

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 8-K

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

Date of report (Date of earliest event reported): March 28, 2006

**MACK-CALI REALTY CORPORATION**  
(Exact Name of Registrant as Specified in Charter)

Maryland  
(State or Other Jurisdiction  
of Incorporation)

1-13274  
(Commission File Number)

22-3305147  
(IRS Employer  
Identification No.)

11 Commerce Drive, Cranford, New Jersey, 07016  
(Address of Principal Executive Offices) (Zip Code)

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

**MACK-CALI REALTY, L.P.**  
(Exact Name of Registrant as Specified in Charter)

Delaware  
(State or Other Jurisdiction  
of Incorporation)

333-57103  
(Commission File Number)

22-3315804  
(IRS Employer  
Identification No.)

11 Commerce Drive, Cranford, New Jersey, 07016  
(Address of Principal Executive Offices) (Zip Code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 1.01 Entry Into A Material Definitive Agreement.**

On March 7, 2006, Mack-Cali Realty, L.P. (the "Operating Partnership"), the operating partnership of Mack-Cali Realty Corporation (the "General Partner"), entered into a Membership Interest Purchase and Contribution Agreement (the "Gale Contribution Agreement") by and among the Operating Partnership, Mack-Cali Realty Acquisition Corp., a wholly-owned subsidiary of the Operating Partnership, and Mr. Stanley C. Gale and SCG Holding Corp., a corporation owned and controlled by Mr. Gale (collectively, the "Gale Sellers"), to acquire all of the Gale Sellers' ownership interests (the "Gale Transferred Interests") in The Gale Services Company, L.L.C. and the Gale Construction Services Company, L.L.C., which entities engage in real property management, construction management, facilities management, and leasing and real estate brokerage services, and to acquire certain other interests of the Gale Sellers in other development-stage joint ventures. The Gale Contribution Agreement was filed as Exhibit 10.1 to the Current Report on Form 8-K dated March 7, 2006 filed by the General Partner and the Operating Partnership.

On March 31, 2006, the Operating Partnership and the Gale Sellers executed Amendment No. 1 to the Gale Contribution Agreement (the "Amendment"), which provided for certain changes in the Gale Contribution

Agreement and Exhibits D and H thereto. A copy of the Amendment is filed herewith as Exhibit 10.1 and is incorporated herein by reference.

**Item 5.02 Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers.**

On March 28, 2006, Martin S. Berger, a member of the Board of Directors (the "Board of Directors") of the General Partner who has shared a board seat with Robert F. Weinberg since 1997 pursuant to their mutual agreement and each as a designee of the Robert Martin Company LLC, announced that he would not stand for re-election to the Board of Directors at the General Partner's 2006 annual meeting of stockholders (the "Annual Meeting") pursuant to his agreement with Mr. Weinberg, who has been nominated for election to the Board of Directors at the Annual Meeting in lieu of Mr. Berger. If elected to the Board of Directors at the Annual Meeting, it is expected that Mr. Weinberg will continue to share his board seat with Mr. Berger and that the board seat will be rotated between Mr. Weinberg and Mr. Berger annually. When not serving on the Board of Directors, each of Mr. Berger and Mr. Weinberg serves on the General Partner's Advisory Board.

Also on March 28, 2006, acting on the recommendation of the Nominating and Corporate Governance Committee of the Board of Directors (the "Nominating and Corporate Governance Committee"), the Board of Directors:

- 1) nominated John R. Cali, Mitchell E. Hersh, Irvin D. Reid and Mr. Weinberg for election as Class III directors of the General Partner at the Annual Meeting; and

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- 2) appointed Kenneth M. Duberstein to serve as a member of the Executive Compensation and Option Committee of the Board of Directors.

**Item 8.01 Other Events.**

In September 2005, the General Partner adopted amendments to the Mack-Cali Realty Corporation Corporate Governance Principles (the "Corporate Governance Principles") in response to a stockholder proposal approved at the annual meeting of stockholders of the General Partner held on June 23, 2005. Those amendments provided that if, in any uncontested election of directors of the General Partner, a director nominee has a greater number of votes "withheld" from his or her election than votes cast "for" his or her election, such director nominee shall tender his or her resignation for consideration by the Nominating and Corporate Governance Committee, which would make a recommendation to the Board of Directors on whether to accept or reject the resignation.

On March 28, 2006, the Board of Directors of the General Partner approved and adopted the amendment and restatement of the Corporate Governance Principles to conform the majority vote provisions in the Corporate Governance Principles to published best practices, including the "meaningful alternative" to majority voting model suggested by Institutional Shareholder Services, one of the nation's leading independent voting advisory services ("ISS").

The new amendments to the Corporate Governance Principles provide that directors of the General Partner are elected by a plurality of the votes cast at a meeting of stockholders in accordance with the laws of the State of Maryland, but if a director receives more "withhold" votes than "for" votes, the director must tender his or her resignation for consideration by the Nominating and Corporate Governance Committee. A final determination regarding the director's resignation must be made by the Nominating and Corporate Governance Committee within ninety (90) days from the date of the stockholder vote. The Nominating and Corporate Governance Committee will then promptly evaluate all relevant factors relating to the election results, including, but not limited to: (i) the underlying reasons why a majority of affirmative votes was not received (if ascertainable), (ii) the director's background, experience and qualifications, (iii) the director's length of service on the Board of Directors and contributions to the General Partner, and (iv) whether the director's service on the Board of Directors is consistent with applicable regulatory requirements, listing standards, the Corporate Governance Principles and the corporate governance guidelines of independent advisory firms such as ISS.

Subject to any applicable legal or regulatory requirements, the Nominating and Corporate Governance Committee shall, within ninety (90) days from the date of the stockholder vote, decide whether to accept the resignation, reject the resignation or, if appropriate, conditionally reject the resignation and retain the director in office only if the underlying causes of the withheld votes can be promptly and completely cured. A full explanation of the Nominating and Corporate Governance Committee's decision will be

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promptly publicly disclosed in a periodic or current report filed with the Securities and Exchange Commission. Any director who tenders his or her resignation pursuant to this principle and any non-independent director will not participate in the deliberations and decisions made thereunder.

The Corporate Governance Principles, as amended and restated, are filed herewith as Exhibit 99.1.

**Item 9.01 Financial Statements and Exhibits.**

**(c) Exhibits.**

<u>Exhibit No.</u>	<u>Description</u>
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- 10.1 Amendment No. 1 to Membership Interest Purchase and Contribution Agreement dated as of March 31, 2006.
- 99.1 Mack-Cali Realty Corporation Amended and Restated Corporate Governance Principles.
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### SIGNATURES

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

#### MACK-CALI REALTY CORPORATION

Dated: April 3, 2006

By: /s/ ROGER W. THOMAS  
Roger W. Thomas  
Executive Vice President,  
General Counsel and Secretary

#### MACK-CALI REALTY, L.P.

By: Mack-Cali Realty Corporation,  
its general partner

Dated: April 3, 2006

By: /s/ ROGER W. THOMAS  
Roger W. Thomas  
Executive Vice President,  
General Counsel and Secretary

### EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
10.1	Amendment No. 1 to Membership Interest Purchase and Contribution Agreement dated as of March 31, 2006.
99.1	Mack-Cali Realty Corporation Amended and Restated Corporate Governance Principles.

**AMENDMENT NO. 1 TO MEMBERSHIP INTEREST PURCHASE AND CONTRIBUTION  
AGREEMENT**

AMENDMENT No. 1 (this "Amendment"), dated as of March 31, 2006, to the Membership Interest Purchase and Contribution Agreement (the "Agreement"), dated as of March 7, 2006, by and among Mr. Stanley C. Gale ("SG"), SCG Holding Corp., a Delaware corporation ("SCG" and together with SG, the "Sellers"), Mack-Cali Realty Acquisition Corp., a Delaware corporation, or its designee (the "Purchaser"), and Mack-Cali Realty, L.P., a Delaware limited partnership ("MCRLP"). Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Agreement.

**RECITALS:**

WHEREAS, the Purchaser, MCRLP and the Sellers have entered into the Agreement;

WHEREAS, pursuant to and in accordance with Section 10.7 of the Agreement, the parties wish to amend the Agreement as set forth in this Amendment;

NOW, THEREFORE, in consideration of the rights and obligations contained herein, and for other good and valuable consideration, the adequacy of which is hereby acknowledged, the parties agree as follows:

Section 1. Amendments to the Agreement. (a) Section 1.01 of the Agreement is hereby amended by adding the following defined term:

"License Agreement" means a license to the Purchaser to use the trademark listed in Section 1.01(b) of the Disclosure Schedule in form and on the terms and conditions to be agreed upon by the Purchaser and SG prior to the Closing.

(b) The definition of "Ancillary Agreements" in Section 1.01(a) of the Agreement is hereby amended by adding at the end thereof the phrase "and the License Agreement".

(c) Section 5.05(b) of the Agreement is hereby amended by adding the phrase "Except as otherwise provided in Section 5.22 hereof," at the beginning thereof.

(d) Section 5.22 of the Agreement is hereby amended in its entirety to be and read in its entirety as follows:

"Section 5.22 Non-Portfolio Real Property Interests. (a) Prior to the Closing, the parties shall negotiate in good faith, and prepare and enter into an appropriate acquisition or contribution agreement or agreements (the "Non-Portfolio Real Property Interest Purchase Agreement") as may be desirable to effect the option, sale or transfer of the membership interests of those certain

limited liability companies holding the real property interests identified on Exhibit H (each a "Non-Portfolio Interest") to the Purchaser from the parties identified thereon. Exhibit H sets forth (i) the amount of consideration to be paid for each Non-Portfolio Interest, and (ii) the ownership percentage each Non-Portfolio Interest represents in the real property related thereto. Each of the parties hereto hereby agree that the parties may mutually amend Exhibit H from time to time prior to the Closing. The Non-Portfolio Real Property Interest Purchase Agreement shall provide that the Sellers shall use their commercial best efforts to obtain such third-party consents as shall be necessary in order to consummate the option, sale or transfer each Non-Portfolio Interest to the Purchaser (the "Non-Portfolio Consents") and that the Purchaser's obligations thereunder are subject to the receipt of such Non-Portfolio Consents in form and substance reasonably satisfactory to the Purchaser. The Non-Portfolio Real Property Interest Purchase Agreement shall further provide that the applicable sellers will be entitled to participate equally with Purchaser in the economic benefit generated by the properties after Purchaser recovers the amount of consideration it paid for such interest plus a preferred return of ten percent (10%). The parties hereto hereby further agree to consummate the transactions contemplated by the Non-Portfolio Real Property Interest Purchase Agreement, on the terms and conditions substantially set forth therein, simultaneously with or prior to the Closing, subject to the receipt of the applicable Non-Portfolio Consents.

(b) In the event that any Non-Portfolio Consent is not obtained at or prior to the Closing, the parties hereto agree that additional closings may be made to effect the option, sale or transfer of the applicable Non-Portfolio Interests within ninety (90) days following the Closing, in each case, promptly upon the receipt of the applicable Non-Portfolio Consents.

(c) In the event that any Non-Portfolio Consent is not obtained within ninety (90) days following the Closing, the Sellers shall be required to promptly thereafter implement any relevant "buy-sell" provisions with respect to the related Non-Portfolio Interest, at a price not less than the price specified on Exhibit H (provided, that if Purchaser shall specify a higher price, the Sellers shall implement such "buy-sell" provisions at such higher price). If the other party to the "buy-sell" shall agree to acquire the Non-Portfolio Interest at the price offered by the Sellers, then the Sellers shall sell such Non-Portfolio Interest to such other party at the specified purchase price (and shall turn over to the Purchaser any portion of consideration received which

is in excess of the price specified on Exhibit H). If the other party to the “buy-sell” shall require the Sellers to acquire such other party’s interest, then the Purchaser shall, and MCRLP shall cause the Purchaser to, acquire both such other party’s interest (at the price specified by the Sellers to the other party) and the Sellers’ interest (at the price specified on Exhibit H). In addition, the Purchaser shall, and MCRLP shall cause the Purchaser to, reimburse the Sellers for all reasonable costs and expenses incurred by the Sellers in implementing and consummating the “buy-sell” contemplated hereby.

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(d) Notwithstanding the foregoing, in the event that there shall not be any “buy-sell” provisions with respect to any Non-Portfolio Interest and the relevant Non-Portfolio Consent shall not have been obtained within ninety (90) days following the Closing, then the Purchaser shall provide written notice to the Sellers, within two (2) Business Days thereafter, of its agreement to either (i) accept the option, sale or transfer of the beneficial economic interests and burdens of the applicable Non-Portfolio Interests or (ii) agree to terminate its obligations to purchase the applicable Non-Portfolio Interests and release the applicable sellers from their obligations to option, sell or transfer such Non-Portfolio Interests. Notwithstanding anything contained herein to the contrary, in the event that any Non-Portfolio Consent is not received and the Purchaser agrees to terminate its obligations to purchase such Non-Portfolio Interest, nothing contained in this Agreement or in the Non-Portfolio Real Property Interest Purchase Agreement shall prohibit the applicable sellers from owning such Non-Portfolio Interest and operating the real property related to such Non-Portfolio Interest.”

(e) Section 7.01 of the Agreement is hereby amended by deleting clause (d) thereof in its entirety.

(f) Section 7.02 of the Agreement is hereby amended by deleting clause (g) thereof in its entirety and replacing it with the following:

“(g) No Material Adverse Effect. Since the Financial Statements Date there shall not have occurred a Material Adverse Effect.”

(g) Article X of the Agreement is hereby amended by adding the following new Section 10.15:

“Section 10.15. Specific Performance. Each of the parties hereto acknowledges and agrees that the other party would be irreparably damaged if any of the provisions of this Agreement are not performed in accordance with their specific terms and that any breach of this Agreement by the other party may not be adequately compensated in all cases by monetary damages alone. Accordingly, in addition to any other right or remedy to which each party may be entitled, at law or in equity, each party shall be entitled to enforce the provisions of this Agreement by a decree of specific performance and to temporary, preliminary and permanent injunctive relief to prevent breaches or threatened breaches of any of the provisions of this Agreement, without posting any bond or other undertaking.”

(h) The definition of “Gross Income Threshold” in Exhibit D of the Agreement is hereby amended by replacing the amount of “\$15,000,000” in the definition thereof with the amount of “\$16,000,000”.

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(i) The definition of “Net Income Threshold” in Exhibit D of the Agreement is hereby amended by replacing the amount of “\$5,000,000” in the definition thereof with the amount of “\$6,000,000”.

(j) Exhibit H of the Agreement is hereby amended in its entirety and replaced as set forth on Exhibit H to this Amendment.

Section 2. Assignment. This Amendment may not be assigned by operation of Law or otherwise without the prior express written consent of the Sellers, and the Purchaser or MCRLP which consent may be granted, conditioned, delayed or withheld in the sole discretion of the Sellers or the Purchaser or MCRLP, as the case may be. Notwithstanding the foregoing, the Purchaser may assign any or all of its interests in this transaction to one or more Affiliates, provided, that any such assignment shall not relieve the Purchaser from its obligations hereunder.

Section 3. Entire Agreement. This Amendment constitutes the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and undertakings, both written and oral, between the Purchaser, MCRLP and the Sellers with respect to the subject matter hereof. Except as amended by this Amendment, the Agreement shall continue in full force and effect.

Section 4. Severability. If any term or other provision of this Amendment shall be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect the validity or

enforceability of the remainder of this Amendment or the validity or enforceability of this Amendment in any other jurisdiction.

Section 5. Counterparts. This Amendment shall not be effective or binding until such time as it has been executed and delivered by all parties hereto. This Amendment may be executed and delivered (including by facsimile transmission or portable document format (PDF)) in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement.

Section 6. Governing Law. This Amendment and all others arising out of or relating to this Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware.

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IN WITNESS WHEREOF, the Purchaser, MCRLP and the Sellers have caused this Amendment to be executed as of the date first written above by their respective officers thereunto duly authorized.

**MACK-CALI REALTY ACQUISITION CORP.,**  
a Delaware corporation

By: /s/ MITCHELL E. HERSH  
Name: Mitchell E. Hersh  
Title: President and Chief Executive Officer

**MACK-CALI REALTY L.P.,**  
a Delaware limited partnership

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

By: /s/ MITCHELL E. HERSH  
Name: Mitchell E. Hersh  
Title: President and Chief Executive Officer

**SCG HOLDING CORP.**

By: /s/ STANLEY C. GALE  
Name: Stanley C. Gale  
Title: Chief Executive Officer

**STANLEY C. GALE**

/s/ STANLEY C. GALE

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EXHIBIT H

NON-PORTFOLIO REAL PROPERTY INTERESTS

	<u>Size</u> <u>(SF)</u>	<u>Value per</u> <u>SF</u>	<u>Value</u>	<u>TGC Interest</u>	<u>Current TGC</u> <u>Cost/Value(f)</u>	<u>Partner</u>
<b>3 Campus Dr.</b>	122,000	\$35.00	\$4,270,000	50.0% (b)	\$2,135,000(a)	Landis 50% (b)
<b>Center of Morris</b>						
<b>County:</b>						
100 Kimball	175,000	\$68.57		8.3%	\$991,654	JPM 75% Hampshire 16.7%
One Jefferson	100,000	\$40.00		8.3%	\$424,625(e)	JPM 75% Hampshire 16.7%

<b>12 Vreeland</b> ((\$11,313,017 million of debt in place))	139,750	\$180.00	\$25,155,000			
			Stan Gale	15.0%	\$2,076,297	
			Mark Yeager	7.5%	\$1,038,149	S&K 50%
			Tom Walsh	2.5%	\$346,050	Former Gale employees 25%
			Finn Wentworth	15.0%	\$2,076,297	
			K. Weilkopolski	5.0%	\$692,099	
			Gene Diaz	3.75%	\$519,074	
			<u>Bart Oates</u>	<u>1.25%</u>	<u>\$173,025</u>	
			Total	50.0%	\$6,920,991	
<b>Princeton Forrester Village</b>	550,000			10.0%	\$1,774,500	GE 80% Witmond 5% Mandelbaum 5%
<b>Offices at Bedminster</b>	190,000		Stan Gale	10.6%		
			Mark Yeager	3.375%		JPM 70%
<b>One Newark Center</b>	419,000			TBD		Pracidium
<b>Belmar—Redevelopment Rights</b>				Generally 100% Hunt-50% DiFeo-85%	\$1,500,035	TBD
<b>Newark Transit Village</b>				50%	\$551,864	Ivor Braka
<b>Florham Park Corporate Campus (Exxon)</b>	600,000	\$35.00 (c)	21,000,000	50%	\$10,500,000	The Rockefeller Development Group Corp.
<b>55 Corporate Dr. (d)</b>				50%	\$10,000,000	SL Green

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- (a) Subject to a payment of \$915,000 to the Morgan Stanley interests.
- (b) Assumes exercise of option to buy out Morgan Stanley interests.
- (c) Value based upon approvals in place, which are not currently vested. This would be an option to acquire our interest in the office portion of this development. 35/sq ft price subject to reduction to support a yield of 10%, and if the adjusted price goes below 25/sq ft Gale can terminate
- (d) Only insofar as it relates to our interest in the pad site for building 4
- (e) Expected future contribution to be funded prior to closing of the subject transaction
- (f) Subject to change if additional TGC capital contributions are made. Such TGC capital contributions shall not exceed \$500,000 in the aggregate without the prior consent of Purchaser, such consent not to be unreasonably withheld or delayed.

**MACK-CALI REALTY CORPORATION**

**CORPORATE GOVERNANCE PRINCIPLES  
(as amended and restated as of March 28, 2006)**

**Role and Composition of the Board of Directors**

I. Role

The Board of Directors (the "Board") of Mack-Cali Realty Corporation (the "Company"), which is elected by the shareholders, is the ultimate decision-making body of the Company except with respect to those matters reserved to the shareholders. It selects the senior management team, which is charged with the conduct of the Company's business. Although management is responsible for the day-to-day business operations of the Company, having selected the senior management team, the Board acts as an advisor and counselor to senior management and ultimately monitors its performance. The Board, and each committee of the Board, has complete access to management. In addition, the Board and each committee of the Board has access to independent advisors as each deems necessary or appropriate. The function of the Board in monitoring the performance of the senior executives of the Company is largely fulfilled by the presence of outside directors of stature who have a substantive knowledge of the Company's business.

The Board provides oversight with respect to the strategic direction and key policies of the Company. The Board approves major initiatives, advises on significant financial and business objectives and monitors progress with respect to such matters.

The Board also plans for succession to the position of Chief Executive Officer (the "CEO"), as well as certain other senior management positions. To assist the Board, the CEO periodically provides the Board with an assessment of executive management and potential succession plans.

In discharging their obligations, directors are entitled to rely on the honesty and integrity of the Company's executives and its internal and external advisors and auditors. The directors also shall be entitled to have the Company purchase reasonable directors' and officers' liability insurance on their behalf, to the benefits of indemnification to the fullest extent permitted by law and the Company's articles of incorporation and by-laws, and to exculpation as provided by applicable law and the Company's articles of incorporation.

II. Composition: Membership

*Size; Qualifications.*

The Board's optimum size is seven to thirteen members. It is the policy of the Company that the Board consist of a majority of independent directors, who shall satisfy the independence requirements of the New York Stock Exchange, and that the number of directors not exceed a number that can function efficiently as a body. Directors of the Company should be ethical individuals of proven judgment and competence, possessing professional experience and skills that are complementary to the needs of the Company. In addition, directors should have demonstrated the ability to exercise sound business judgment and be willing to devote sufficient time to fulfill their obligations to the Company and its shareholders.

*Term.*

The Board does not favor term limits for directors, but believes that it is important to monitor overall Board performance.

*Selection of Directors; Resignation.*

The Nominating and Corporate Governance Committee, in consultation with the Chairman of the Board and the CEO, considers and makes recommendations to the Board concerning the appropriate size and needs of the Board. The Nominating and Corporate Governance Committee considers candidates to fill new positions created by expansion and vacancies that occur by resignation, by retirement or for any other reason. Candidates are selected for their character, judgment, business experience and acumen. Final approval of a candidate is determined by the full Board. The Nominating and Corporate Governance Committee and the Executive Compensation and Option Committee (the "Compensation Committee") annually review the compensation of directors.

If, in any uncontested election of directors of the Company, a director nominee has a greater number of votes "withheld" from his or her election than votes cast "for" his or her election, such director nominee shall promptly tender his or her resignation for consideration by the Nominating and Corporate Governance Committee. A vote will be considered "withheld" from a director nominee if a shareholder withholds authority to vote for such director nominee in any proxy granted by such shareholder in accordance with instructions contained in the proxy statement or accompanying proxy card circulated for the meeting of shareholders at which the election of directors is to be held. The Nominating and Corporate Governance Committee will then promptly evaluate all relevant factors relating to the election results, including, but not limited to: (i) the underlying reasons why a majority of affirmative votes was not received (if ascertainable), (ii) the director's background, experience and qualifications, (iii) the



director's length of service on the Board and contributions to the Company, and (iv) whether the director's service on the Board is consistent with applicable regulatory requirements, listing standards, the Company's Corporate Governance Principles and the corporate governance guidelines of independent advisory firms such as Institutional Shareholder Services. Subject to any applicable legal or regulatory requirements,

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the Nominating and Corporate Governance Committee shall, within ninety (90) days of the date on which certification of the stockholder vote is made, decide whether to accept the resignation, reject the resignation or, if appropriate, conditionally reject the resignation and retain the director in office only if the underlying causes of the withheld votes can be promptly and completely cured. A full explanation of the Nominating and Corporate Governance Committee's decision will be promptly publicly disclosed in a periodic or current report filed with the Securities and Exchange Commission. Any director who tenders his or her resignation pursuant to this principle and any non-independent director will not participate in the deliberations and decisions made hereunder. The foregoing guidelines will be summarized or included in the Company's annual proxy statement.

In addition, a director shall tender his or her resignation for consideration by the Nominating and Corporate Governance Committee if such director's principal occupation or business association changes substantially during his or her tenure as a director. The Nominating and Corporate Governance Committee will recommend to the Board the action, if any, to be taken with respect to any such resignation tendered to the Nominating and Corporate Governance Committee for consideration.

*Board Action; Committees; Orientation.*

It is the general policy of the Company that all major decisions be considered by the Board as a whole. As a consequence, the committee structure of the Board is limited to those committees considered to be basic to, or required for, the operation of a publicly owned company. Currently, these committees are the Executive Committee, Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee. The members of these committees are recommended to the Board by the Nominating and Corporate Governance Committee in consultation with the CEO. The Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee are made up of only independent directors. The membership of these three committees is rotated from time to time.

In furtherance of its policy of having major decisions made by the Board as a whole, the Company has a full indoctrination and continuing education process for Board members that includes extensive materials, meetings with key management and visits to Company properties. The Company's orientation program for each new director includes, among other things, a review of the Company's business, financial condition, strategy, ethical obligations, key issues and other relevant topics.

### **CEO Evaluation**

The Compensation Committee is responsible for setting annual and long-term performance goals for the CEO and for evaluating his or her performance against such

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goals. The Compensation Committee meets annually with the CEO to receive his or her recommendations concerning such goals. The Compensation Committee then meets with the CEO to evaluate his or her performance against such goals. The Compensation Committee also is responsible for setting annual and long-term compensation for the CEO. These decisions are approved or ratified by action of the independent directors of the Board at a meeting or executive session of that group.

The CEO is responsible for establishing effective communications with the Company's stakeholder groups, i.e., shareholders, customers, company associates, communities, suppliers, creditors, governments and corporate partners. It is the policy of the Company that management speaks for the Company. This policy does not preclude outside directors from meeting with shareholders, but it is suggested that any such meetings be held in the presence of management.

### **Functioning of the Board of Directors and its Committees**

#### **I. Board Meetings**

*Schedule and Agenda.*

The Board sets the annual schedule of Board and committee meetings. The Board shall hold a minimum of four meetings per year. Committee schedules are recommended by each committee in order to meet the responsibilities of that committee.

The Chairman of the Board sets the agenda for Board meetings with the understanding that certain items pertinent to the advisory and monitoring functions of the Board be brought to it periodically by the CEO for review. For example, the annual corporate budget is reviewed by the Board. Agenda items that fall

within the scope of responsibilities of a Board committee are reviewed with that committee. Any member of the Board may request that an item be included on the agenda.

*Distribution of Materials; Director Attendance.*

Board materials related to agenda items are provided to Board members sufficiently in advance of Board meetings where necessary to allow the directors to prepare for discussion of the items at the meeting. Directors are expected to attend all meetings and to have reviewed, prior to the meetings, all written materials distributed to them in advance.

*Senior Management Presence.*

At the invitation of the Board, members of senior management recommended by the CEO attend Board meetings or portions thereof for the purpose of participating in discussions. Generally, presentations of matters to be considered by the Board are made by the executive responsible for that area of the Company's operations. In addition, Board members have free access to all other members of management and employees of the Company and, as necessary and appropriate, Board

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members may consult with the Company's independent legal, financial and accounting advisors to assist in their duties to the Company and its shareholders.

*Executive Sessions of Non-Management Directors.*

The Company believes that regular scheduling of meetings of non-management directors is important in order to foster better communication among non-management directors. Accordingly, it is company policy that the non-management directors shall meet at regular executive sessions without management present. These meetings shall be held at least four times per year in conjunction with each regularly scheduled meeting of the Board.

In order for interested parties to be able to make their concerns known to the non-management directors, the Company has disclosed, and will continue to disclose, in the proxy statement for each annual meeting of the shareholders of the Company, a method for such parties to communicate directly with the non-management directors.

*Assessing Board and Committee Performance.*

The Board shall conduct an annual self-evaluation to determine whether it and its committees are functioning effectively. Each committee also shall conduct its own annual self-evaluation.

## II. Functioning of Committees

*Committee Composition; Meetings.*

As noted, the current committees of the Board are the Audit Committee, Compensation Committee, Executive Committee and Nominating and Corporate Governance Committee. The Audit, Compensation and Nominating and Corporate Governance Committees consists only of "independent" directors, as such term is defined under the listing standards of the New York Stock Exchange. In addition, members of the Audit Committee must satisfy the independence requirements of Section 10A of the Securities Exchange Act of 1934, as amended.

The length and agenda of meetings of each of the committees are determined by the committees. Sufficient time to consider the agenda items is provided. Materials related to agenda items are provided to the committee members sufficiently in advance of the meeting where necessary to allow the members to prepare for discussion of the items to be considered at the meeting.

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*Committee Charters.*

The Audit, Compensation and Nominating and Corporate Governance Committees shall each have appropriate written charters. The committee charters will be made available on the Company's website.

*Duties and Responsibilities of Committees.*

Executive Committee. The Executive Committee acts for the Board in between regularly scheduled meetings of the Board, within certain parameters prescribed by the Board.

Audit Committee. The Audit Committee has the authority and responsibilities set forth in its charter, which is available on the Company's website. In general, the Audit Committee authorizes and approves the engagement of the independent accountants, reviews with the independent accountants the scope and results of the audit engagement, approves professional audit and permissible non-audit services provided by the independent accountants, reviews the independence of the independent accountants, considers the range of audit and non-audit fees and reviews the adequacy of the Company's internal accounting controls.

Compensation Committee. The Compensation Committee has the authority and responsibilities set forth in its charter, which is available on the Company's website. In general, the Compensation Committee establishes remuneration levels for executive officers of the Company and implements incentive programs, including the Company's employee and director stock option plans.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee has the authority and responsibilities set forth in its charter, which is available on the Company's website. In general, the Nominating and Corporate Governance Committee makes recommendations for nominees to the Board, oversees the evaluation of the Board and its committees and the Company's senior executives and advises on changes in Board compensation.

#### **Conduct and Ethics Standards for Directors**

Directors (as well as officers and employees) are subject to applicable provisions of the Company's Code of Business Conduct and Ethics. Among other things, directors must conduct themselves in a manner that avoids actual or apparent conflicts of interest and that protects the Company's reputation. A conflict of interest occurs where a director's private interests interfere, or appears to interfere, in any way with the interests of the Company.

In addition, directors owe a duty to the Company and its shareholders to advance the Company's legitimate interests when an opportunity to do so arises. Accordingly, directors are prohibited from taking for themselves personally opportunities that are discovered through the use of corporate property, information or position. Similarly,

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directors are prohibited from using corporate property, information or position for personal gain and from competing with the Company.

#### **Periodic Review: Disclosure**

These Corporate Governance Principles are reviewed by the Board from time to time. These Corporate Governance Principles will be made available on the Company's website.

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