the premises commonly known as 222 Mount Airy Road, Basking Ridge, New Jersey and owned by Metfer - II, an entity with ownership in common with the ownership of Seller.

During the Inspection Period, Purchaser, at its sole expense, may perform Tests and Studies and may inspect the physical (including environmental) and financial condition of the Premises, including but not limited to the Lease, contracts, engineering and environmental reports, development approval agreements, permits and approvals and Service Contracts, which inspection shall be satisfactory to Purchaser in its sole discretion. Purchaser may terminate this Agreement for any reason, by written notice to Seller given within the Inspection Period. In the event Purchaser terminates this Agreement, Purchaser shall be entitled to the return of the Deposit with interest earned thereon, and this Agreement shall be null and void and the parties hereto shall be relieved of all further obligations hereunder except as otherwise provided herein. Upon the receipt of the Deposit, Purchaser shall deliver to Seller copies of those written reports generated at Purchaser's direction which are not proprietary or confidential in nature.

During the Inspection Period, Purchaser, its agents and contractors, shall have the right to enter upon the Premises and perform (or cause to be performed) tests, investigations and studies of or related to the Premises including, but not limited to, soil borings, ground water investigation, percolator tests, surveys, architectural, engineering, subdivision, environmental, access, financial, market analysis, development and economic feasibility studies and other tests, investigations or studies as Purchaser, in its sole discretion, determines is necessary or desirable to satisfy Purchaser of the feasibility of owning and using the Premises (collectively the "Tests and Studies"), provided that it shall give Seller notification of its intention to conduct any such inspection and that such inspection shall not unreasonably impede the normal day-to-day business operation of the Premises. Such right of inspection and the exercise of such right shall not constitute a waiver by Purchaser of the breach of any representation or warranty of Seller which might have been disclosed by such inspection.

Seller agrees to permit Purchaser access to the Premises upon prior notice to Seller for the purpose of performing the Tests and Studies. To assist Purchaser in the performance of its Tests and Studies, Seller has previously delivered to Purchaser true and complete copies of all test borings, environmental reports (including, without limitation, all Environmental Documents), surveys, title materials and engineering and architectural data and the like relating to the Premises that are in Seller's possession or under its control and for which Seller is under no prohibition from releasing same to Purchaser. In the event any additional materials or information come within Seller's possession or control after the date of this Agreement, Seller shall promptly submit true and complete copies of the same to Purchaser. To the extent Purchaser requests any additional information relating to the Premises, Seller shall use its best efforts to provide same to Purchaser on a timely basis. Seller shall cooperate with Purchaser in facilitating the Tests and Studies and shall obtain, at no cost or expense to Seller, any consents that may be necessary in order for Purchaser to perform the same. Purchaser shall repair and restore any portion of the surface of the Premises disturbed by Purchaser, its agents or contractors during the conduct of any of the Tests and Studies to substantially the same condition as existed prior to such disturbance.

4. PURCHASE PRICE AND TERMS OF PAYMENT.

The purchase price for the Premises is Five Million Nine Hundred Nineteen Thousand Eight Hundred Eighty Eight and xx/100 (\$5,919,888.00) payable as follows:

(a) Delivery of the Deposit to the Escrow Agent on the Execution Date, which shall be held pursuant to the terms of Section 24; and

(b) The balance of the Purchase Price (the "Cash Payment") by a bank, certified or cashier's check on the Closing Date or by the wiring of federal funds to Seller or the Escrow Agent, subject to adjustment as provided herein.

5. MATTERS TO WHICH THIS SALE IS SUBJECT

The Premises are sold and are to be conveyed subject to the following (collectively the "Permitted Encumbrances"):

(a) The liens of real estate taxes, personal property taxes, water charges, and sewer charges provided same are not due and payable;

(b) The rights of the Tenant, as tenant only;

(c) Those restrictions, covenants, agreements, easements, matters and things affecting title to the Premises and more particularly described in Exhibit "D" annexed hereto and by this reference made a part hereof;

(d) Any and all laws, statutes, ordinances, codes, rules,

regulations, requirements, or executive mandates as the same may be amended subsequent to the date hereof affecting the Premises adopted by the United States, the State of New Jersey, the Township of Basking Ridge and any and every other Governmental Authority having jurisdiction thereof;

(e) The state of facts shown on that certain survey prepared by Couvrette Associates Inc. and dated August 8, 1988 and revised August 25, 1988 and any other state of facts which a recent and accurate survey of the Premises would actually show, provided same do not impair the use of the Premises as an office building and do not render title uninsurable at standard rates; and

(f) Those Service Contracts which are assumed by Purchaser, at its option, at Closing.

6. ADJUSTMENTS

(a) The following items with respect to the Premises are to be apportioned as of midnight on the date preceding the Closing:

(i) Rents payable by the Tenant as and when collected. All monies received from the Tenant from and after the Closing shall belong to Purchaser and shall be applied by Purchaser to current rents and other charges due under the Lease. After application of such monies to current rents and charges, Purchaser agrees to remit to Seller any excess amounts paid by the Tenant to the extent that the Tenant was in arrears in the payment of rent prior to the Closing, not in excess of one (1) month's rent. The provisions of this subsection 6(a) shall survive the Closing Date.

(ii) Amounts payable under the Service Contracts, to the extent Purchaser assumes such Service Contracts at Closing.

(iii) Real estate taxes due and payable over the calendar year. If the Closing Date shall occur before the tax rate is fixed, the apportionment of real estate taxes shall be upon the basis of the tax rate for the preceding year applied to the latest assessed valuation. If subsequent to the Closing Date, real estate taxes (by reason of change in either assessment or rate or for any other reason) for the Premises should be determined to be higher or lower than those that are apportioned, a new computation shall be made, and Seller agrees to pay Purchaser any increase shown by such recomputation and vice versa. The provisions of this Subsection 6(a)(v) shall survive the Closing Date.

(b) Except as otherwise provided in this Agreement, the adjustments shall be made in accordance with the customs in respect to title closings in the State of New Jersey.

(c) Any errors in calculations or adjustments shall be corrected or adjusted as soon as practicable after the Closing.

7. ESTOPPEL CERTIFICATE

(a) Promptly following delivery by Purchaser to Seller of a notice that it is not terminating this Agreement as it is otherwise permitted so to do pursuant to Section 3, Seller shall deliver to the Tenant an estoppel certificate in the form annexed hereto as Exhibit "E" for Tenant's execution, completed to reflect the Tenant's particular Lease status (the "Estoppel Certificate"). Seller agrees to use its best efforts to obtain the Estoppel Certificate within the thirty (30) day period set forth in the Lease for the Tenant to respond to a request for delivery of an estoppel certificate. Seller shall be entitled to extend the Closing Date, by written notice to Purchaser, to obtain the Estoppel Certificate if same is not obtained by the date first set forth in this Agreement for the Closing; provided, however, Seller shall not be entitled to extend the Closing past the outside date for Tenant to so respond to Seller's request.

(b) As a condition to Closing, Seller shall deliver to Purchaser the Estoppel Certificate, or in the alternative, the estoppel certificate required under the Lease, in either event executed by the Tenant and describing no adverse conditions or information which renders untrue or incorrect any representation or warranty made by Seller herein.

(c) For an Estoppel Certificate to be deemed delivered for purposes of this Agreement, it must certify that the Tenant's most recent rental payment under its Lease was made not more than one (1) month prior to the month in which the Closing occurs.

8. ITEMS TO BE DELIVERED BY SELLER ON THE CLOSING DATE

On the Closing Date, Seller, at its sole cost and expense, will deliver or cause to be delivered to Purchaser the following documents in connection with the Premises in form and substance reasonably satisfactory to Purchaser:

(a) The Deed duly executed and acknowledged. The delivery of

the Deed shall also be deemed to transfer to Purchaser all of Seller's right, title and interest in and to the Personal Property.

(b) An original Lease and all other documents pertaining thereto, with a certified copy of the Lease or other documents where Seller, using its best efforts, is unable to deliver originals of same.

(c) All other original documents or instruments initialed by or on behalf of the parties to this Agreement or referred to herein, and certified copies of same where Seller, using its best efforts, is unable to deliver originals.

(d) A letter to the Tenant advising the Tenant of the sale hereunder and directing that rent and other payments thereafter be sent to Purchaser or its designee, as Purchaser shall so direct.

(e) Duly executed and acknowledged assignment of the Lease and Intangible Property in the form of Exhibit "F" annexed hereto.

(f) A credit against the Cash Payment in the amount of any prepaid rents, together with interest required to be paid thereon.

(g) An affidavit, or such other documents as required by the Title Company, executed by Seller certifying (i) against any work done or supplies delivered to the Premises which might be grounds for a materialman's or mechanic's lien under or pursuant to New Jersey law, in form sufficient to enable the Title Company to affirmatively insure Purchaser against any such lien, (ii) that the signatures on the Deed are sufficient to bind Seller and convey the Premises to Purchaser, (iii) that the conveyance is not prohibited or restricted in any way under the laws of the State of New Jersey and (iv) that the Rent Roll is true, accurate and correct on the Closing Date.

(h) Any and all affidavits and other instruments (including but not limited to all organizational documents of the Seller and Seller's general partner including limited partnership agreements, certificates of partnership, by laws, articles of incorporation, and good standing certificates) and documents which the Title Company shall reasonably require in order to insure title to Purchaser, subject to no exceptions other than the Permitted Encumbrances.

(i) The Estoppel Certificate required in Section 7.

(j) Plans, Books and Records.

(k) The certificates of occupancy for the Building and a letter from the local municipal zoning department certifying that the Premises complies in all respects with the current zoning ordinance.

(l) A Rent Roll, current as of the Closing Date, certified by Seller as being true and correct in all respects.

(m) All proper instruments as shall be reasonably required for (i) the conveyance of title to the Appurtenances, and (ii) the assignment of and/or collection rights to any condemnation or eminent domain claims, awards or payments, as well as the right to claim or collect damages resulting from damage to the Premises or any part thereof by reason of the changing of grade or closing of any street, road, highway or avenue.

(n) Duly executed and acknowledged assignment of those Service Contracts which Purchaser has elected to assume in the form of Exhibit "H" annexed hereto.

(o) A certificate signed by an 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.

(p) All such transfer and other tax declarations and returns and information returns, duly executed and sworn to by Seller as may be required of Seller by law in connection with the conveyance of the Premises to Purchaser, including but not limited to, Internal Revenue Service forms 1099-S and 1096.

(q) A statement setting forth the Purchase Price with all adjustments and prorations shown thereon.

(r) The Seller's closing certificate with respect to the representations and warranties described in Section 9 hereof and recertifying that same are true and correct on the Closing Date.

(s) An affidavit of Seller stating that all representations and warranties set forth in the Agreement continue to be true and correct as of the date of the Closing.

In order to induce Purchaser to purchase the Premises, Seller hereby warrants, represents and agrees that the following are true as of the date hereof and will be true on the Closing Date:

(a) The Lease is valid and bona fide and is now in full force and effect. No defaults exist thereunder and no condition exists which, with the passage of time or the giving of notice or both, will become a default; the Lease constitutes the only lease, tenancy or occupancy affecting the Premises; the Tenant has commenced occupancy; there are no agreements which confer upon the Tenant or any other person or entity any rights with respect to the Premises, nor is the Tenant entitled now or in the future to any concession, rebate, offset, allowance or free rent for any period, nor has any such claim been asserted by the Tenant.

(b) Annexed hereto as Exhibit "G" (the "Rent Roll") is a true, complete and correct listing of the fixed rent actually being collected under the Lease and the expiration date of the Lease (including all rights or options to renew). No Capital Expenditures (as defined in the Lease) have been incurred by Seller or Tenant. Seller has performed all of the obligations and observed all of the covenants required of the landlord under the terms of the Lease.

(c) All work, alterations, improvements or installations required to be made for or on behalf of the Tenant under the Lease have in all respects been carried out, performed and complied with, and there is no agreement with the Tenant for the performance of any work to be done in the future. No work has been performed at the Premises which would require an amendment to the certificate of occupancy, and any and all work performed at the Premises to the date hereof and to the Closing Date has been and will be in accordance with the rules, laws and regulations of all applicable authorities. All bills and claims for labor performed and materials furnished to or for the benefit of the Premises will be paid in full on the Closing Date.

(d) There are no service contracts, union contracts, employment agreements or other agreements affecting the Premises or the operation thereof, except the Service Contracts. True, accurate and complete copies of the Service Contracts have been initialed by the parties. All of the Service Contracts are and will on the Closing Date be unmodified and in full force and effect without any default or claim of default by any of the parties thereto. All sums presently due and payable by Seller under the Service Contracts have been fully paid and all sums which become due and payable between the date hereof and the Closing Date shall be fully paid on the Closing Date.

(e) There are no actions, suits, labor disputes, litigation or proceedings currently pending or, to the knowledge of Seller, threatened against or related to Seller or to all or any part of the Premises or the operation thereof, nor does Seller know of any basis for any such action.

(f) There are no outstanding requirements or recommendations by (i) the insurance company(s) which issued the insurance policies insuring the Premises; (ii) any board of fire underwriters or other body exercising similar functions, or (iii) the holder of any mortgage, which require or recommend any repairs or work to be done on the Premises.

(g) No Tenant is not in arrears for the payment of rent or any other amounts due Seller as landlord under the Lease nor has Seller received notice of an intention to vacate from the Tenant.

(h) The Seller has received no written notice and has no knowledge of (i) any pending or contemplated annexation or condemnation proceedings, or private purchase in lieu thereof, affecting or which may affect the Premises, or any part thereof, (ii) any proposed or pending proceeding to change or redefine the zoning classification of all or any part of the Premises, (iii) any proposed or pending special assessments affecting the Premises or any portion thereof, (iv) any penalties or interest due with respect to real estate taxes assessed against the Premises and (v) any proposed change(s) in any road or grades with respect to the roads providing a means of ingress and egress to the Premises. Seller agrees to furnish Purchaser with a copy of any such notice received within two (2) days after receipt.

(i) Seller has provided Purchaser with all reports in Seller's possession or under its control and for which Seller is under no prohibition from releasing same to Purchaser related to the physical condition of the Premises and all Books and Records necessary for Purchaser to conduct its due diligence and Tests and Studies.

(j) Seller has no knowledge of any notices, suits, or judgments relating to any violations (including environmental) of any laws, ordinances or regulations affecting the Premises, or any violations or conditions that may give rise thereto and has no reason to believe that any Governmental Authorities contemplates the issuance thereof.

(k) There are no employees working at or in connection with the Premises. There is currently no union agreement affecting the Premises and none will be in effect on the Closing Date.

(l) The only payment due from Seller on account of the Lease, whether in the nature of a tenant improvement cost, commission, allowance or otherwise, is as set forth in paragraph 4 of the Second Amendment to Lease and Lease Extension and Ratification Agreement (the "Second Amendment") dated August 21, 1995 between Seller and Tenant, which payment is Three Hundred Thirty One Thousand Three Hundred Forty (\$331,340.00) Dollars in the aggregate (the "Lease Payment"). The respective obligations of Seller and Purchaser with respect to the Lease Payment is set forth in Section 15.

(m) Seller (A) is a duly organized and validly existing limited partnership (corporation) under the laws of the State of New Jersey, and is duly authorized to transact business in the State of New Jersey; (B) has all requisite power and authority to execute and deliver this Agreement and all other documents and instruments to be executed and delivered by it hereunder, and to perform its obligations hereunder and under such other documents and instruments in order to sell the Premises in accordance with the terms and conditions hereof and all necessary actions of the general and limited partners (stockholders and board of directors) of Seller to confer such power and authority upon the persons executing this Agreement and all documents which are contemplated by this Agreement on its behalf have been taken.

(n) This Agreement, when duly executed and delivered, will be the legal, valid and binding obligation of Seller, enforceable in accordance with the terms of this Agreement. Seller's performance of its duties and obligations under this Agreement and the transfer documents contemplated hereby will not conflict with, or result in a breach of or default under, any provision of any of Seller's organizational documents, any agreements, instruments, decrees, judgments, injunctions, orders, writs, laws, rules or regulations, or any determination or award of any court or arbitrator, to which Seller is a party or by which its assets are or may be bound.

(o) No petition in bankruptcy (voluntary or otherwise), assignment for the benefit of creditors, or petition seeking reorganization or arrangement or other action under Federal or State bankruptcy laws is pending or threatened against, or contemplated by Seller.

(p) No person, firm, or entity has any rights in, or rights to acquire all or any part of the Premises.

(q) The Personal Property is now owned and will on the Closing Date be owned by Seller free and clear of any conditional bills of sale, chattel mortgages, security agreements or financing statements or other security interests of any kind.

(r) The current zoning classification of the Premises is such that the Premises is zoned for its present use as a commercial office building and Seller has received no notice of any violations of any zoning, subdivision, building or similar law, ordinance, order, regulation or recorded plat or any certificate of occupancy issued for the Premises.

All representations and warranties provided by Seller in this Agreement shall survive the Closing Date for a period of one (1) year and shall not be merged in the delivery of the Deed. Seller agrees to indemnify and hold Purchaser harmless against all claims, liabilities, losses, deficiencies and damages as well as reasonable expenses (including attorney's fees), and interest and penalties related thereto, asserted by any third party against or incurred by Purchaser, by reason of or resulting from any breach, inaccuracy, incompleteness or nonfulfillment of the covenants, representations and warranties of Seller contained in this Agreement.

10. SELLER'S COVENANTS

Seller covenants and agrees that between the date hereof and the Closing Date it shall perform or observe the following with respect to the Premises:

(a) Seller, as landlord, will not enter into any new leases with respect to the Premises, or renew or modify any Lease, without Purchaser's prior written consent.

(b) If prior to the Closing Date Seller shall have received from (i) any insurance company which issued a policy with respect to the Premises, (ii) any board of fire underwriters or other body exercising similar functions, or (iii) the holder of any mortgage, any notice requiring or recommending any repair work to be done on the Premises, Seller will do the same expeditiously and diligently at its own cost and expense prior to the Closing Date.

(c) Seller will operate and maintain the Premises in the ordinary course of business and use reasonable efforts to reasonably preserve for Purchaser the relationships of Seller and Seller's Tenant, suppliers, managers, employees and others having on-going relationships with the Premises. Seller will complete any capital expenditure program currently in process or anticipated to be completed. Seller will not defer taking any actions or

spending any of its funds, or otherwise manage the Premises differently, due to the pending sale of the Premises.

(d) Seller shall not:

(i) Enter into any agreement requiring Seller to do work for the Tenant after the Closing Date without first obtaining the prior written consent of Purchaser; or

(ii) Accept the surrender of any Service Contract or Lease, or grant any concession, rebate, allowance or free rent.

(e) Between the date hereof and the Closing Date, Seller will not renew, extend or modify any of the Service Contracts without the prior written consent of the Purchaser in each instance first had and obtained. At the Closing, Seller will cancel or will have previously cancelled (effective on the Closing Date) all Service Contracts except those which Purchaser has agreed in writing to assume, with all cancellations at Seller's sole cost and expense.

(f) Seller shall not remove any Personal Property, fixtures or equipment located in or on the Premises, except as may be required for repair and replacement. All replacements shall be free and clear of liens and encumbrances and shall be of quality at least equal to the replaced items and shall be deemed included in this sale, without cost or expense to Purchaser.

(g) Seller shall, upon request of Purchaser at any time after the date hereof, assist Purchaser in its preparation of audited financial statements, statements of income and expense, and such other documentation as Purchaser may reasonably request, covering the period of Seller's ownership of the Premises.

(h) Between the date hereof and the Closing Date, Seller will make all required payments under any mortgage affecting the Premises within any applicable grace period, but without reimbursement by Purchaser therefor. Seller shall also comply with all other terms covenants, and conditions of any mortgage on the Premises.

(i) Seller shall not cause or permit the Premises, or any interest therein, to be alienated, mortgaged, liened, encumbered (other than by mechanic's or materialman's liens or claims which are removed or bonded against prior to Closing) or otherwise be transferred.

(j) Up to and including the Closing Date, Seller agrees to maintain and keep such hazard, liability and casualty insurance policies in full force and effect in such amounts and covering such risks sufficiently to protect the Premises and to protect, to a reasonable and prudent extent, the owner of the Premises, in such amounts as are required so as not to be deemed a co-insurer, and for actual replacement cost, against any loss, damage, claim or liability.

(k) All violations of laws, statutes, ordinances, regulations, orders or requirements affecting the Premises, whether or not such violations are now noted in the records of or have been issued by any Governmental Authorities will be complied with by Seller and the Premises will be conveyed free of any such violations.

In addition, Seller shall permit Purchaser and its authorized representatives to inspect the Books and Records of its operations at all reasonable times for a period of one (1) year subsequent to the Closing Date. All Books and Records not conveyed to Purchaser hereunder shall be maintained for Purchaser's inspection at Seller's address as set forth above.

11. CONDITIONS PRECEDENT TO PURCHASER'S OBLIGATIONS

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

(i) The representations and warranties made by Seller herein shall be true and correct in all respects with the same force and effect as though such representations and warranties had been made on and as of the Closing Date.

(ii) Seller shall have performed all covenants and obligations undertaken by Seller in Section 10 hereof in all respects and complied with all conditions required by this Agreement to be performed or complied with by it on or before the Closing Date.

(iii) The Title Company is unconditionally prepared to issue to Purchaser a Title Policy meeting the requirements set forth in Section 17 hereof for an "insurable title".

(iv) Seller shall have delivered to Purchaser all of the documents enumerated in Section 8 hereof.

(v) Metfer - II shall be prepared to convey the 222 Mount Airy Road Premises to Purchaser in accordance with the terms and conditions of the 222 Contract (as defined below).

12. 222 MOUNT AIRY ROAD

Simultaneously with the execution of this Agreement, Purchaser is entering into an agreement (the "222 Contract") with Metfer-II, a New Jersey general partnership which is the owner of the 222 Mount Airy Road Premises. The legal and beneficial ownership of Metfer - II is identical to the ownership of Seller. The closing of the 222 Contract is to occur simultaneously with the Closing hereunder, and neither this Agreement nor the 222 Contract is to close without the other. By its execution below, Metfer-II acknowledges and agrees that in the event Purchaser has any claim against Seller hereunder for a failure to perform as required herein, Purchaser, at its option and in addition to any other rights and remedies which it may have against Seller, shall be entitled to seek such remedies as against Metfer-II as it shall elect. Similarly, if Purchaser shall default hereunder or under the 222 Contract, both Metfer - I and Metfer - II shall have such rights and remedies against Purchaser as shall be available to them at law or in equity.

13. EXPENSES

(a) Seller shall pay the fees, costs and expenses of Seller's counsel, and any and all sales taxes, transfer taxes, documentary stamps, customary recording fees and other taxes and charges imposed in connection with the delivery and recording of the Deed, all customary prorations and appointments and one-half of all reasonable escrow fees.

(b) Purchaser shall pay the fees, costs and expenses of Purchaser's counsel, all title insurance premiums and charges, all recording fees, all survey or surveyor charges, and any fees, costs or expenses incurred by Purchaser in connection with its inspection of the Premises, including, but not limited to, any architects', engineers', accountants', appraisers' or contractors' fees or costs, all customary prorations and appointments and one-half of all reasonable escrow fees.

(c) The obligations of Seller and Purchaser set forth in this Section 13 shall survive the Closing or the earlier termination of this Agreement.

14. TAX REDUCTION AND APPEALS

Seller is hereby authorized to continue the proceeding or proceedings now pending for the reduction of the assessed valuation of the Premises as set forth on Exhibit "I" and to litigate or settle the same in Seller's discretion. Purchaser is hereby authorized by Seller, in Purchaser's sole discretion, to file any applicable proceeding for the 1996 fiscal year for the reduction of the assessed valuation of the Premises. The net refund of taxes, if any, for any tax year for which Seller or Purchaser shall be entitled to share in the refund shall be divided between Seller and Purchaser in accordance with the apportionment of taxes pursuant to the provisions hereof. All expenses in connection therewith, including counsel fees, shall be borne by Seller. The provisions of this Section shall survive the Closing Date.

15. LEASE PAYMENT

Purchaser acknowledges and agrees that from and after the Closing, it shall assume the obligations of Seller to make the Lease Payment in accordance with the Second Amendment. Promptly following delivery by Purchaser to Seller of a notice that it is not terminating this Agreement as it is otherwise permitted so to do pursuant to Section 3, Purchaser agrees to participate in negotiations with AT&T and Cushman & Wakefield in an attempt to achieve a discount of the Lease Payment in consideration for immediate payoff. If such a settlement results in an economic benefit to both parties, Purchaser and Seller shall share equally in any discount achieved. Neither party shall have the right to accept any such settlement without the prior written consent of the other, which consent shall not be unreasonably withheld or delayed.

16. BROKER

Seller represents that it has not dealt with any brokers, finders or salesmen in connection with this transaction. Seller agrees to indemnify, defend and hold Purchaser harmless from and against any and all loss, cost, damage, liability or expense, including reasonable attorneys' fees, which Purchaser may sustain, incur or be exposed to by reason of any claim for fees or commissions. Purchaser represents that it is acting as a principal and has no broker representing it in this transaction. Notwithstanding anything to the contrary contained herein, the provisions of this Section shall survive the Closing Date or other termination of this Agreement.

17. TITLE REPORT

(a) Purchaser agrees promptly after execution of this Agreement to order a report of title or title commitment from the Title Company and to direct the Title Company to provide Seller with a copy thereof. It shall be a condition to Closing that Seller transfer, and that the Title Company agree to insure, title to the Premises in the amount of the Purchase Price (at a standard rate for such insurance) in the name of Purchaser, after delivery of the Deed, by a standard 1992 ALTA Owners Policy (the "Title Policy"). The Title Policy shall contain endorsements insuring that (i) the covenants and restrictions included in the Permitted Encumbrances have not been violated and that a future violation thereof will not cause a forfeiture or reversion of title; (ii) Purchaser's contemplated use of the Premises as office building(s) will not violate the covenants, conditions and restrictions included in the Permitted Encumbrances; (iii) if the Premises consists of multiple parcels, all such parcels constitute a single contiguous tract; (iv) the Premises has direct access both to Mount Airy Road and Whitenack Road, publicly dedicated roads; and (v) the existing use of the Premises complies with all applicable zoning ordinances and regulations as may affect the Premises. Seller shall provide such affidavits and undertakings as the Title Company insuring title to the Premises may require and shall cure all other defects and exceptions. The words "insurable title" and "insurable" as used in this Agreement are hereby defined to mean title which is insurable at standard rates (without special premium) by the Title Company without exception other than the Permitted Encumbrances, and standard printed policy and survey exceptions. Seller shall be obligated to expend up to the Purchase Price to cause title to the Premises to be conveyed to Purchaser in the manner required under this Agreement.

(b) If, at the Closing, Seller is unable to convey to Purchaser insurable title to the Premises subject to and in accordance with the provisions of this Agreement, Seller shall be entitled, upon written notice delivered to Purchaser at or prior to the Closing, to reasonable adjournments of the Closing Date one or more times, for a period or periods not to exceed, in the aggregate, thirty (30) days, to enable Seller to convey such title or to fulfill such obligations. If Seller does not so elect to adjourn the Closing, or if at the adjourned date Seller is still unable to convey insurable title subject to, and in accordance with the provisions of, this Agreement, then Purchaser may, at its option, (a) terminate this Agreement by written notice delivered as provided in Section 23 hereof, in which event the sole liability of Seller shall be to direct the Title Company to refund the Deposit with interest thereon to Purchaser, and to refund to Purchaser all charges made for (i) examining the title, (ii) any appropriate additional municipal searches made in accordance with this Agreement, and (iii) survey and survey inspection charges; or (b) accept title to the Premises subject to such defect(s), in which event such defect(s) shall become Permitted Encumbrance(s). Upon such refund being made to Purchaser in accordance with clause (a) of the immediately preceding sentence, then this Agreement shall automatically become void and of no further force or effect, and neither party shall have any obligations of any nature to the other hereunder or by reason hereof, except obligations which, pursuant to the provisions of this Agreement, are expressly stated to survive the termination of this Agreement. If Seller elects to adjourn the Closing as provided above, this Agreement shall remain in effect for the period or periods of adjournments, in accordance with its terms.

(c) Upon notice to Seller, Purchaser shall have the right to cause one or more title insurance companies, whether or not through abstract agencies, to insure Purchaser's title to the Premises on a co-insurance basis or to change title companies, so long as in each instance, said company and agency, to the extent applicable, is a duly licensed title insurance company authorized to conduct business in the State of New Jersey.

18. CASUALTY LOSS

(a) If prior to the Closing Date any part of the Premises is damaged as the result of fire or other casualty and the estimated cost of repair of the damage exceeds \$50,000.00, Purchaser shall have the option to either (i) accept title to the Premises without any abatement of the Purchase Price whatsoever, in which event on the Closing Date all of the insurance proceeds shall be assigned by Seller to Purchaser and any moneys theretofore received by Seller in connection with such fire or other casualty shall be paid over to Purchaser, or (ii) cancel this Agreement and the Deposit together with all interest earned thereon shall be returned to Purchaser by the Escrow Agent, and upon such return neither party shall have any further liability or obligation to the other. In the event that the damages shall not exceed \$50,000.00, this Agreement shall remain in full force and effect, the insurance proceeds shall be assigned by Seller to Purchaser and all sums received by Seller in connection therewith shall be paid over to Purchaser. Seller shall maintain or cause to be maintained insurance on the Premises in accordance with the terms and conditions of the Lease.

(b) Seller shall not settle any fire or casualty loss claims in connection with the Premises without obtaining Purchaser's prior written

consent.

(c) Seller hereby agrees to furnish Purchaser with written notification of any such fire or casualty within twenty-four (24) hours of such event.

19. CONDEMNATION

In the event of the institution of any proceedings, judicial, administrative or otherwise, which shall relate to the proposed material taking of any portion of the Premises by eminent domain prior to the Closing Date, or in the event of the material taking of any portion of the Premises by eminent domain prior to the Closing Date, Purchaser shall have the right and option to terminate this Agreement by giving the Seller written notice to such effect at any time after its receipt of written notification of any such occurrence. Any damage to or destruction of the Premises as a result of a taking by eminent domain shall be deemed "material" for purposes of this Section 19 if the estimate of the damage, which estimate shall be performed by an insurance adjustor and Purchaser's architect, shall exceed \$50,000.00. Should Purchaser so terminate this Agreement in accordance with this Section 19, the Deposit together with interest earned thereon shall immediately be returned to Purchaser by the Escrow Agent and upon such return, neither party shall have any further liability or obligations to the other. In the event Purchaser shall not elect to cancel this Agreement, Seller shall assign all proceeds of such taking to Purchaser, and same shall be Purchaser's sole property, and Purchaser shall have the sole right to settle any claim in connection with the Premises.

20. REMEDIES

(a) In the event Purchaser fails to perform on the Closing Date, Purchaser's sole liability and Seller's sole recourse shall be limited to the amount of the Deposit. Seller agrees that retention of the Deposit constitutes fixed and liquidated damages resulting from Purchaser's default, and Seller waives any other claim, at law or in equity, either against Purchaser or against any person, known or unknown, disclosed or undisclosed.

(b) (i) If, after complying with the terms of this Agreement, Seller shall be unable to convey the Premises in accordance with the terms of this Agreement, the sole obligation and liability of Seller shall be to direct the Escrow Agent to refund to Purchaser the Deposit, and to pay Purchaser's net cost of examining title, which cost is not to exceed the charges fixed by the local board of title underwriters and actually to be paid by Purchaser, and survey charges actually to be paid by Purchaser, which charges for title examination and survey are not to exceed \$5,000, whereupon this Agreement shall be deemed cancelled and the parties hereto shall be released of all obligations and liabilities under this Agreement, except those that are expressly stated to survive the cancellation or termination of this Agreement.

(ii) In the event of any default on the part of Seller or Seller's failure to comply with any representation, warranty or agreement in any material respect, Purchaser shall be entitled to terminate this Agreement upon notice to Seller, in which event the Deposit shall be returned by Escrow Agent to Purchaser and neither party shall thereafter have any further obligations under this Agreement; to commence an action against Seller seeking specific performance of Seller's obligations under this Agreement; to pursue all of its remedies at law or in equity; or to do any or all of the above.

(c) The acceptance of the Deed by Purchaser shall be deemed a full performance and discharge of every agreement and obligation of Seller to be performed under this Agreement, except those, if any, which are specifically stated in this Agreement to survive the Closing.

21. ASSESSMENT

If, on the Closing Date, the Premises or any part thereof shall be or shall have been affected by an assessment or assessments which are or may become payable in annual installments, of which the first installment is either then a charge or lien or has been paid, then for the purposes of this Agreement all the unpaid installments of any such assessment, including those which are to become due and payable after the Closing Date, shall be deemed to be due and payable and to be liens upon the Premises and shall be paid and discharged by Seller on the Closing Date.

22. CLOSING

The closing and delivery of the Deed (the "Closing") shall take place at the offices of Pryor, Cashman, Sherman & Flynn, 410 Park Avenue, New York, New York 10022 on or about the Closing Date, but subject to extension by Seller as provided in Section 7. Upon notice to Seller, Purchaser may elect to accelerate the Closing Date to a date not less than five (5) days after the date of Purchaser's notice.

23. NOTICE

All notices, demands, requests, or other writings in this Agreement provided to be given or made or sent, or which may be given or made or sent, by either party hereto to the other or by Escrow Agent, shall be in writing and shall be delivered by depositing the same with any nationally recognized overnight delivery service, or by telecopy or fax machine, in either event with all transmittal fees prepaid, properly addressed, and sent to the following addresses:

If to Purchaser: Mount Airy Realty Associates L.P.
c/o Cali Realty Corporation
11 Commerce Drive
Cranford, New Jersey 07016
Attn: John J. Cali and Roger W. Thomas, Esq.
(908) 272-8000 (tele.)
(908) 272-6755 (fax)

with a copy to: Andrew S. Levine, Esq.
Pryor, Cashman, Sherman & Flynn
410 Park Avenue
New York, New York 10022
(212) 326-0414 (tele.)
(212) 326-0806 (fax)

If to Seller: Paul L. Ferber
Mt. Airy Associates/Management
P.O. Box 421
Basking Ridge, New Jersey
(908) 221-0882 (tele.)
(908) 221-0056 (fax)

with a copy to: T. Thomas Van Dam, Esq.
Sinisi, Van Dam, Sproviero & Sokolich
Two Sears Drive
Paramus, New Jersey 07652
(201) 599-1600 (tele.)
(201) 599-1616 (fax)

If to Escrow Agent: First American Title Insurance
Company of New York
228 East 45th Street
New York, New York 10017
(212) 922-9700 (tele.)
(212) 922-0881 (fax)

or to such other address as either party may from time to time designate by written notice to the other or to the Escrow Agent. Notices given by (i) overnight delivery service as aforesaid shall be deemed received and effective on the first business day following such dispatch and (ii) telecopy or fax machine shall be deemed given at the time and on the date of machine transmittal provided same is sent prior to 4:00 p.m. on a business day (if sent later, then notice shall be deemed given on the next business day) and if the sending party receives a written send confirmation on its machine and forwards a copy thereof by regular mail accompanied by such notice or communication. Notices may be given by counsel for the parties described above, and such Notices shall be deemed given by Purchaser or Seller, as the case may be, for all purposes hereunder.

24. ESCROW AGREEMENT

Upon the signing of this Agreement by the parties, Purchaser shall deliver the Deposit to the Escrow Agent. The parties agree that the Deposit shall be held by the Escrow Agent in escrow and disposed of only in accordance with the provisions of this Section 24. The parties agree that if the Deposit is cash, such cash shall be invested in an assignable interest-bearing certificate of deposit, money market fund, treasury bill or other similar security approved by Seller and Purchaser, and all interest accruing thereon shall be paid to Purchaser, except as otherwise provided herein.

(a) The Escrow Agent will deliver the Deposit to Seller or to Purchaser, as the case may be, under the following conditions:

(i) To Seller on the Closing Date;

(ii) To Seller upon receipt of written demand therefor, such demand stating that Purchaser has defaulted in the performance of this Agreement and specifically setting forth the facts and circumstances underlying such default. The Escrow Agent shall not honor such demand until more than five (5) days have elapsed after the Escrow Agent has mailed a copy of such demand to Seller or Purchaser, as the case may be, nor thereafter if the Escrow Agent shall have received written notice of objection from Purchaser in

accordance with the provisions of clause (b) of this Section 24; or

(iii) To Purchaser upon receipt of written demand therefor, such demand stating that this Agreement has been terminated in accordance with the provisions hereof, or Seller has defaulted in the performance of this Agreement, and specifically setting forth the facts and circumstances underlying the same. The Escrow Agent shall not honor such demand until more than five (5) days have elapsed after the Escrow Agent has mailed a copy of such demand to Seller or Purchaser, as the case may be, nor thereafter, if the Escrow Agent shall have received written notice of objection from the other party in accordance with the provisions of clause (b) of this Section 24.

(b) Upon the filing of a written demand for the Deposit by Purchaser or Seller, pursuant to subclause (ii) or (iii) of clause (a) of this Section 24, the Escrow Agent shall promptly mail a copy thereof to the other party. The other party shall have the right to object to the delivery of the Deposit by filing written notice of such objection with the Escrow Agent at any time within five (5) days after the mailing of such copy to it, but not thereafter. Such notice shall set forth the basis for objecting to the delivery of the Deposit. Upon receipt of such notice, the Escrow Agent shall promptly mail a copy thereof to the party who filed the written demand.

(c) In the event the Escrow Agent shall have received the notice of objection provided for in clause (b) above and within the time therein prescribed, the Escrow Agent shall continue to hold the Deposit until (i) the Escrow Agent receives written notice from Seller and Purchaser directing the disbursement of said Deposit, in which case, the Escrow Agent shall then disburse said Deposit in accordance with said direction, or (ii) in the event of litigation between Seller and Purchaser, the Escrow Agent shall deliver the Deposit to the Clerk of the Court in which said litigation is pending, or (iii) the Escrow Agent takes such affirmative steps as the Escrow Agent may, in the Escrow Agent's reasonable opinion, elect in order to terminate the Escrow Agent's duties including, but not limited to, depositing the Deposit with the Court and bringing an action for interpleader, the costs thereof to be borne by whichever of Seller or Purchaser is the losing party.

(d) The Escrow Agent may act upon any instrument or other writing believed by it in good faith to be genuine and to be signed and presented by the proper person and it shall not be liable in connection with the performance of any duties imposed upon the Escrow Agent by the provisions of this Agreement, except for damage caused by the Escrow Agent's own negligence or willful default. The Escrow Agent shall have no duties or responsibilities except those set forth herein. The Escrow Agent shall not be bound by any modification of this Agreement, unless the same is in writing and signed by Purchaser and Seller, and, if the Escrow Agent's duties hereunder are affected, unless the Escrow Agent shall have given prior written consent thereto. In the event that the Escrow Agent shall be uncertain as to the Escrow Agent's duties or rights hereunder, or shall receive instructions from Purchaser or Seller which, in the Escrow Agent's opinion, are in conflict with any of the provisions hereof, the Escrow Agent shall be entitled to hold and apply the Deposit pursuant to clause (c) above and may decline to take any other action. The Escrow Agent shall not charge a fee for its services as escrow agent.

25. ASSIGNMENT.

Purchaser shall have the right, at its sole option, to assign its rights hereunder to an affiliate of Purchaser upon written notice to Seller.

26. ENVIRONMENTAL REPRESENTATIONS AND WARRANTIES;
COVENANTS; CONDITIONS.

A. Seller represents and warrants that to its knowledge after due inquiry (a) there are no Hazardous Materials on, emanating from or affecting at the Premises, except those in compliance with all applicable federal, state and local laws, ordinances, rules and regulations; (b) no current owner or occupant nor any prior owner or occupant of the Premises has received any notice or advice from any Governmental Authority or any source whatsoever with respect to Hazardous Materials on, at, emanating from or affecting the Premises; (c) no portion of the Premises has ever been used by Seller, or any current occupant or operator, or any former owner, occupant or operator to generate, manufacture, refine, produce, treat, store, handle, dispose of, transfer, process or transport Hazardous Materials, whether or not any of those parties has received notice or advice from any Governmental Authority or other source with respect thereto; (d) no portion of the Premises is now, or has ever been used as a "Major Facility," and Seller has not used, and does not intend to use, any portion of the Premises for that purpose; (e) Hazardous Materials have not been transported from the Premises to another location which is not in compliance with all applicable federal, state or local environmental laws, regulations or permit requirements; (f) the Premises does not constitute sanitary landfill as defined by N.J.S.A. ss. 1E-3 and N.J.A.C. ss. 7:26-1.4; and (g) the Premises is not the subject of any engineering or institutional contracts pursuant to P.L. 1993 c.139, or a groundmaster classification exception area. Seller has complied with, and represents and warrants compliance by all occupants of the Premises

with, all applicable federal, state and local laws, ordinances, rules and regulations, and has kept the Premises free and clear of any liens imposed pursuant to such laws, ordinances, rules or regulations. In the event that Seller receives any notice or advice from any Governmental Agency or any source whatsoever with respect to Hazardous Materials on, at, emanating from or affecting the Premises, Seller shall immediately notify Purchaser.

B. Seller represents and warrants that to its knowledge after due inquiry, no lien has been attached to the Premises as a result of any action by the Commissioner of the NJDEP or its successor or its designee pursuant to the New Jersey Spill Compensation Fund as such term is defined in the Spill Act expending monies from said fund to pay for "cleanup and removal costs" or "natural resources" damages as a result of any "discharge" of any "hazardous substances" on or at the Premises, as such terms are defined in the Spill Act. Seller further represents, warrants, covenants and agrees that Seller has not in the past, and does not now own, operate or control any Major Facility or any hazardous or solid waste disposal facility.

C. Notwithstanding anything to the contrary contained in this Agreement, the obligation of the Purchaser to pay the Cash Payment and otherwise close title to the Premises on the Closing Date shall be subject to the condition that Seller obtain a Letter of Non-Applicability, which Seller shall promptly apply for and diligently pursue, pursuant to ISRA from the Industrial Site Evaluation Element or its successor (hereinafter called the "Element") of the NJDEP, on or before the date (hereinafter called the "ISRA Compliance Date"), that is thirty (30) days after the Execution Date. If this condition is not satisfied on or before the ISRA Compliance Date, Purchaser shall have the right to extend the ISRA Compliance Date or to terminate this Agreement, in which event this Agreement shall be rendered null and void and of no further force or effect, Seller shall promptly reimburse Purchaser for the costs of obtaining its title search, appraisal and any survey of the Premises obtained by Purchaser, the Deposit shall promptly be paid to Purchaser, and neither party shall have any further liability or obligation to the other under or by virtue of this Agreement.

D. Seller shall provide Purchaser with all information, reports, studies and analysis which Seller delivered to the NJDEP in connection with the application for and issuance of the Letter of Non-Applicability.

E. For purposes of this Agreement, the term "Environmental Documents" shall mean all environmental documentation in the possession or under the control of Seller concerning the Premises or its environs including, without limitation, all sampling plans, cleanup plans, preliminary assessment plans and reports, site investigation plans and reports, remedial investigation plans and reports, remedial action plans and reports or the equivalent, sampling results, sampling result reports, quality assurance/quality control documentation, correspondence to or from the Element or any other Governmental Authority, submissions to the Element or any other municipal, county, state or federal Governmental Authority and directives, orders, approvals and disapprovals issued by the Element or any other Governmental Authority. Within five (5) days from the date of this Agreement, and subsequently promptly upon receipt by Seller or Seller's representatives, Seller shall deliver to Purchaser the following, to the extent not previously delivered and within Seller's possession or control: (i) all Environmental Documents concerning or generated by or on behalf of predecessors in title or former occupants of the Premises whether currently or hereafter existing; (ii) all Environmental Documents concerning or generated by or on behalf of Seller, whether currently or hereafter existing; (iii) all Environmental Documents concerning or generated by or on behalf of current or future occupants of the Premises, whether currently or hereafter existing; and (iv) a description of all known operations, past and present, undertaken at the Premises, and existing maps, diagrams and other Environmental Documents designating the location of past and present operations at the Premises and past and present storage of hazardous or toxic substances, pollutants or wastes, or fill materials, above or below ground, in, on, under or about the Premises or its environs.

F. Seller shall notify Purchaser in advance of all meetings scheduled between Seller or Seller's representatives and NJDEP and Purchaser, and Purchaser's representatives shall have the right, without obligation, to attend and participate in all such meetings.

G. Seller shall indemnify, defend and hold harmless Purchaser from and against all claims, liabilities, losses, damages, penalties and costs, foreseen or unforeseen including, without limitation, counsel, engineering, attorney and other professional or expert fees, which Purchaser may incur, resulting directly or indirectly, wholly or partly, from any misrepresentation or breach of warranty by Seller or by reason of Seller's action or non-action with regard to Seller's obligation under this Section 26.

H. Seller further represents and warrants the following to its knowledge, after due inquiry:

(i) No ss.104(e) informational request has been received by Seller issued pursuant to CERCLA.

(ii) Seller has not received a written notice of intention concerning the Premises to commence suit pursuant to the New Jersey Environmental Rights Act, N.J.S.A. 2A:35A-1 et seq., and, to its knowledge, there is no basis for such written notice to be issued to Seller.

(iii) The Premises is not subject to any statutory land use regulation administered by the United States of America, Army Corps. of Engineers or NJDEP, including, without limitation, the Coastal Area Facility Review Act.

I. Seller shall promptly notify Purchaser of, and shall promptly deliver to Purchaser, a certified true and complete copy of any notice (oral or written) Seller may receive from any Governmental Authority, concerning the Premises and a violation of any law, ordinance, rule, regulation or directive.

J. This Section 26 shall survive Closing.

27. MISCELLANEOUS

(a) If any instrument or deposit is necessary in order to obviate a defect in or objection or exception to title, the following shall apply: (i) any such instrument shall be in such form and shall contain such terms and conditions as may be required by the Title Company to omit any defect, objection or exception to title, (ii) any such deposit shall be made with the Title Company, and (iii) Seller agrees to execute, acknowledge and deliver any such instrument and to make any such deposit.

(b) This Agreement constitutes the entire agreement between the parties and incorporates and supersedes all prior negotiations and discussions between the parties.

(c) This Agreement cannot be amended, waived or terminated orally, but only by an agreement in writing signed by the party to be charged.

(d) This Agreement shall be interpreted and governed by the laws of the State of New Jersey and shall be binding upon the parties hereto and their respective successors and assigns.

(e) Whenever in this Agreement there is a provision for the return of the Deposit, the provision shall be deemed to include all interest earned thereon and paid to Purchaser.

(f) The caption headings in this Agreement are for convenience only and are not intended to be part of this Agreement and shall not be construed to modify, explain or alter any of the terms, covenants or conditions herein contained.

(g) If any term, covenant or condition of this Agreement is held to be invalid, illegal or unenforceable in any respect, this Agreement shall be construed without such provision.

(h) Each party shall, from time to time, execute, acknowledge and deliver such further instruments, and perform such additional acts, as the other party may reasonably request in order to effectuate the intent of this Agreement. Nothing contained in this Agreement shall be deemed to create any rights or obligations of partnership, joint venture or similar association between Seller and Purchaser. This Agreement shall be given a fair and reasonable construction in accordance with the intentions of the parties hereto, and without regard to or aid of canons requiring construction against Seller, Purchaser or the party whose counsel drafted this Agreement.

(i) This Agreement shall not be effective or binding until such time as it has been executed and delivered by all parties hereto. This Agreement may be executed by the parties hereto in counterparts, all of which together shall constitute a single Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

PURCHASER

MOUNT AIRY REALTY ASSOCIATES L.P.

By: Cali Sub IX, Inc.,
its general partner

By: _____
Name:
Title:

SELLER

METFER - I

By: _____
Name:
Title:

The undersigned is executing this Agreement in order to evidence its agreement to be bound by the provisions of Section 12.

METFER - II

By: _____
Name:
Title:

The undersigned joins in the execution of the Agreement solely for the purpose of acknowledging the receipt of the Deposit and its agreement to hold the Deposit in escrow in accordance with the terms hereof.

ESCROW AGENT

FIRST AMERICAN TITLE INSURANCE COMPANY
OF NEW YORK

By: _____
Name:
Title:

Exhibit A

(Land)

Exhibit B

(List of Personal Property)

None
Exhibit C

(Deleted Prior to Execution)
Exhibit D

(Title Exceptions)
Exhibit E
(Estoppel Certificate)
Exhibit F

(Assignment of Leases and Intangible Property)
Exhibit G

(Rent Roll)
Exhibit H

(Assignment of Service Contracts)

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PURCHASE AGREEMENT

DATED JULY 23, 1996 BETWEEN

METFER - II

and

MOUNT AIRY REALTY ASSOCIATES L.P.

Premises: 222 Mount Airy Road
Basking Ridge, New Jersey

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INDEX TO PURCHASE AGREEMENT
dated July 23, 1996, between
METFER - II
and
MOUNT AIRY REALTY ASSOCIATES L.P.

Section

- - - - -

1. Subject of Conveyance
2. Definitions of Certain Terms
3. Inspection Period;
Purchaser's Right of Inspection Prior to Closing
4. Purchase Price and Terms of Payment
5. Matters to Which this Sale is Subject
6. Adjustments
7. Estoppel Certificate
8. Items to be Delivered by Seller on the Closing Date
9. Seller's Representations and Warranties
10. Seller's Covenants
11. Conditions Precedent to Purchaser's Obligations
12. 222 Mount Airy Road
13. Expenses
14. Tax Reduction and Appeals
15. Intentionally Omitted
16. Broker
17. Title Report
18. Casualty Loss
19. Condemnation

INDEX TO PURCHASE AGREEMENT
dated July 23, 1996, between
METFER - II

and
MOUNT AIRY REALTY ASSOCIATES L.P.

Section
- -----

- 20. Remedies
- 21. Assessment
- 22. Closing
- 23. Notice
- 24. Escrow Agreement
- 25. Assignment
- 26. Environmental Representations and Warranties; Covenants;
Conditions
- 27. Miscellaneous

SCHEDULE OF EXHIBITS

- Exhibit A Land
- Exhibit B List of Personal Property
- Exhibit C Deleted Prior to Execution
- Exhibit D Title Exceptions
- Exhibit E Estoppel Certificate
- Exhibit F Assignment of Leases and Intangible Property
- Exhibit G Rent Roll
- Exhibit H Assignment of Service Contracts

AGREEMENT

THIS AGREEMENT made this day of July, 1996 between METFER - II, a New Jersey general partnership having an office at c/o Mt. Airy Associates/Management, P.O. Box 421, Basking Ridge, New Jersey (the "Seller") and MOUNT AIRY REALTY ASSOCIATES L.P., a New Jersey limited partnership, having an office c/o Cali Realty Corporation, 11 Commerce Drive, Cranford, New Jersey 07016 ("Purchaser").

RECITALS

A. Seller is the owner of the building located at 222 Mount Airy Road, in the Township of Basking Ridge, County of Somerset, State of New Jersey (the "Building").

B. Seller has agreed to sell to Purchaser, and Purchaser has agreed to purchase from Seller, the Premises (as hereinafter defined), subject to the terms and conditions set forth herein.

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 hereto, intending to be legally bound hereby, do hereby agree as follows:

1. SUBJECT OF CONVEYANCE.

Seller hereby agrees to sell and convey, and Purchaser hereby agrees to purchase, subject to all terms and conditions set forth in this Agreement:

(a) that certain plot, piece or parcel of land situate, lying and being in the County of Somerset, Township of Basking Ridge and State of New Jersey comprised of approximately 7.6441 acres in the aggregate of developed land, as described in Exhibit A annexed hereto (the "Land") on which there is improved a Building of forty nine thousand four hundred twenty four (49,424) square feet; and

(b) the Building, open parking areas and improvements, including without limitation, all mechanical, electrical, heating, ventilation, air conditioning and plumbing fixtures, systems and equipment as well as all compressors, engines, elevators and escalators, if any, erected on the Land; and

(c) The Lease (as defined below) and the rents, additional rents, reimbursements, profits, income and receipts thereunder and all of Seller's right, title and interest in and to those contracts and agreements for the servicing, maintenance and operation of the Land and the Building ("Service Contracts") to the extent Purchaser elects to assume same as provided in Section 9 herein; and

(d) all right, title and interest, if any, of the Seller in and to those certain fixtures, equipment, furniture and other personal property affixed to or appurtenant to the Land and the Building including, without limitation, all carpets, drapes and other furnishings; maintenance equipment and tools; keys to locks on or in the Building; and all other machinery, equipment, meters, boilers, repair parts, fixtures and tangible personal property of every kind and character and all accessions and additions thereto owned by and in the possession of Seller and attached to or located upon and used in connection with the ownership, maintenance, or operation of the Land or the Building which are not the property of tenants of the Building or of other persons (the "Personal Property"); and

(e) all right, title and interest, if any, of the Seller in and to any land lying in the bed of any public street, road, alley, easements, rights of way, water, water courses, hereditaments or avenue opened or proposed, in front of or adjoining said Land and the Building, including all strips and gores between the Land and abutting property, to the center line thereof; and

(f) all right, title and interest of Seller, if any, in and to all site plans, surveys, soil and substrata studies, architectural drawings, plans and specifications, engineering plans and studies, floor plans, landscape plans, operating or maintenance manuals and other plans and studies of any kind owned by Seller, if any, with respect to the Land, the Building, or the Personal Property ("Plans"); and

(g) all books, records, promotional material, tenant data, leasing material and forms, past and current rent rolls, paid bill files, market studies, keys, and other materials of any kind owned by Seller, if any, which are or may be used in Seller's ownership or use of the Land, the Building or the Personal Property ("Books and Records"); and

(h) all right, title and interest of Seller, if any, in and to any name by which the property is commonly known, and all goodwill, if any, related to the name by which the property is commonly known; and

(i) all right, title and interest of Seller, if any, in and to any and all licenses and permits owned or held by Seller (including any certificates of occupancy) to the extent such are assignable and in any way related to or arising out of or used in connection with the ownership or operation of the Land, the Building or the Personal Property (collectively, "Licenses and Permits"); and

(j) all other rights, privileges and appurtenances owned by Seller, if any, and in any way related to the rights and interests described above in this Section.

(The foregoing properties, rights and interests set forth or described in sub-sections (a) - (j) of this Section 1 are hereinafter collectively referred to as the "Premises".)

2. DEFINITIONS OF CERTAIN TERMS.

For purposes of this Agreement, unless the context otherwise requires:

"Appurtenances" shall mean all right, title and interest, if any, of Seller in and to any award or payment made, or to be made, (x) for any taking in condemnation, eminent domain or agreement in lieu thereof of land adjoining all or any part of the Land or the Building, (y) for damage to the Land or the Building or any part thereof by reason of change of grade or closing of any such street, road, highway or avenue, and (z) for any taking in condemnation or eminent domain of any part of the Land or the Building.

"Commission" is as defined in Section 15.

"Cash Payment" is as defined in Section 4.

"Closing" is on or about July 15, 1996, but subject to the provisions of Section 22.

"Closing Date" shall mean the date on which the deed to the Premises shall be delivered and title thereto conveyed to Purchaser.

"Deed" shall mean a bargain and sale deed with covenants in proper statutory form for recording so as to convey to Purchaser good and marketable title to the fee simple of the Premises, free and clear of all liens and encumbrances, except the Permitted Encumbrances.

"Deposit" is One-Hundred Twenty Five Thousand (\$125,000.00) Dollars.

"Element" is as defined in Section 26.

26. "Environmental Documents" is as defined in Section

"Escrow Agent" is First American Title Insurance Company of New York.

"Estoppel Certificate" is as defined in Section 7.

"Execution Date" is the date that a fully executed copy of this Agreement is in the possession of counsel to Purchaser and Seller.

"Governmental Authorities" shall mean any agency, board, bureau, commission, department or body of any municipal, county, state or federal governmental unit, or any subdivision thereof, having, asserting or acquiring jurisdiction over all or any part of the Premises or the management, operation, use or improvement thereof.

"Hazardous Materials" shall include, without limitation, gasoline, petroleum products, explosives, radioactive materials, polychlorinated biphenyls, asbestos or any materials containing asbestos, or related or similar materials, or any other substance or material defined as a hazardous or toxic substance or waste or toxic pollutant by any federal, state or local law, ordinance, rule, or regulation.

"Inspection Period" is the period commencing on the Execution Date and ending at 12:00 p.m. on July 9, 1996.

"ISRA" is the Industrial Site Recovery Act, N.J.S.A. 13:1K-6 et seq., the regulations promulgated thereunder and any amending or successor legislation and regulations.

"ISRA Compliance Date" is as defined in Section 26.

"Lease" is that certain lease dated October 1, 1978 by and between Seller, as landlord, and Lucent Technologies, Inc. f/k/a NS-MPG, Inc., as tenant (by assignment dated February 1, 1996), for the Premises as amended by amendment dated March 11, 1994.

"Major Facility" is as defined in the Spill Act.

"NJDEP" is the New Jersey Department of Environmental Protection.

"Permitted Encumbrances" is as defined in Section 5.

"Premises" is as defined in Section 1.

"Purchase Price" is as defined in Section 4.

"Rent Roll" is the rent roll for the Premises set forth in Exhibit G in the form required under Section 9(b).

"Service Contracts" shall mean those contracts set forth in Exhibit H.

"Spill Act" shall mean the Spill Compensation and Control Act, N.J.S.A. 58:10-23.11 et seq., together with any amendments or revisions thereof and any regulations promulgated thereunder and any amending or successor legislation and regulations.

"Tenant" shall mean Lucent Technologies, Inc., f/k/a NS-MPG, Inc., which is the tenant under the Lease.

"Tests and Studies" is as defined in Section 3.

"Title Company" is First American Title Insurance Company of New York.

"Title Policy" is as defined in Section 17.

"233 Mount Airy Road Premises" is the premises commonly known as 233 Mount Airy Road, Basking Ridge, New Jersey and owned by Metfer - I, an entity with ownership in common with the ownership of Seller.

3. INSPECTION PERIOD; PURCHASER'S RIGHT OF INSPECTION PRIOR TO CLOSING

During the Inspection Period, Purchaser, at its sole expense, may perform Tests and Studies and may inspect the physical (including environmental) and financial condition of the Premises, including but not limited to the Lease, contracts, engineering and environmental reports, development approval agreements, permits and approvals and Service Contracts, which inspection shall be satisfactory to Purchaser in its sole discretion. Purchaser may terminate this Agreement for any reason, by written notice to

Seller given within the Inspection Period. In the event Purchaser terminates this Agreement, Purchaser shall be entitled to the return of the Deposit with interest earned thereon, and this Agreement shall be null and void and the parties hereto shall be relieved of all further obligations hereunder except as otherwise provided herein. Upon the receipt of the Deposit, Purchaser shall deliver to Seller copies of those written reports generated at Purchaser's direction which are not proprietary or confidential in nature.

During the Inspection Period, Purchaser, its agents and contractors, shall have the right to enter upon the Premises and perform (or cause to be performed) tests, investigations and studies of or related to the Premises including, but not limited to, soil borings, ground water investigation, percolator tests, surveys, architectural, engineering, subdivision, environmental, access, financial, market analysis, development and economic feasibility studies and other tests, investigations or studies as Purchaser, in its sole discretion, determines is necessary or desirable to satisfy Purchaser of the feasibility of owning and using the Premises (collectively the "Tests and Studies"), provided that it shall give Seller notification of its intention to conduct any such inspection and that such inspection shall not unreasonably impede the normal day-to-day business operation of the Premises. Such right of inspection and the exercise of such right shall not constitute a waiver by Purchaser of the breach of any representation or warranty of Seller which might have been disclosed by such inspection.

Seller agrees to permit Purchaser access to the Premises upon prior notice to Seller for the purpose of performing the Tests and Studies. To assist Purchaser in the performance of its Tests and Studies, Seller has previously delivered to Purchaser true and complete copies of all test borings, environmental reports (including, without limitation, all Environmental Documents), surveys, title materials and engineering and architectural data and the like relating to the Premises that are in Seller's possession or under its control and for which Seller is under no prohibition from releasing same to Purchaser. In the event any additional materials or information come within Seller's possession or control after the date of this Agreement, Seller shall promptly submit true and complete copies of the same to Purchaser. To the extent Purchaser requests any additional information relating to the Premises, Seller shall use its best efforts to provide same to Purchaser on a timely basis. Seller shall cooperate with Purchaser in facilitating the Tests and Studies and shall obtain, at no cost or expense to Seller, any consents that may be necessary in order for Purchaser to perform the same. Purchaser shall repair and restore any portion of the surface of the Premises disturbed by Purchaser, its agents or contractors during the conduct of any of the Tests and Studies to substantially the same condition as existed prior to such disturbance.

4. PURCHASE PRICE AND TERMS OF PAYMENT.

The purchase price for the Premises is Four Million Four Hundred Fifteen Thousand One Hundred Twelve and xx/100 (\$4,415,112.00) Dollars payable as follows:

(a) Delivery of the Deposit to the Escrow Agent on the Execution Date, which shall be held pursuant to the terms of Section 24; and

(b) The balance of the Purchase Price (the "Cash Payment") by a bank, certified or cashier's check on the Closing Date or by the wiring of federal funds to Seller or the Escrow Agent, subject to adjustment as provided herein.

5. MATTERS TO WHICH THIS SALE IS SUBJECT

The Premises are sold and are to be conveyed subject to the following (collectively the "Permitted Encumbrances"):

(a) The liens of real estate taxes, personal property taxes, water charges, and sewer charges provided same are not due and payable;

(b) The rights of the Tenant, as tenant only;

(c) Those restrictions, covenants, agreements, easements, matters and things affecting title to the Premises and more particularly described in Exhibit "D" annexed hereto and by this reference made a part hereof;

(d) Any and all laws, statutes, ordinances, codes, rules, regulations, requirements, or executive mandates as the same may be amended subsequent to the date hereof affecting the Premises adopted by the United States, the State of New Jersey, the Township of Basking Ridge and any and every other Governmental Authority having jurisdiction thereof;

(e) The state of facts shown on that certain survey prepared by Couvrette Associates Inc. and dated May 6, 1972 and last revised February 5, 1992 and any other state of facts which a recent and accurate survey of the

Premises would actually show, provided same do not impair the use of the Premises as an office building and do not render title uninsurable at standard rates; and

(f) Those Service Contracts which are assumed by Purchaser, at its option, at Closing.

6. ADJUSTMENTS

(a) The following items with respect to the Premises are to be apportioned as of midnight on the date preceding the Closing:

(i) Rents payable by the Tenant as and when collected. All monies received from the Tenant from and after the Closing shall belong to Purchaser and shall be applied by Purchaser to current rents and other charges due under the Lease. After application of such monies to current rents and charges, Purchaser agrees to remit to Seller any excess amounts paid by the Tenant to the extent that the Tenant was in arrears in the payment of rent prior to the Closing, not in excess of one (1) month's rent. The provisions of this subsection 6(a) shall survive the Closing Date.

(ii) Amounts payable under the Service Contracts, to the extent Purchaser assumes such Service Contracts at Closing.

(iii) Real estate taxes due and payable over the calendar year. If the Closing Date shall occur before the tax rate is fixed, the apportionment of real estate taxes shall be upon the basis of the tax rate for the preceding year applied to the latest assessed valuation. If subsequent to the Closing Date, real estate taxes (by reason of change in either assessment or rate or for any other reason) for the Premises should be determined to be higher or lower than those that are apportioned, a new computation shall be made, and Seller agrees to pay Purchaser any increase shown by such recomputation and vice versa. The provisions of this Subsection 6(a)(v) shall survive the Closing Date.

(b) Except as otherwise provided in this Agreement, the adjustments shall be made in accordance with the customs in respect to title closings in the State of New Jersey.

(c) Any errors in calculations or adjustments shall be corrected or adjusted as soon as practicable after the Closing.

7. ESTOPPEL CERTIFICATE

(a) Promptly following delivery by Purchaser to Seller of a notice that it is not terminating this Agreement as it is otherwise permitted so to do pursuant to Section 3, Seller shall deliver to the Tenant an estoppel certificate in the form annexed hereto as Exhibit "E" for Tenant's execution, completed to reflect the Tenant's particular Lease status (the "Estoppel Certificate"). Seller agrees to use its best efforts to obtain the Estoppel Certificate within the thirty (30) day period set forth in the Lease for the Tenant to respond to a request for delivery of an estoppel certificate. Seller shall be entitled to extend the Closing Date, by written notice to Purchaser, to obtain the Estoppel Certificate if same is not obtained by the date first set forth in this Agreement for the Closing; provided, however, Seller shall not be entitled to extend the Closing past the outside date for Tenant to so respond to Seller's request.

(b) As a condition to Closing, Seller shall deliver to Purchaser the Estoppel Certificate, or in the alternative, the estoppel certificate required under the Lease, in either event executed by the Tenant and describing no adverse conditions or information which renders untrue or incorrect any representation or warranty made by Seller herein.

(c) For an Estoppel Certificate to be deemed delivered for purposes of this Agreement, it must certify that the Tenant's most recent rental payment under its Lease was made not more than one (1) month prior to the month in which the Closing occurs.

8. ITEMS TO BE DELIVERED BY SELLER ON THE CLOSING DATE

On the Closing Date, Seller, at its sole cost and expense, will deliver or cause to be delivered to Purchaser the following documents in connection with the Premises in form and substance reasonably satisfactory to Purchaser:

(a) The Deed duly executed and acknowledged. The delivery of the Deed shall also be deemed to transfer to Purchaser all of Seller's right, title and interest in and to the Personal Property.

(b) An original Lease and all other documents pertaining thereto, with a certified copy of the Lease or other documents where Seller, using its best efforts, is unable to deliver originals of same.

(c) All other original documents or instruments initialed by or on behalf of the parties to this Agreement or referred to herein, and certified copies of same where Seller, using its best efforts, is unable to deliver originals.

(d) A letter to the Tenant advising the Tenant of the sale hereunder and directing that rent and other payments thereafter be sent to Purchaser or its designee, as Purchaser shall so direct.

(e) Duly executed and acknowledged assignment of the Lease and Intangible Property in the form of Exhibit "F" annexed hereto.

(f) A credit against the Cash Payment in the amount of any prepaid rents, together with interest required to be paid thereon.

(g) An affidavit, or such other documents as required by the Title Company, executed by Seller certifying (i) against any work done or supplies delivered to the Premises which might be grounds for a materialman's or mechanic's lien under or pursuant to New Jersey law, in form sufficient to enable the Title Company to affirmatively insure Purchaser against any such lien, (ii) that the signatures on the Deed are sufficient to bind Seller and convey the Premises to Purchaser, (iii) that the conveyance is not prohibited or restricted in any way under the laws of the State of New Jersey and (iv) that the Rent Roll is true, accurate and correct on the Closing Date.

(h) Any and all affidavits and other instruments (including but not limited to all organizational documents of the Seller and Seller's general partner including limited partnership agreements, certificates of partnership, by laws, articles of incorporation, and good standing certificates) and documents which the Title Company shall reasonably require in order to insure title to Purchaser, subject to no exceptions other than the Permitted Encumbrances.

(i) The Estoppel Certificate required in Section 7.

(j) Plans, Books and Records.

(k) The certificates of occupancy for the Building and a letter from the local municipal zoning department certifying that the Premises complies in all respects with the current zoning ordinance.

(l) A Rent Roll, current as of the Closing Date, certified by Seller as being true and correct in all respects.

(m) All proper instruments as shall be reasonably required for (i) the conveyance of title to the Appurtenances, and (ii) the assignment of and/or collection rights to any condemnation or eminent domain claims, awards or payments, as well as the right to claim or collect damages resulting from damage to the Premises or any part thereof by reason of the changing of grade or closing of any street, road, highway or avenue.

(n) Duly executed and acknowledged assignment of those Service Contracts which Purchaser has elected to assume in the form of Exhibit "H" annexed hereto.

(o) A certificate signed by an 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.

(p) All such transfer and other tax declarations and returns and information returns, duly executed and sworn to by Seller as may be required of Seller by law in connection with the conveyance of the Premises to Purchaser, including but not limited to, Internal Revenue Service forms 1099-S and 1096.

(q) A statement setting forth the Purchase Price with all adjustments and prorations shown thereon.

(r) The Seller's closing certificate with respect to the representations and warranties described in Section 9 hereof and recertifying that same are true and correct on the Closing Date.

(s) An affidavit of Seller stating that all representations and warranties set forth in the Agreement continue to be true and correct as of the date of the Closing.

9. SELLER'S REPRESENTATIONS AND WARRANTIES

In order to induce Purchaser to purchase the Premises, Seller hereby warrants, represents and agrees that the following are true as of the date hereof and will be true on the Closing Date:

(a) The Lease is valid and bona fide and is now in full force and effect. No defaults exist thereunder and no condition exists which, with the passage of time or the giving of notice or both, will become a default; the

Lease constitutes the only lease, tenancy or occupancy affecting the Premises; the Tenant has commenced occupancy; there are no agreements which confer upon the Tenant or any other person or entity any rights with respect to the Premises, nor is the Tenant entitled now or in the future to any concession, rebate, offset, allowance or free rent for any period, nor has any such claim been asserted by the Tenant.

(b) Annexed hereto as Exhibit "G" (the "Rent Roll") is a true, complete and correct listing of the fixed rent actually being collected under the Lease and the expiration date of the Lease (including all rights or options to renew). No Capital Expenditures (as defined in the Lease) have been incurred by Seller or Tenant. Seller has performed all of the obligations and observed all of the covenants required of the landlord under the terms of the Lease.

(c) All work, alterations, improvements or installations required to be made for or on behalf of the Tenant under the Lease have in all respects been carried out, performed and complied with, and there is no agreement with the Tenant for the performance of any work to be done in the future. No work has been performed at the Premises which would require an amendment to the certificate of occupancy, and any and all work performed at the Premises to the date hereof and to the Closing Date has been and will be in accordance with the rules, laws and regulations of all applicable authorities. All bills and claims for labor performed and materials furnished to or for the benefit of the Premises will be paid in full on the Closing Date.

(d) There are no service contracts, union contracts, employment agreements or other agreements affecting the Premises or the operation thereof, except the Service Contracts. True, accurate and complete copies of the Service Contracts have been initialed by the parties. All of the Service Contracts are and will on the Closing Date be unmodified and in full force and effect without any default or claim of default by any of the parties thereto. All sums presently due and payable by Seller under the Service Contracts have been fully paid and all sums which become due and payable between the date hereof and the Closing Date shall be fully paid on the Closing Date.

(e) There are no actions, suits, labor disputes, litigation or proceedings currently pending or, to the knowledge of Seller, threatened against or related to Seller or to all or any part of the Premises or the operation thereof, nor does Seller know of any basis for any such action.

(f) There are no outstanding requirements or recommendations by (i) the insurance company(s) which issued the insurance policies insuring the Premises; (ii) any board of fire underwriters or other body exercising similar functions, or (iii) the holder of any mortgage, which require or recommend any repairs or work to be done on the Premises.

(g) No Tenant is not in arrears for the payment of rent or any other amounts due Seller as landlord under the Lease nor has Seller received notice of an intention to vacate from the Tenant.

(h) The Seller has received no written notice and has no knowledge of (i) any pending or contemplated annexation or condemnation proceedings, or private purchase in lieu thereof, affecting or which may affect the Premises, or any part thereof, (ii) any proposed or pending proceeding to change or redefine the zoning classification of all or any part of the Premises, (iii) any proposed or pending special assessments affecting the Premises or any portion thereof, (iv) any penalties or interest due with respect to real estate taxes assessed against the Premises and (v) any proposed change(s) in any road or grades with respect to the roads providing a means of ingress and egress to the Premises. Seller agrees to furnish Purchaser with a copy of any such notice received within two (2) days after receipt.

(i) Seller has provided Purchaser with all reports in Seller's possession or under its control and for which Seller is under no prohibition from releasing same to Purchaser related to the physical condition of the Premises and all Books and Records necessary for Purchaser to conduct its due diligence and Tests and Studies.

(j) Seller has no knowledge of any notices, suits, or judgments relating to any violations (including environmental) of any laws, ordinances or regulations affecting the Premises, or any violations or conditions that may give rise thereto and has no reason to believe that any Governmental Authorities contemplates the issuance thereof.

(k) There are no employees working at or in connection with the Premises. There is currently no union agreement affecting the Premises and none will be in effect on the Closing Date.

(l) There are no past, present or future payments due on account of the Lease or the Premises, whether in the nature of a tenant improvement cost, commission, allowance or otherwise.

(m) Seller (A) is a duly organized and validly existing limited partnership (corporation) under the laws of the State of New Jersey, and is duly authorized to transact business in the State of New Jersey; (B) has all

requisite power and authority to execute and deliver this Agreement and all other documents and instruments to be executed and delivered by it hereunder, and to perform its obligations hereunder and under such other documents and instruments in order to sell the Premises in accordance with the terms and conditions hereof and all necessary actions of the general and limited partners (stockholders and board of directors) of Seller to confer such power and authority upon the persons executing this Agreement and all documents which are contemplated by this Agreement on its behalf have been taken.

(n) This Agreement, when duly executed and delivered, will be the legal, valid and binding obligation of Seller, enforceable in accordance with the terms of this Agreement. Seller's performance of its duties and obligations under this Agreement and the transfer documents contemplated hereby will not conflict with, or result in a breach of or default under, any provision of any of Seller's organizational documents, any agreements, instruments, decrees, judgments, injunctions, orders, writs, laws, rules or regulations, or any determination or award of any court or arbitrator, to which Seller is a party or by which its assets are or may be bound.

(o) No petition in bankruptcy (voluntary or otherwise), assignment for the benefit of creditors, or petition seeking reorganization or arrangement or other action under Federal or State bankruptcy laws is pending or threatened against, or contemplated by Seller.

(p) No person, firm, or entity has any rights in, or rights to acquire all or any part of the Premises.

(q) The Personal Property is now owned and will on the Closing Date be owned by Seller free and clear of any conditional bills of sale, chattel mortgages, security agreements or financing statements or other security interests of any kind.

(r) The current zoning classification of the Premises is such that the Premises is zoned for its present use as a commercial office building and Seller has received no notice of any violations of any zoning, subdivision, building or similar law, ordinance, order, regulation or recorded plat or any certificate of occupancy issued for the Premises.

All representations and warranties provided by Seller in this Agreement shall survive the Closing Date for a period of one (1) year and shall not be merged in the delivery of the Deed. Seller agrees to indemnify and hold Purchaser harmless against all claims, liabilities, losses, deficiencies and damages as well as reasonable expenses (including attorney's fees), and interest and penalties related thereto, asserted by any third party against or incurred by Purchaser, by reason of or resulting from any breach, inaccuracy, incompleteness or nonfulfillment of the covenants, representations and warranties of Seller contained in this Agreement.

10. SELLER'S COVENANTS

Seller covenants and agrees that between the date hereof and the Closing Date it shall perform or observe the following with respect to the Premises:

(a) Seller, as landlord, will not enter into any new leases with respect to the Premises, or renew or modify any Lease, without Purchaser's prior written consent.

(b) If prior to the Closing Date Seller shall have received from (i) any insurance company which issued a policy with respect to the Premises, (ii) any board of fire underwriters or other body exercising similar functions, or (iii) the holder of any mortgage, any notice requiring or recommending any repair work to be done on the Premises, Seller will do the same expeditiously and diligently at its own cost and expense prior to the Closing Date.

(c) Seller will operate and maintain the Premises in the ordinary course of business and use reasonable efforts to reasonably preserve for Purchaser the relationships of Seller and Seller's Tenant, suppliers, managers, employees and others having on-going relationships with the Premises. Seller will complete any capital expenditure program currently in process or anticipated to be completed. Seller will not defer taking any actions or spending any of its funds, or otherwise manage the Premises differently, due to the pending sale of the Premises.

(d) Seller shall not:

(i) Enter into any agreement requiring Seller to do work for the Tenant after the Closing Date without first obtaining the prior written consent of Purchaser; or

(ii) Accept the surrender of any Service Contract or Lease, or grant any concession, rebate, allowance or free rent.

(e) Between the date hereof and the Closing Date, Seller will not renew, extend or modify any of the Service Contracts without the prior written consent of the Purchaser in each instance first had and obtained. At the Closing, Seller will cancel or will have previously cancelled (effective on the Closing Date) all Service Contracts except those which Purchaser has agreed in writing to assume, with all cancellations at Seller's sole cost and expense.

(f) Seller shall not remove any Personal Property, fixtures or equipment located in or on the Premises, except as may be required for repair and replacement. All replacements shall be free and clear of liens and encumbrances and shall be of quality at least equal to the replaced items and shall be deemed included in this sale, without cost or expense to Purchaser.

(g) Seller shall, upon request of Purchaser at any time after the date hereof, assist Purchaser in its preparation of audited financial statements, statements of income and expense, and such other documentation as Purchaser may reasonably request, covering the period of Seller's ownership of the Premises.

(h) Between the date hereof and the Closing Date, Seller will make all required payments under any mortgage affecting the Premises within any applicable grace period, but without reimbursement by Purchaser therefor. Seller shall also comply with all other terms covenants, and conditions of any mortgage on the Premises.

(i) Seller shall not cause or permit the Premises, or any interest therein, to be alienated, mortgaged, liened, encumbered (other than by mechanic's or materialman's liens or claims which are removed or bonded against prior to Closing) or otherwise be transferred.

(j) Up to and including the Closing Date, Seller agrees to maintain and keep such hazard, liability and casualty insurance policies in full force and effect in such amounts and covering such risks sufficiently to protect the Premises and to protect, to a reasonable and prudent extent, the owner of the Premises, in such amounts as are required so as not to be deemed a co-insurer, and for actual replacement cost, against any loss, damage, claim or liability.

(k) All violations of laws, statutes, ordinances, regulations, orders or requirements affecting the Premises, whether or not such violations are now noted in the records of or have been issued by any Governmental Authorities will be complied with by Seller and the Premises will be conveyed free of any such violations.

In addition, Seller shall permit Purchaser and its authorized representatives to inspect the Books and Records of its operations at all reasonable times for a period of one (1) year subsequent to the Closing Date. All Books and Records not conveyed to Purchaser hereunder shall be maintained for Purchaser's inspection at Seller's address as set forth above.

11. CONDITIONS PRECEDENT TO PURCHASER'S OBLIGATIONS

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

(i) The representations and warranties made by Seller herein shall be true and correct in all respects with the same force and effect as though such representations and warranties had been made on and as of the Closing Date.

(ii) Seller shall have performed all covenants and obligations undertaken by Seller in Section 10 hereof in all respects and complied with all conditions required by this Agreement to be performed or complied with by it on or before the Closing Date.

(iii) The Title Company is unconditionally prepared to issue to Purchaser a Title Policy meeting the requirements set forth in Section 17 hereof for an "insurable title".

(iv) Seller shall have delivered to Purchaser all of the documents enumerated in Section 8 hereof.

(v) Metfer - I shall be prepared to convey the 233 Mount Airy Road Premises to Purchaser in accordance with the terms and conditions of the 233 Contract (as defined below).

12. 233 MOUNT AIRY ROAD

Simultaneously with the execution of this Agreement, Purchaser is entering into an agreement (the "233 Contract") with Metfer-I, a New Jersey general partnership which is the owner of the 233 Mount Airy Road Premises. The legal and beneficial ownership of Metfer - I is identical to the ownership of

Seller. The closing of the 233 Contract is to occur simultaneously with the Closing hereunder, and neither this Agreement nor the 233 Contract is to close without the other. By its execution below, Metfer-I acknowledges and agrees that in the event Purchaser has any claim against Seller hereunder for a failure to perform as required herein, Purchaser, at its option and in addition to any other rights and remedies which it may have against Seller, shall be entitled to seek such remedies as against Metfer-I as it shall elect. Similarly, if Purchaser shall default hereunder or under the 233 Contract, both Metfer - I and Metfer - II shall have such rights and remedies against Purchaser as shall be available to them at law or in equity.

13. EXPENSES

(a) Seller shall pay the fees, costs and expenses of Seller's counsel, and any and all sales taxes, transfer taxes, documentary stamps, customary recording fees and other taxes and charges imposed in connection with the delivery and recording of the Deed, all customary prorations and appointments and one-half of all reasonable escrow fees.

(b) Purchaser shall pay the fees, costs and expenses of Purchaser's counsel, all title insurance premiums and charges, all recording fees, all survey or surveyor charges, and any fees, costs or expenses incurred by Purchaser in connection with its inspection of the Premises, including, but not limited to, any architects', engineers', accountants', appraisers' or contractors' fees or costs, all customary prorations and appointments and one-half of all reasonable escrow fees.

(c) The obligations of Seller and Purchaser set forth in this Section 13 shall survive the Closing or the earlier termination of this Agreement.

14. TAX REDUCTION AND APPEALS

Seller is hereby authorized to continue the proceeding or proceedings now pending for the reduction of the assessed valuation of the Premises as set forth on Exhibit "I" and to litigate or settle the same in Seller's discretion. Purchaser is hereby authorized by Seller, in Purchaser's sole discretion, to file any applicable proceeding for the 1996 fiscal year for the reduction of the assessed valuation of the Premises. The net refund of taxes, if any, for any tax year for which Seller or Purchaser shall be entitled to share in the refund shall be divided between Seller and Purchaser in accordance with the apportionment of taxes pursuant to the provisions hereof. All expenses in connection therewith, including counsel fees, shall be borne by Seller. The provisions of this Section shall survive the Closing Date.

15. INTENTIONALLY OMITTED

16. BROKER

Seller represents that it has not dealt with any brokers, finders or salesmen in connection with this transaction. Seller agrees to indemnify, defend and hold Purchaser harmless from and against any and all loss, cost, damage, liability or expense, including reasonable attorneys' fees, which Purchaser may sustain, incur or be exposed to by reason of any claim for fees or commissions. Purchaser represents that it is acting as a principal and has no broker representing it in this transaction. Notwithstanding anything to the contrary contained herein, the provisions of this Section shall survive the Closing Date or other termination of this Agreement.

17. TITLE REPORT

(a) Purchaser agrees promptly after execution of this Agreement to order a report of title or title commitment from the Title Company and to direct the Title Company to provide Seller with a copy thereof. It shall be a condition to Closing that Seller transfer, and that the Title Company agree to insure, title to the Premises in the amount of the Purchase Price (at a standard rate for such insurance) in the name of Purchaser, after delivery of the Deed, by a standard 1992 ALTA Owners Policy (the "Title Policy"). The Title Policy shall contain endorsements insuring that (i) the covenants and restrictions included in the Permitted Encumbrances have not been violated and that a future violation thereof will not cause a forfeiture or reversion of title; (ii) Purchaser's contemplated use of the Premises as office building(s) will not violate the covenants, conditions and restrictions included in the Permitted Encumbrances; (iii) if the Premises consists of multiple parcels, all such parcels constitute a single contiguous tract; (iv) the Premises has direct access to Mount Airy Road, a publicly dedicated road; and (v) the existing use of the Premises complies with all applicable zoning ordinances and regulations as may affect the Premises. Seller shall provide such affidavits and undertakings as the Title Company insuring title to the Premises may require and shall cure all other defects and exceptions. The words "insurable title" and "insurable" as used in this Agreement are hereby defined to mean title which is insurable at standard rates (without special premium) by the Title Company

without exception other than the Permitted Encumbrances, and standard printed policy and survey exceptions. Seller shall be obligated to expend up to the Purchase Price to cause title to the Premises to be conveyed to Purchaser in the manner required under this Agreement.

(b) If, at the Closing, Seller is unable to convey to Purchaser insurable title to the Premises subject to and in accordance with the provisions of this Agreement, Seller shall be entitled, upon written notice delivered to Purchaser at or prior to the Closing, to reasonable adjournments of the Closing Date one or more times, for a period or periods not to exceed, in the aggregate, thirty (30) days, to enable Seller to convey such title or to fulfill such obligations. If Seller does not so elect to adjourn the Closing, or if at the adjourned date Seller is still unable to convey insurable title subject to, and in accordance with the provisions of, this Agreement, then Purchaser may, at its option, (a) terminate this Agreement by written notice delivered as provided in Section 23 hereof, in which event the sole liability of Seller shall be to direct the Title Company to refund the Deposit with interest thereon to Purchaser, and to refund to Purchaser all charges made for (i) examining the title, (ii) any appropriate additional municipal searches made in accordance with this Agreement, and (iii) survey and survey inspection charges; or (b) accept title to the Premises subject to such defect(s), in which event such defect(s) shall become Permitted Encumbrance(s). Upon such refund being made to Purchaser in accordance with clause (a) of the immediately preceding sentence, then this Agreement shall automatically become void and of no further force or effect, and neither party shall have any obligations of any nature to the other hereunder or by reason hereof, except obligations which, pursuant to the provisions of this Agreement, are expressly stated to survive the termination of this Agreement. If Seller elects to adjourn the Closing as provided above, this Agreement shall remain in effect for the period or periods of adjournments, in accordance with its terms.

(c) Upon notice to Seller, Purchaser shall have the right to cause one or more title insurance companies, whether or not through abstract agencies, to insure Purchaser's title to the Premises on a co-insurance basis or to change title companies, so long as in each instance, said company and agency, to the extent applicable, is a duly licensed title insurance company authorized to conduct business in the State of New Jersey.

18. CASUALTY LOSS

(a) If prior to the Closing Date any part of the Premises is damaged as the result of fire or other casualty and the estimated cost of repair of the damage exceeds \$50,000.00, Purchaser shall have the option to either (i) accept title to the Premises without any abatement of the Purchase Price whatsoever, in which event on the Closing Date all of the insurance proceeds shall be assigned by Seller to Purchaser and any moneys theretofore received by Seller in connection with such fire or other casualty shall be paid over to Purchaser, or (ii) cancel this Agreement and the Deposit together with all interest earned thereon shall be returned to Purchaser by the Escrow Agent, and upon such return neither party shall have any further liability or obligation to the other. In the event that the damages shall not exceed \$50,000.00, this Agreement shall remain in full force and effect, the insurance proceeds shall be assigned by Seller to Purchaser and all sums received by Seller in connection therewith shall be paid over to Purchaser. Seller shall maintain or cause to be maintained insurance on the Premises in accordance with the terms and conditions of the Lease.

(b) Seller shall not settle any fire or casualty loss claims in connection with the Premises without obtaining Purchaser's prior written consent.

(c) Seller hereby agrees to furnish Purchaser with written notification of any such fire or casualty within twenty-four (24) hours of such event.

19. CONDEMNATION

In the event of the institution of any proceedings, judicial, administrative or otherwise, which shall relate to the proposed material taking of any portion of the Premises by eminent domain prior to the Closing Date, or in the event of the material taking of any portion of the Premises by eminent domain prior to the Closing Date, Purchaser shall have the right and option to terminate this Agreement by giving the Seller written notice to such effect at any time after its receipt of written notification of any such occurrence. Any damage to or destruction of the Premises as a result of a taking by eminent domain shall be deemed "material" for purposes of this Section 19 if the estimate of the damage, which estimate shall be performed by an insurance adjustor and Purchaser's architect, shall exceed \$50,000.00. Should Purchaser so terminate this Agreement in accordance with this Section 19, the Deposit together with interest earned thereon shall immediately be returned to Purchaser by the Escrow Agent and upon such return, neither party shall have any further liability or obligations to the other. In the event Purchaser shall not elect to cancel this Agreement, Seller shall assign all proceeds of such taking to

Purchaser, and same shall be Purchaser's sole property, and Purchaser shall have the sole right to settle any claim in connection with the Premises.

20. REMEDIES

(a) In the event Purchaser fails to perform on the Closing Date, Purchaser's sole liability and Seller's sole recourse shall be limited to the amount of the Deposit. Seller agrees that retention of the Deposit constitutes fixed and liquidated damages resulting from Purchaser's default, and Seller waives any other claim, at law or in equity, either against Purchaser or against any person, known or unknown, disclosed or undisclosed.

(b) (i) If, after complying with the terms of this Agreement, Seller shall be unable to convey the Premises in accordance with the terms of this Agreement, the sole obligation and liability of Seller shall be to direct the Escrow Agent to refund to Purchaser the Deposit, and to pay Purchaser's net cost of examining title, which cost is not to exceed the charges fixed by the local board of title underwriters and actually to be paid by Purchaser, and survey charges actually to be paid by Purchaser, which charges for title examination and survey are not to exceed \$5,000, whereupon this Agreement shall be deemed cancelled and the parties hereto shall be released of all obligations and liabilities under this Agreement, except those that are expressly stated to survive the cancellation or termination of this Agreement.

(ii) In the event of any default on the part of Seller or Seller's failure to comply with any representation, warranty or agreement in any material respect, Purchaser shall be entitled to terminate this Agreement upon notice to Seller, in which event the Deposit shall be returned by Escrow Agent to Purchaser and neither party shall thereafter have any further obligations under this Agreement; to commence an action against Seller seeking specific performance of Seller's obligations under this Agreement; to pursue all of its remedies at law or in equity; or to do any or all of the above.

(c) The acceptance of the Deed by Purchaser shall be deemed a full performance and discharge of every agreement and obligation of Seller to be performed under this Agreement, except those, if any, which are specifically stated in this Agreement to survive the Closing.

21. ASSESSMENT

If, on the Closing Date, the Premises or any part thereof shall be or shall have been affected by an assessment or assessments which are or may become payable in annual installments, of which the first installment is either then a charge or lien or has been paid, then for the purposes of this Agreement all the unpaid installments of any such assessment, including those which are to become due and payable after the Closing Date, shall be deemed to be due and payable and to be liens upon the Premises and shall be paid and discharged by Seller on the Closing Date.

22. CLOSING

The closing and delivery of the Deed (the "Closing") shall take place at the offices of Pryor, Cashman, Sherman & Flynn, 410 Park Avenue, New York, New York 10022 on or about the Closing Date, but subject to extension by Seller as provided in Section 7. Upon notice to Seller, Purchaser may elect to accelerate the Closing Date to a date not less than five (5) days after the date of Purchaser's notice.

23. NOTICE

All notices, demands, requests, or other writings in this Agreement provided to be given or made or sent, or which may be given or made or sent, by either party hereto to the other or by Escrow Agent, shall be in writing and shall be delivered by depositing the same with any nationally recognized overnight delivery service, or by telecopy or fax machine, in either event with all transmittal fees prepaid, properly addressed, and sent to the following addresses:

If to Purchaser: Mount Airy Realty Associates L.P.
c/o Cali Realty Corporation
11 Commerce Drive
Cranford, New Jersey 07016
Attn: John J. Cali and Roger W. Thomas, Esq.
(908) 272-8000 (tele.)
(908) 272-6755 (fax)

with a copy to: Andrew S. Levine, Esq.
Pryor, Cashman, Sherman & Flynn
410 Park Avenue
New York, New York 10022
(212) 326-0414 (tele.)
(212) 326-0806 (fax)

If to Seller: Paul L. Ferber
Mt. Airy Associates/Management
P.O. Box 421
Basking Ridge, New Jersey
(908) 221-0882 (tele.)
(908) 221-0056 (fax)

with a copy to: T. Thomas Van Dam, Esq.
Sinisi, Van Dam, Sproviero & Sokolich
Two Sears Drive
Paramus, New Jersey 07652
(201) 599-1600 (tele.)
(201) 599-1616 (fax)

If to Escrow Agent: First American Title Insurance
Company of New York
228 East 45th Street
New York, New York 10017
(212) 922-9700 (tele.)
(212) 922-0881 (fax)

or to such other address as either party may from time to time designate by written notice to the other or to the Escrow Agent. Notices given by (i) overnight delivery service as aforesaid shall be deemed received and effective on the first business day following such dispatch and (ii) telecopy or fax machine shall be deemed given at the time and on the date of machine transmittal provided same is sent prior to 4:00 p.m. on a business day (if sent later, then notice shall be deemed given on the next business day) and if the sending party receives a written send confirmation on its machine and forwards a copy thereof by regular mail accompanied by such notice or communication. Notices may be given by counsel for the parties described above, and such Notices shall be deemed given by Purchaser or Seller, as the case may be, for all purposes hereunder.

24. ESCROW AGREEMENT

Upon the signing of this Agreement by the parties, Purchaser shall deliver the Deposit to the Escrow Agent. The parties agree that the Deposit shall be held by the Escrow Agent in escrow and disposed of only in accordance with the provisions of this Section 24. The parties agree that if the Deposit is cash, such cash shall be invested in an assignable interest-bearing certificate of deposit, money market fund, treasury bill or other similar security approved by Seller and Purchaser, and all interest accruing thereon shall be paid to Purchaser, except as otherwise provided herein.

(a) The Escrow Agent will deliver the Deposit to Seller or to Purchaser, as the case may be, under the following conditions:

(i) To Seller on the Closing Date;

(ii) To Seller upon receipt of written demand therefor, such demand stating that Purchaser has defaulted in the performance of this Agreement and specifically setting forth the facts and circumstances underlying such default. The Escrow Agent shall not honor such demand until more than five (5) days have elapsed after the Escrow Agent has mailed a copy of such demand to Seller or Purchaser, as the case may be, nor thereafter if the Escrow Agent shall have received written notice of objection from Purchaser in accordance with the provisions of clause (b) of this Section 24; or

(iii) To Purchaser upon receipt of written demand therefor, such demand stating that this Agreement has been terminated in accordance with the provisions hereof, or Seller has defaulted in the performance of this Agreement, and specifically setting forth the facts and circumstances underlying the same. The Escrow Agent shall not honor such demand until more than five (5) days have elapsed after the Escrow Agent has mailed a copy of such demand to Seller or Purchaser, as the case may be, nor thereafter, if the Escrow Agent shall have received written notice of objection from the other party in accordance with the provisions of clause (b) of this Section 24.

(b) Upon the filing of a written demand for the Deposit by Purchaser or Seller, pursuant to subclause (ii) or (iii) of clause (a) of this Section 24, the Escrow Agent shall promptly mail a copy thereof to the other party. The other party shall have the right to object to the delivery of the Deposit by filing written notice of such objection with the Escrow Agent at any time within five (5) days after the mailing of such copy to it, but not thereafter. Such notice shall set forth the basis for objecting to the delivery of the Deposit. Upon receipt of such notice, the Escrow Agent shall promptly mail a copy thereof to the party who filed the written demand.

(c) In the event the Escrow Agent shall have received the notice of objection provided for in clause (b) above and within the time therein prescribed, the Escrow Agent shall continue to hold the Deposit until (i) the Escrow Agent receives written notice from Seller and Purchaser directing the

disbursement of said Deposit, in which case, the Escrow Agent shall then disburse said Deposit in accordance with said direction, or (ii) in the event of litigation between Seller and Purchaser, the Escrow Agent shall deliver the Deposit to the Clerk of the Court in which said litigation is pending, or (iii) the Escrow Agent takes such affirmative steps as the Escrow Agent may, in the Escrow Agent's reasonable opinion, elect in order to terminate the Escrow Agent's duties including, but not limited to, depositing the Deposit with the Court and bringing an action for interpleader, the costs thereof to be borne by whichever of Seller or Purchaser is the losing party.

(d) The Escrow Agent may act upon any instrument or other writing believed by it in good faith to be genuine and to be signed and presented by the proper person and it shall not be liable in connection with the performance of any duties imposed upon the Escrow Agent by the provisions of this Agreement, except for damage caused by the Escrow Agent's own negligence or willful default. The Escrow Agent shall have no duties or responsibilities except those set forth herein. The Escrow Agent shall not be bound by any modification of this Agreement, unless the same is in writing and signed by Purchaser and Seller, and, if the Escrow Agent's duties hereunder are affected, unless the Escrow Agent shall have given prior written consent thereto. In the event that the Escrow Agent shall be uncertain as to the Escrow Agent's duties or rights hereunder, or shall receive instructions from Purchaser or Seller which, in the Escrow Agent's opinion, are in conflict with any of the provisions hereof, the Escrow Agent shall be entitled to hold and apply the Deposit pursuant to clause (c) above and may decline to take any other action. The Escrow Agent shall not charge a fee for its services as escrow agent.

25. ASSIGNMENT.

Purchaser shall have the right, at its sole option, to assign its rights hereunder to an affiliate of Purchaser upon written notice to Seller.

26. ENVIRONMENTAL REPRESENTATIONS AND WARRANTIES;
COVENANTS; CONDITIONS.

A. Seller represents and warrants that to its knowledge after due inquiry (a) there are no Hazardous Materials on, emanating from or affecting at the Premises, except those in compliance with all applicable federal, state and local laws, ordinances, rules and regulations; (b) no current owner or occupant nor any prior owner or occupant of the Premises has received any notice or advice from any Governmental Authority or any source whatsoever with respect to Hazardous Materials on, at, emanating from or affecting the Premises; (c) no portion of the Premises has ever been used by Seller, or any current occupant or operator, or any former owner, occupant or operator to generate, manufacture, refine, produce, treat, store, handle, dispose of, transfer, process or transport Hazardous Materials, whether or not any of those parties has received notice or advice from any Governmental Authority or other source with respect thereto; (d) no portion of the Premises is now, or has ever been used as a "Major Facility," and Seller has not used, and does not intend to use, any portion of the Premises for that purpose; (e) Hazardous Materials have not been transported from the Premises to another location which is not in compliance with all applicable federal, state or local environmental laws, regulations or permit requirements; (f) the Premises does not constitute sanitary landfill as defined by N.J.S.A. ss. 1E-3 and N.J.A.C. ss. 7:26-1.4; and (g) the Premises is not the subject of any engineering or institutional contracts pursuant to P.L. 1993 c.139, or a groundmaster classification exception area. Seller has complied with, and represents and warrants compliance by all occupants of the Premises with, all applicable federal, state and local laws, ordinances, rules and regulations, and has kept the Premises free and clear of any liens imposed pursuant to such laws, ordinances, rules or regulations. In the event that Seller receives any notice or advice from any Governmental Agency or any source whatsoever with respect to Hazardous Materials on, at, emanating from or affecting the Premises, Seller shall immediately notify Purchaser.

B. Seller represents and warrants that to its knowledge after due inquiry, no lien has been attached to the Premises as a result of any action by the Commissioner of the NJDEP or its successor or its designee pursuant to the New Jersey Spill Compensation Fund as such term is defined in the Spill Act expending monies from said fund to pay for "cleanup and removal costs" or "natural resources" damages as a result of any "discharge" of any "hazardous substances" on or at the Premises, as such terms are defined in the Spill Act. Seller further represents, warrants, covenants and agrees that Seller has not in the past, and does not now own, operate or control any Major Facility or any hazardous or solid waste disposal facility.

C. Notwithstanding anything to the contrary contained in this Agreement, the obligation of the Purchaser to pay the Cash Payment and otherwise close title to the Premises on the Closing Date shall be subject to the condition that Seller obtain a Letter of Non-Applicability, which Seller shall promptly apply for and diligently pursue, pursuant to ISRA from the Industrial Site Evaluation Element or its successor (hereinafter called the "Element") of the NJDEP, on or before the date (hereinafter called the "ISRA Compliance Date"), that is thirty (30) days after the Execution Date. If this condition is

not satisfied on or before the ISRA Compliance Date, Purchaser shall have the right to extend the ISRA Compliance Date or to terminate this Agreement, in which event this Agreement shall be rendered null and void and of no further force or effect, Seller shall promptly reimburse Purchaser for the costs of obtaining its title search, appraisal and any survey of the Premises obtained by Purchaser, the Deposit shall promptly be paid to Purchaser, and neither party shall have any further liability or obligation to the other under or by virtue of this Agreement.

D. Seller shall provide Purchaser with all information, reports, studies and analysis which Seller delivered to the NJDEP in connection with the application for and issuance of the Letter of Non-Applicability.

E. For purposes of this Agreement, the term "Environmental Documents" shall mean all environmental documentation in the possession or under the control of Seller concerning the Premises or its environs including, without limitation, all sampling plans, cleanup plans, preliminary assessment plans and reports, site investigation plans and reports, remedial investigation plans and reports, remedial action plans and reports or the equivalent, sampling results, sampling result reports, quality assurance/quality control documentation, correspondence to or from the Element or any other Governmental Authority, submissions to the Element or any other municipal, county, state or federal Governmental Authority and directives, orders, approvals and disapprovals issued by the Element or any other Governmental Authority. Within five (5) days from the date of this Agreement, and subsequently promptly upon receipt by Seller or Seller's representatives, Seller shall deliver to Purchaser the following, to the extent not previously delivered and within Seller's possession or control: (i) all Environmental Documents concerning or generated by or on behalf of predecessors in title or former occupants of the Premises whether currently or hereafter existing; (ii) all Environmental Documents concerning or generated by or on behalf of Seller, whether currently or hereafter existing; (iii) all Environmental Documents concerning or generated by or on behalf of current or future occupants of the Premises, whether currently or hereafter existing; and (iv) a description of all known operations, past and present, undertaken at the Premises, and existing maps, diagrams and other Environmental Documents designating the location of past and present operations at the Premises and past and present storage of hazardous or toxic substances, pollutants or wastes, or fill materials, above or below ground, in, on, under or about the Premises or its environs.

F. Seller shall notify Purchaser in advance of all meetings scheduled between Seller or Seller's representatives and NJDEP and Purchaser, and Purchaser's representatives shall have the right, without obligation, to attend and participate in all such meetings.

G. Seller shall indemnify, defend and hold harmless Purchaser from and against all claims, liabilities, losses, damages, penalties and costs, foreseen or unforeseen including, without limitation, counsel, engineering, attorney and other professional or expert fees, which Purchaser may incur, resulting directly or indirectly, wholly or partly, from any misrepresentation or breach of warranty by Seller or by reason of Seller's action or non-action with regard to Seller's obligation under this Section 26.

H. Seller further represents and warrants the following to its knowledge, after due inquiry:

(i) No ss.104(e) informational request has been received by Seller issued pursuant to CERCLA.

(ii) Seller has not received a written notice of intention concerning the Premises to commence suit pursuant to the New Jersey Environmental Rights Act, N.J.S.A. 2A:35A-1 et seq., and, to its knowledge, there is no basis for such written notice to be issued to Seller.

(iii) The Premises is not subject to any statutory land use regulation administered by the United States of America, Army Corps. of Engineers or NJDEP, including, without limitation, the Coastal Area Facility Review Act.

I. Seller shall promptly notify Purchaser of, and shall promptly deliver to Purchaser, a certified true and complete copy of any notice (oral or written) Seller may receive from any Governmental Authority, concerning the Premises and a violation of any law, ordinance, rule, regulation or directive.

J. This Section 26 shall survive Closing.

27. MISCELLANEOUS

(a) If any instrument or deposit is necessary in order to obviate a defect in or objection or exception to title, the following shall apply: (i) any such instrument shall be in such form and shall contain such terms and conditions as may be required by the Title Company to omit any defect, objection or exception to title, (ii) any such deposit shall be made with the Title Company, and (iii) Seller agrees to execute, acknowledge and deliver any

such instrument and to make any such deposit.

(b) This Agreement constitutes the entire agreement between the parties and incorporates and supersedes all prior negotiations and discussions between the parties.

(c) This Agreement cannot be amended, waived or terminated orally, but only by an agreement in writing signed by the party to be charged.

(d) This Agreement shall be interpreted and governed by the laws of the State of New Jersey and shall be binding upon the parties hereto and their respective successors and assigns.

(e) Whenever in this Agreement there is a provision for the return of the Deposit, the provision shall be deemed to include all interest earned thereon and paid to Purchaser.

(f) The caption headings in this Agreement are for convenience only and are not intended to be part of this Agreement and shall not be construed to modify, explain or alter any of the terms, covenants or conditions herein contained.

(g) If any term, covenant or condition of this Agreement is held to be invalid, illegal or unenforceable in any respect, this Agreement shall be construed without such provision.

(h) Each party shall, from time to time, execute, acknowledge and deliver such further instruments, and perform such additional acts, as the other party may reasonably request in order to effectuate the intent of this Agreement. Nothing contained in this Agreement shall be deemed to create any rights or obligations of partnership, joint venture or similar association between Seller and Purchaser. This Agreement shall be given a fair and reasonable construction in accordance with the intentions of the parties hereto, and without regard to or aid of canons requiring construction against Seller, Purchaser or the party whose counsel drafted this Agreement.

(i) This Agreement shall not be effective or binding until such time as it has been executed and delivered by all parties hereto. This Agreement may be executed by the parties hereto in counterparts, all of which together shall constitute a single Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

PURCHASER

MOUNT AIRY REALTY ASSOCIATES L.P.

By: Cali Sub IX, Inc.,
its general partner

By: _____
Name:
Title:

SELLER

METFER - II

By: _____
Name:
Title:

The undersigned is executing this Agreement in order to evidence its agreement to be bound by the provisions of Section 12.

METFER - I

By: _____
Name:
Title:

The undersigned joins in the execution of the Agreement solely for the purpose of acknowledging the receipt of the Deposit and its agreement to hold the Deposit in escrow in accordance with the terms hereof.

ESCROW AGENT

By: _____

Name:

Title:

Exhibit A

(Land)

Exhibit B

(List of Personal Property)

None

Exhibit C

(Deleted Prior to Execution)

Exhibit D

(Title Exceptions)

Exhibit E

(Estoppel Certificate)

Exhibit F

(Assignment of Leases and Intangible Property)

Exhibit G

(Rent Roll)

Exhibit H

(Assignment of Service Contracts)

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