

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

FORM 10-K

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

For the fiscal year ended December 31, 1996

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

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) (IRS Employer Identification No.)

11 Commerce Drive, Cranford, New Jersey 07016-3599

(Address of principal executive offices) (Zip code)

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

Securities registered pursuant to Section 12(b) of the Act:

(Title of Each Class) (Name of Each Exchange on Which Registered)

Common Stock, \$0.01 par value New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

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 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K.

As of February 28, 1997, the aggregate market value of the voting stock held by non-affiliates of the registrant was \$1,304,410,000. The aggregate market value was computed with references to the closing price on the New York Stock Exchange on such date. This calculation does not reflect a determination that persons are affiliates for any other purpose.

As of February 28, 1997, 36,671,657 shares of common stock, \$.01 par value, of the Company (the "Common Stock") were outstanding.

LOCATION OF EXHIBIT INDEX: The index of exhibits is contained in Part IV herein on page number 121.

DOCUMENTS INCORPORATED BY REFERENCE: Portions of the registrant's definitive proxy statement to be issued in conjunction with the registrant's annual meeting of stockholders to be held on May 15, 1997, are incorporated by reference in Part III of this Form 10-K.

TABLE OF CONTENTS

FORM 10-K

PART I

Item 1 Business .....  
Item 2 Properties .....  
Item 3 Legal Proceedings.....  
Item 4 Submission of Matters to a Vote of Security Holders.....

PART II

Item 5 Market for Registrant's Common Stock and Related Stockholder Matters .....  
Item 6 Selected Financial Data.....  
Item 7 Management's Discussion and Analysis of Financial Condition and Results of

	Operations .....
Item 8	Financial Statements and Supplementary Data .....
Item 9	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.....

PART III

Item 10	Directors and Executive Officers of the Registrant .....
Item 11	Executive Compensation.....
Item 12	Security Ownership of Certain Beneficial Owners and Management.....
Item 13	Certain Relationships and Related Transactions .....

PART IV

Item 14	Exhibits, Financial Statements, Schedules and Reports on Form 8-K.....
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ITEM I. BUSINESS

GENERAL

Cali Realty Corporation (together with its subsidiaries, the "Company") is a fully-integrated real estate investment trust ("REIT") that owns and operates a portfolio comprised primarily of Class A office and office/flex properties, as well as commercial real estate leasing, management, acquisition, development and construction businesses. At December 31, 1996, the Company owned 100 percent of 56 properties, consisting of 37 office properties (the "Year-End Office Properties") and 19 office/flex properties (the "Year-End Office/Flex Properties"), encompassing an aggregate of approximately 7.1 million square feet, as well as one multi-family residential property (collectively, the "Year-End Properties"). On January 31, 1997, the Company acquired substantially all of the assets, consisting primarily of 65 properties (the "RM Properties") of the Robert Martin Company, LLC and affiliates ("RM"), for approximately \$450.0 million. As of February 28, 1997, following the acquisition of RM (the "RM Acquisition"), the Company owned 100 percent of 123 properties encompassing approximately 11.4 million square feet (collectively the "Properties"). See "Business -- Recent Developments." The Properties are comprised of 54 office properties containing an aggregate of approximately 8.0 million square feet (the "Office Properties"), 57 office/flex properties containing an aggregate of approximately 3.0 million square feet (the "Office/Flex Properties"), six industrial/warehouse properties containing an aggregate of approximately 400,000 square feet (the "Industrial/Warehouse Properties"), two multi-family residential properties, two stand-alone retail properties, two land leases, and land for the development of seven million square feet of office space. As of December 31, 1996, the Year-End Office Properties and the Year-End Office/Flex Properties, in the aggregate, were approximately 96.4 percent leased to approximately 550 tenants. As of February 28, 1997, the Office Properties and Office/Flex Properties, in the aggregate, were approximately 96.0 percent leased to approximately 1,100 tenants. The Company believes that its Properties have excellent locations and access and are well-maintained and professionally managed. As a result, the Company believes that its Properties attract high quality tenants and achieve among the highest rent, occupancy and tenant retention rates within their markets.

The Company's strategy has been to focus its development and ownership of office properties in sub-markets where it is, or can become, a significant and preferred owner and operator. The Company will continue this strategy by expanding, primarily through acquisitions, initially into sub-markets where it has, or can achieve, similar status. Consistent with its growth strategy, during 1996, the Company acquired 15 office properties for an aggregate acquisition cost of approximately \$459.4 million, including the acquisition on November 4, 1996 of the 1.9 million square foot Harborside Financial Center in Jersey City, Hudson County, New Jersey for approximately \$292.7 million (the "Harborside Acquisition"). Additionally, in January 1997 the Company completed the RM Acquisition. See "Business -- Recent Developments." Management believes that the recent trend towards increasing rental and occupancy rates in office buildings in the Company's sub-markets continues to present significant opportunities for growth. The Company may also develop properties in such sub-markets,

particularly with a view towards potential utilization of certain vacant land recently acquired or on which the Company holds options. Management believes that its extensive market knowledge provides the Company with a significant competitive advantage which is further enhanced by its strong reputation for and emphasis on delivering highly responsive management services, including direct and continued access to the Company's senior management. See "Business -- Growth

Strategies."

The Company's ten largest office and office/flex tenants in the Year-End Office Properties, based on actual December 1996 rent billings, are Donaldson, Lufkin & Jenrette Securities Corp. ("DLJ"), Dow Jones Telerate Holdings, Inc., the American Institute of Certified Public Accountants, NTT Data Communications Corporation ("NTT"), Dean Witter Trust Company, Bank of Tokyo Information Services Inc., Bankers Trust Harborside Inc., The United States Life Insurance Company in New York City, SAP America, Inc. and Lonza, Inc. The average age of the Year-End Office Properties and the Year-End Office/flex Properties is approximately 10 years and 6 years, respectively.

Cali Associates, the entity to whose business the Company succeeded in 1994, was founded by John J. Cali, Angelo R. Cali and Edward Leshowitz (the "Founders"), who have been involved in the development, leasing, management, operation and disposition of commercial and residential properties in Northern and Central New Jersey for over 40 years and have been primarily focusing on office buildings for the past fifteen years. In addition to the Founders, the Company's executive officers at December 31, 1996 have been employed by the Company and its predecessor for an average of approximately 10 years. The Company and its predecessor have built approximately four million square feet of office space, more than one million square feet of industrial facilities and over 5,500 residential units. As of February 28, 1997, officers and directors of the Company and other former owners of interests in certain of the Properties (many of whom are employees of the Company) owned approximately 10.0 percent of the Company's outstanding shares of Common Stock (including Units redeemable for shares of Common Stock). As used herein, the term "Units" refers to limited partnership interests in Cali Realty, L.P. a Delaware limited partnership (the "Operating Partnership" through which the Company conducts its real estate activities.

The Company performs substantially all construction, leasing, management and tenant improvements on an "in-house" basis and is self-administered and self-managed.

The Company was incorporated on May 24, 1994. The Company's executive offices are located at 11 Commerce Drive, Cranford, New Jersey 07016, and its telephone number is (908) 272-8000. The Company has an internet Web address at "http://www.calirealty.com".

#### GROWTH STRATEGIES

The Company's objectives are to maximize growth in Funds from Operations (as defined in Item 6 below) and to enhance the value of its portfolio through effective management, acquisition and development strategies. The Company believes that opportunities exist to increase cash flow per share by: (i) implementing operating strategies to produce increased effective rental and occupancy rates and decreased concession and tenant installation costs as vacancy rates in the Company's sub-markets continue to decline; (ii) acquiring

Page 4

properties with attractive returns in sub-markets where, based on its expertise in leasing, managing and operating properties, it is, or can become, a significant and preferred owner and operator; and (iii) developing properties where such development will result in a favorable risk-adjusted return on investment.

Based on its evaluation of current market conditions, the Company believes that a number of factors will enable it to achieve its business objectives, including: (i) the limited availability to competitors of capital for financing development, acquisitions or capital improvements or for refinancing maturing mortgages; (ii) the lack of new construction in the Company's markets providing the Company with the opportunity to maximize occupancy levels at attractive rental rates; and (iii) the large number of distressed sellers and inadvertent owners (through foreclosure or otherwise) of properties in the Company's markets creating enhanced acquisition opportunities. Management believes that the Company is well positioned to exploit existing opportunities because of its extensive experience in its markets and its proven ability to acquire, develop, lease and efficiently manage properties.

The Company will focus on enhancing growth in cash flow per share by: (i) maximizing cash flow from its existing properties through continued active leasing and property management; (ii) managing operating expenses through the use of in-house management, leasing, marketing, financing, accounting, legal, construction management and data processing functions; (iii) emphasizing programs of repairs and capital improvements to enhance the Properties' competitive advantages in their markets; (iv) maintaining and developing long-term relationships with a diverse tenant group; and (v) attracting and retaining motivated employees by providing financial and other incentives to meet the Company's operating and financial goals.

The Company will also seek to increase its cash flow per share by acquiring additional properties that: (i) provide attractive initial yields with significant potential for growth in cash flow from property operations; (ii) are well located, of high quality and competitive in their respective sub-markets; (iii) are located in its existing sub-markets or in sub-markets which lack a significant owner or operator; and (iv) have been under-managed or are otherwise capable of improved performance through intensive management and leasing that will result in increased occupancy and rental revenues.

Consistent with its acquisition strategy, from January 1, 1996 through February 28, 1997, the Company has invested an aggregate of approximately \$916.2 million

in the Harborside Acquisition, the RM Acquisition and the acquisition of 13 other office and office/flex properties (the "Individual Property Acquisitions"), thereby increasing its portfolio by approximately 189 percent (based upon total net rentable square feet). See "Business -- Recent Developments." There can be no assurance, however, that the Company will be able to improve the operating performance of any properties that are acquired.

The Company may also develop office, office/flex space, or certain vacant land acquired in connection with various acquisitions or on which the Company holds options, when market conditions support a favorable risk-adjusted return on such development, primarily in stable submarkets where the demand for such space exceeds available supply and where the Company is, or can become, a significant owner and operator. The Company believes that opportunities exist for it to

Page 5

acquire properties in its sub-markets at less than replacement cost. Therefore, the Company currently intends to emphasize its acquisition strategies over its development strategies until market conditions change. To the extent that the costs associated with implementing such acquisition and development strategies are financed using the Company's cash flow, such costs may adversely affect the Company's ability to make distributions.

The Company intends to maintain a ratio of debt to total market capitalization (total debt of the Company as a percentage of the market value of issued and outstanding shares of Common Stock, including interests redeemable therefor, plus total debt) of approximately 50 percent or less, although the Company's organizational documents do not limit the amount of indebtedness that the Company may incur. As of December 31, 1996, the Company's total debt constituted approximately 18.2 percent of the total capitalization of the Company, and as of February 28, 1997, the Company's total debt constituted approximately 27.4 percent of the total capitalization of the Company. The Company will utilize the most appropriate sources of capital for future acquisitions, development and capital improvements, which may include undistributed funds from operations, borrowings under its revolving credit facilities, issuances of equity securities and/or other borrowings.

#### EMPLOYEES

As of December 31, 1996, the Company had 107 employees. As of February 28, 1997, the Company had 186 employees.

#### COMPETITION

The leasing of real estate is highly competitive. The Company's Properties compete for tenants with similar properties located in its markets primarily on the basis of location, rent charged, services provided, and the design and condition of the improvements. The Company also experiences competition when attempting to acquire equity interests in desirable real estate, including competition from domestic and foreign financial institutions, other REIT's, life insurance companies, pension trusts, trust funds, partnerships and individual investors.

#### REGULATIONS

Many laws and governmental regulations are applicable to the Properties and changes in these laws and regulations, or their interpretation by agencies and the courts, occur frequently.

Under various laws and regulations relating to the protection of the environment, an owner of real estate may be held liable for the costs of removal or remediation of certain hazardous or toxic substances located on or in the property. These laws often impose liability without regard to whether the owner was responsible for, or even knew of, the presence of such substances. The presence of such substances may adversely affect the owner's ability to rent or sell the property or to borrow using such property as collateral and may expose it to liability resulting from any release of, or exposure to, such substances. Persons who arrange for the disposal or treatment of hazardous or toxic substances at another location may also be liable for the costs of removal or remediation of such substances at the disposal or treatment facility, whether or not such facility is owned or operated by such person. Certain environmental laws impose liability for release of asbestos-containing materials into the air,

Page 6

and third parties may also seek recovery from owners or operators of real properties for personal injury associated with asbestos-containing materials and other hazardous or toxic substances. In connection with the ownership (direct or indirect), operation, management and development of real properties, the Company may be considered an owner or operator of such properties or as having arranged for the disposal or treatment of hazardous or toxic substances and, therefore, potentially liable for removal or remediation costs, as well as certain other related costs, including governmental penalties and injuries to persons and property.

The Company obtained Phase I Assessments of each of its original properties (the "Original Properties") at the time of its initial public offering in August 1994 (the "IPO"). With the acquisition of each new property, the Company obtains a new Phase I Assessment for such property. These Phase I Assessments have not revealed any environmental liability that the Company believes would have a material adverse effect on the Company's business, assets or results of operations taken as a whole, nor is the Company aware of any such material environmental liability. However, four of the Office Properties are located on or adjacent to a former municipal landfill (closed in the 1950s) that was

redeveloped with the participation of the State of New Jersey Economic Development Authority. The Company obtained all necessary landfill disruption permits to build the projects (other than such permits the absence of which would not be expected to have a material adverse effect on the Company's business, assets or results of operations taken as a whole) and state environmental authorities approved the work. Although there can be no assurance, the Company believes that there will be no further requirements with respect to the former landfill at these Properties. Nevertheless, it is possible that the Company's assessments do not reveal all environmental liabilities and that there are material environmental liabilities of which the Company is unaware.

In connection with the RM Acquisition, the Company's environmental consultant undertook environmental audits of the properties, including sampling activities, which identified certain environmental conditions at several of the properties (the "Designated Properties") that will likely require further investigation and/or remedial activities. RM retained the liability and responsibility for remediation of the environmental conditions of the Designated Properties, and has established an escrow in the amount of \$1.5 million (the "Environmental Escrow") as a clean-up fund. Any remediation costs for the Designated Properties exceeding the Environmental Escrow will remain the responsibility of the principals of RM. See "Business -- Recent Developments -- RM Acquisition."

There can be no assurance that (i) future laws, ordinances or regulations will not impose any material environmental liability or (ii) the current environmental condition of the Properties will not be affected by tenants, by the condition of land or operations in the vicinity of the Properties (such as the presence of underground storage tanks), or by third parties unrelated to the Company. If compliance with the various laws and regulations, now existing or hereafter adopted, exceeds the Company's budgets for such items, the Company's ability to make expected distributions to stockholders could be adversely affected.

There are no other laws or regulations which have a material effect on the Company's operations, other than typical federal, state and local laws affecting the development and operation of real property, such as zoning laws.

Page 7

#### INDUSTRY SEGMENTS

The Company operates in only one industry segment. The Company does not have any foreign operations and its business is not seasonal.

#### RECENT DEVELOPMENTS

From January 1, 1996 through February 28, 1997, the Company completed the Harborside Acquisition, the RM Acquisition and the Individual Property Acquisitions and has improved the operating performance of its existing portfolio by maintaining high occupancies and controlling costs. The Company's Funds from Operations (after adjustment for the straight-lining of rents) for the year ended December 31, 1996 was \$45.2 million. As a result of the Company's improved operating performance, in September 1996 the Company announced a 5.9 percent increase in its regular quarterly distribution, commencing with the Company's distribution with respect to the third quarter of 1996, from \$.425 per share of Common Stock (\$1.70 per share of Common Stock on an annualized basis) to \$.45 per share of Common Stock (\$1.80 per share of Common Stock on an annualized basis). Since the IPO, the Company has increased its regular quarterly distribution by 11.4 percent.

From January 1, 1996 through February 28, 1997, the Company invested approximately \$916.2 million in the Harborside Acquisition, the RM Acquisition and the Individual Property Acquisitions, increasing its portfolio by 189 percent (based upon total net rentable square feet). The cash portions of the acquisition costs for such acquisitions (as more fully described below) were obtained by the Company from (i) the net proceeds of the Company's two 1996 public offerings of Common Stock in August and November 1996 for net proceeds of approximately \$76.8 million and \$441.2 million, respectively, (ii) borrowings under the Company's credit facilities (see Item 2 below), and (iii) available working capital. In addition, a significant portion of the acquisition costs for the RM Acquisition and the Harborside Acquisition included the assumption or incurrence of permanent indebtedness. See "Business -- Financing Activities -- Permanent Indebtedness." Set forth below are summary descriptions of the RM Acquisition, the Harborside Acquisition and the Individual Property Acquisitions:

#### RM Acquisition.

On January 31, 1997, the Company acquired the RM Properties for a total cost of approximately \$450.0 million. The RM Properties consist of 16 office properties (the "RM Office Properties"), 38 office/flex properties (the "RM Office/Flex Properties"), six industrial/warehouse properties, two stand-alone retail properties, two land leases, and a multi-family residential property. The RM Acquisition was financed through the assumption of a \$185.3 million mortgage, approximately \$220.0 million in cash, substantially all of which was obtained from the Company's cash reserves, and the issuance of 1,401,225 Units.

In connection with the RM Acquisition, the Company assumed a \$185.3 million non-recourse mortgage held by Teachers Insurance and Annuity Association of America, with interest only payable monthly at a fixed annual rate of 7.18 percent (the "TIAA Mortgage"). The TIAA Mortgage is secured and cross-collateralized by 43 of the RM Properties and matures on December 31, 2003. The Company, at its option, may convert the TIAA Mortgage to unsecured debt upon achievement by the Company of an investment credit rating of Baa3/BBB- or better. The TIAA Mortgage is prepayable in whole or in part subject to certain provisions, including yield maintenance.

The RM Properties, which consist primarily of 54 office and office/flex properties aggregating approximately 3.7 million square feet and six industrial/warehouse properties aggregating approximately 400,000 square feet, are located primarily in established business parks in Westchester County, New York and Fairfield County, Connecticut. The Company has agreed not to sell certain of the RM Properties for a period of seven years without the consent of the RM principals, except for sales made under certain circumstance and/or conditions.

In connection with the RM Acquisition, the Company was granted a three-year option to acquire a 115,000 square foot office property and an 84,000 square foot office/flex property (the "Option Properties") for an aggregate minimum purchase price of \$19.0 million and has granted RM the right to put such properties to the Company between an aggregate purchase price of \$11.6 to \$21.3 million, under certain conditions. The purchase prices are subject to adjustment based on different formulas and are payable in cash or Units.

In addition, the Company provided an \$11.6 million non-recourse mortgage loan ("Mortgage Receivable") to entities controlled by the RM principals, bearing interest at an annual rate of 450 basis points over the one-month London Inter-bank Offered Rate (LIBOR). The Mortgage Receivable, which is secured by the Option Properties and guaranteed by certain of the RM principals, matures on February 1, 2000. In addition, the Company received a three percent origination fee in connection with the Mortgage Receivable.

RM has made certain customary representations and warranties to the Company, most of which survive the closing for a period of one year. RM has agreed to maintain a minimum net worth of \$25.0 million during such period.

As part of the RM Acquisition, Brad W. Berger, President and Chief Executive Officer of RM, and Timothy M. Jones, Chief Operating Officer of RM, joined the Company as Executive Vice-Presidents under three year employment agreements. Berger and Jones were each issued warrants to purchase 170,000 shares of the Company's Common Stock at a stock price of \$33 per share, which vest equally over a three-year period and expire on January 31, 2007.

Robert F. Weinberg, co-founder of RM, and Berger will serve on the Company's Board of Directors for an initial term of three years. The Company will also appoint two additional independent Board members, thereby increasing the size of the Board from nine to thirteen members.

#### Harborside Acquisition.

On November 4, 1996, the Company acquired Harborside Financial Center ("Harborside"), a 1.9 million square foot office complex located in Jersey City, Hudson County, New Jersey for an acquisition cost of approximately \$292.7 million. The Harborside Acquisition, which is located on the Hudson River waterfront directly across from downtown Manhattan, increased the Company's total office and office/flex portfolio as of the acquisition date by approximately 44 percent. The acquisition cost included the assumption of existing and seller-provided financing aggregating approximately \$150.0 million. See "Business -- Financing Activities -- Permanent Indebtedness." The balance of the acquisition cost, totaling approximately \$142.7 million, was paid primarily in cash and was financed substantially through drawings from the Company's

existing credit facilities (including the \$80.0 million PCS Credit Facility, as defined below). See "The Company -- Financing Activities -- Credit Facilities." Harborside is located in the Exchange Place/Newport submarket of Jersey City, adjacent to the Exchange Place Port Authority Trans-Hudson ("PATH") train station. As of December 31, 1996, the property was approximately 97.1 percent leased. Harborside's largest tenant is Bankers Trust Harborside, Inc., which leases 385,000 square feet of space. Other major tenants include Dow Jones Telerate Holdings, Inc., the American Institute of Certified Public Accountants (AICPA), Dean Witter Trust Company and Bank of Tokyo.

As part of the Harborside Acquisition, the Company also acquired 11.3 acres of land fully zoned and permitted for an additional 4.1 million square feet of development and the water rights associated with 27.4 acres of land extending into the Hudson River immediately east of Harborside, including two piers with an area of 5.8 acres. The terms of the acquisition of the vacant parcels at Harborside provide for payments (with an estimated net present value at the date of acquisition of approximately \$5.3 million) to be made to the seller for development rights if and when the Company commences construction on the site during the next several years. However, the agreement provides, among other things, that even if the Company does not commence construction, the seller may nevertheless require the Company to acquire these rights during the six-month period after the end of the sixth year. After such period, the seller's option lapses, but any development on years 7 through 30 will require a payment, on an increasing scale, for the development rights.

#### Individual Property Acquisitions.

In addition to the RM Acquisition and the Harborside Acquisition, from January 1, 1996 through February 28, 1997, the Company has invested approximately \$173.5 million in the acquisition of 13 office and office/flex properties.

On March 20, 1996, the Company sold its office building located at 15 Essex Road in Paramus, Essex County, New Jersey ("Essex Road") and concurrently acquired a 96,000 square foot office building at 103 Carnegie Center in Princeton, Mercer County, New Jersey (the "Princeton Property") with the net proceeds from the sale of Essex Road of approximately \$10.3 million. The concurrent transactions

qualified as a tax-free exchange, as the Company used substantially all of the proceeds from the sale of Essex Road on March 12, 1996 to acquire the Princeton Property.

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, Delaware County, Pennsylvania. The complex was acquired for approximately \$28.1 million, which was drawn from one of the Company's credit facilities.

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, Somerset County, New Jersey. The buildings were acquired for approximately \$10.5 million, which was drawn from one of the Company's credit facilities.

Page 9

On November 7, 1996, the Company acquired Five Sentry Parkway East & West ("Five Sentry"), a two-building office complex comprised of approximately 130,000 square feet located in Plymouth Meeting, Montgomery County, Pennsylvania, for approximately \$12.5 million in cash, which was drawn from one of the Company's credit facilities. Such borrowing was subsequently repaid from the net proceeds received from the Company's public common stock offering of 17,537,500 shares (the "November 1996 Offering") which was completed on November 22, 1996. See "Business - Financing Activities - Equity Offerings."

On December 10, 1996, the Company acquired 300 Tice Boulevard ("Whiteweld"), a 230,000 square foot office building located in Woodcliff Lake, Bergen County, New Jersey, for approximately \$35.1 million in cash, made available from the net proceeds received from the November 1996 Offering.

On December 16, 1996, the Company acquired One Bridge Plaza, a 200,000 square foot office building located in Fort Lee, Bergen County, New Jersey, for approximately \$26.9 million in cash, made available from the net proceeds received from the November 1996 Offering.

On December 17, 1996, the Company acquired the International Court at Airport Business Center ("Airport Center"), a three-building office complex comprised of approximately 371,000 square feet located in Lester, Delaware County, Pennsylvania for approximately \$43.2 million in cash, made available from the net proceeds received from the November 1996 Offering.

On January 28, 1997, the Company acquired 1345 Campus Parkway, a 76,000 square foot office/flex property, located in Wall Township, Monmouth County, New Jersey for approximately \$6.8 million in cash, made available from the net proceeds received from the November 1996 Offering. The property is located in the same office park in which the Company previously acquired two office properties and four office/flex properties in November 1995.

Page 10

#### Other Recent Developments.

During the second quarter of 1996, the Company completed its construction of tenant improvements to 400 Alexander Park, a three story, 70,550 net rentable square foot office building located in Princeton, Mercer County, New Jersey, which the Company acquired in December 1995 and leased in its entirety to Berlitz International Inc. ("Berlitz"). Also during the second quarter of 1996, the Company entered into a lease agreement with Donaldson, Lufkin & Jenrette Securities Corporation ("DLJ") for an additional 73,200 square feet of office space located at 95 Christopher Columbus Drive in Jersey City, increasing DLJ's occupancy to approximately 66 percent of the property.

In December 1996, the Company completed the construction of two office/flex properties on vacant land purchased in the Company's Totowa, Passaic County, New Jersey office park acquired in November 1995. The two properties, which were 19 percent occupied at December 31, 1996, aggregated 47,100 square feet, and were completed for a total cost of \$2.7 million.

#### FINANCING ACTIVITIES

The Company utilizes the most appropriate sources of capital for acquisitions, development, joint ventures and capital improvements, which sources may include undistributed Funds from Operations, borrowings under its revolving credit facilities, issuances of debt or equity securities and/or bank and other institutional borrowings.

#### Credit Facilities.

After the consummation of the IPO, the Company obtained a \$70.0 million revolving credit facility (the "First Prudential Facility") from Prudential Securities Credit Corp. ("PSC"), secured by a pledge of \$74.5 million commercial mortgage pay-through bonds held by the Company. The facility may be used to fund acquisitions and new development projects and for general working capital purposes, including capital expenditures and tenant improvements. The First Prudential Facility bore interest at a floating rate equal to 150 basis points over one-month LIBOR for January 1, 1996 through August 31, 1996. Effective September 1, 1996, the interest rate was reduced to a floating rate equal to 125 basis points over one-month LIBOR. The First Prudential Facility is a recourse liability of the Operating Partnership and is secured by a pledge of the \$74.5 million commercial mortgage pay-through bonds held by the Company, which bonds are, in turn, secured by underlying indebtedness incurred by certain of the Company's subsidiaries. See "-- Permanent Indebtedness". The First Prudential Facility requires monthly payments of interest only, with outstanding advances

and any accrued but unpaid interest due November 30, 1997 and is subject to renewal at the lender's sole discretion. At December 31, 1996, \$6.0 million was outstanding under the First Prudential Facility. At February 28, 1997, \$6.0 million remained outstanding under the First Prudential Facility.

On February 1, 1996, the Company obtained a credit facility (the "Bank Facility") secured by certain of its properties in the amount of \$75.0 million from two participating banks. The Bank Facility has a three-year term and bears interest at 150 basis points over one-month LIBOR. The terms of the Bank 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 Bank Facility also requires a fee equal to one quarter of one percent of the unused balance payable quarterly in arrears. At December 31, 1996, approximately \$23.8 million was outstanding under the Bank Facility. At February 28, 1997, approximately \$62.0 million was outstanding under the Bank Facility.

Page 11

On November 4, 1996, the Company obtained a credit facility (the "Second Prudential Facility") from PSC totaling \$80.0 million which bears interest at 125 basis points over one-month LIBOR, and matures on January 15, 1998, unless the Company or PSC elects to extend the maturity date to not earlier than June 30, 1998, or the facility is refinanced prior to such date at the election of either the Company or PSC. The Second Prudential Facility is a recourse liability of the Operating Partnership and is secured by the Company's equity interest in Harborside. The terms of the Second Prudential Facility include certain restrictions and covenants that limit, among other things, dividend payments and additional indebtedness and that require compliance with specified financial ratios and other financial measurements. At December 31, 1996 and at February 28, 1997, the Company did not have any outstanding borrowings under the Second Prudential Facility.

#### Permanent Indebtedness.

As of December 31, 1996, the Company had outstanding an aggregate balance of approximately \$232.9 million of long-term mortgage indebtedness, and as of February 28, 1997, the Company had outstanding an aggregate balance of approximately \$418.1 million of long-term mortgage indebtedness (excluding borrowings under the Company's credit facilities).

Concurrent with the IPO, the Company's initial operating subsidiaries, which own the Original Properties, issued five-year mortgage notes with an aggregate principal balance of \$144.5 million, secured and cross-collateralized by the Original 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 \$70.0 million were purchased by unrelated third parties. Bonds with an aggregate principal balance of \$74.5 million were purchased by the Company. As a result, the Company's initial mortgage financing was \$70.0 (the "Mortgage Financing"). Approximately \$38.0 million of the Mortgage Financing is guaranteed under certain conditions by certain partners of the partnerships which owned the Original Properties. The Mortgage Financing requires monthly payments of interest only, with all principal and any accrued but unpaid interest due in August 1999. \$46.0 million of the 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 \$24.0 million bears interest at a net cost to the Company equal to a floating rate of 100 basis points over one-month LIBOR (5.53 percent at December 31, 1996) with a lifetime interest rate cap of 11.6 percent. Pursuant to the terms of the Mortgage Financing, the Company is required to escrow approximately \$143,000 per month for tenant improvements and leasing commissions and \$53,000 per month for capital improvements. In advance of the sale of Essex Road, on March 12, 1996, the Company prepaid approximately \$5.5 million (\$1.7 million-fixed rate, \$3.8 million-floating rate debt) of the Mortgage Financing, resulting in outstanding balances of \$44.3 million for the 8.02 percent fixed rate debt and \$20.2 million for the floating rate debt. See "Business -- Recent Development -- Individual Property Acquisitions."

In connection with the acquisition of an office building in Fair Lawn, Bergen County, New Jersey on March 3, 1995, the Company assumed an \$18.8 million non-recourse mortgage loan ("Fair Lawn Mortgage") 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. At December 31, 1996, the principal balance for the Fair Lawn Mortgage was approximately \$18.4 million, and at February 28, 1997, the balance was approximately \$18.3 million.

Page 12

In connection with the Harborside Acquisition, on November 4, 1996, the Company assumed existing mortgage debt and was provided with mortgage debt by the seller aggregating \$150.0 million. See "Business -- Recent Developments -- Harborside Acquisition." The existing financing of approximately \$107.5 million bears interest at a fixed rate of 7.32 percent for a term of approximately nine years. The seller-provided financing of approximately \$42.5 million also has a term of nine years and initially bears interest at a rate of 6.99 percent. The interest rate on the seller-provided financing will be reset at the end of the third and sixth loan years based on the yield of the three-year Treasury obligation at that time, with spreads of 110 basis points in years four through six and 130 basis points in years seven through maturity.

In connection with the RM Acquisition on January 31, 1997, the Company assumed a \$185.3 million non-recourse mortgage loan with Teachers Insurance and Annuity



Association of America, with interest only payable monthly at a fixed annual rate of 7.18 percent. The TIAA Mortgage is secured and cross-collateralized by 43 of the RM Properties and matures on December 31, 2003. The Company, at its option, may convert the TIAA Mortgage to unsecured public debt upon achievement by the Company of an investment credit rating of Baa3/BBB- or better. The TIAA Mortgage is prepayable in whole or in part subject to certain provisions, including yield maintenance

#### 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 \$24.0 million through August 1999. On January 23, 1996, the Company entered into another interest rate swap agreement with one of the participating banks in the Bank Facility. The swap agreement has a three-year term and a notional amount of \$26.0, which fixes the Company's one-month LIBOR base to 5.265 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.

#### Equity Offerings and Shelf Registrations.

On May 13, 1996, the stockholders approved an increase in the number of authorized shares of Common Stock of the Company from 25 million to 95 million.

On July 29, 1996, the Company filed a shelf registration statement (File No. 333- 09081) with the Securities and Exchange Commission ("SEC") for an aggregate amount of \$500.0 million in equity securities of the Company. The registration statement was declared effective by the SEC on August 2, 1996.

On August 13, 1996, the Company sold 3,450,000 shares of its Common Stock through a public stock offering (the "August 1996 Offering"), which included an exercise of the underwriters over-allotment option of 450,000 shares. Net proceeds from the August 1996 Offering (after offering costs) were approximately \$76.8 million. The offering was conducted using one underwriter and the shares were issued from the Company's \$250.0 million shelf registration statement (File No. 33-96538).

Page 13

On November 22, 1996, the Company completed an underwritten public offer and sale of 17,537,500 shares of its Common Stock using several different underwriters to underwrite such public offer and sale (which included an exercise of the underwriters' over-allotment option of 2,287,500 shares). The shares were issued from the Company's \$500.0 million shelf registration statement (File No. 333- 09081). The Company received approximately \$441.2 million in net proceeds (after offering costs) from the November 1996 Offering, and used such funds to acquire certain of the Company's property acquisitions in November and December, pay down outstanding borrowings on its revolving credit facilities, and invested the excess funds in Overnight Investments.

On December 31, 1996, the Company filed a shelf registration statement (File No. 333-19101) with the SEC for an aggregate amount of \$1.0 billion in equity securities of the Company. The registration statement was declared effective by the SEC on January 7, 1997. The Company has not issued any securities under this shelf registration.

## ITEM 2. PROPERTIES

### GENERAL

As of December 31, 1996, the Company owned 100 percent of 57 Properties ranging from one to nineteen stories, including a multi-family residential property. As of February 28, 1997, the Company owned 100 percent of 123 properties ranging from one to nineteen stories, including two stand-alone retail properties, two land leases and two multi-family residential properties. All of the Properties are strategically located in a contiguous area from Philadelphia, Pennsylvania to Stamford, Connecticut. The Properties are easily accessible from major thoroughfares and are in close proximity to numerous amenities. The Properties contain a total of approximately 11.4 million square feet, with the individual Office Properties ranging from approximately 23,350 to 761,200 square feet, the individual Office/Flex Properties ranging from 13,275 to 76,298 square feet and the individual Industrial/Warehouse Properties ranging from 6,638 to 195,741 square feet.

The Properties, each managed by on-site employees, generally have attractively landscaped sites, atriums and covered parking in addition to quality design and construction. As of February 28, 1997, the Office Properties, Office/Flex Properties and Industrial/Warehouse Properties were approximately 96 percent leased to approximately 1,100 tenants. The Company's tenants include many service sector employers, including a large number of professional firms and national and international businesses. The Company believes that all of its Properties are well-maintained and do not require significant capital improvements.

The following property information is provided separately for the Year-End Properties and the RM Properties. It should be noted that as the RM Properties were acquired on January 31, 1997, certain information provided for the RM Properties may not be indicative of the results that will occur following the Company's acquisition of such properties.

Page 14

### Year-End Properties: Property Tables

The following tables set forth certain historical information relating to each

of the Year-End Office Properties and the Year-End Office/Flex Properties, which are owned 100 percent by the Company as of December 31, 1996:

<TABLE>  
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Property Location	Year Built	Net Rentable Area (Sq. Ft.)	Percentage Leased as of 12/31/96 (%) (1)	1996 Base Rent (\$000) (2)	1996 Effective Rent (\$000) (3)	Percentage Of 1996 Total Office and Office/Flex Base Rent (%)
<S> Year-End Office Properties	<C>	<C>	<C>	<C>	<C>	<C>
CRANFORD, UNION COUNTY, NJ 6 Commerce Drive .....	1973	56,000	100.0	941	814	1.27
11 Commerce Drive (6).....	1981	90,000	95.8	1,219	1,099	1.64
20 Commerce Drive .....	1990	176,600	100.0	3,677	2,936	4.95
65 Jackson Drive .....	1984	82,778	86.4	953	895	1.28
CLARK, UNION COUNTY, NJ 100 Walnut Avenue .....	1985	182,555	94.2	3,679	3,341	4.95
JERSEY CITY, HUDSON COUNTY, NJ 95 Christopher Columbus Drive.....	1989	621,900	100.0	12,123	11,031	16.33
Harborside Financial Center(8) Christopher Columbus Drive Exchange Place & the Hudson River Plaza I .....	1983(9)	400,000	100.0	516	516	0.69
Plaza II .....	1990(9)	761,200	95.8	2,134	2,134	2.87
Plaza III .....	1990(9)	725,600	97.0	2,391	2,391	3.22
Parking Agreement (10) .	N/A	N/A	100.0	538	538	0.72
ROSELAND, ESSEX COUNTY, NJ 101 Eisenhower Parkway.....	1980	237,000	93.1	3,685	3,339	4.96
103 Eisenhower Parkway.....	1985	151,545	97.5	3,187	3,057	4.29

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Property Location	1996 Average Base Rent per Sq. Ft. (\$) (4)	1996 Average Effective Rent Per Sq. Ft. (\$) (5)	Tenants Leasing 10% or More of Net Rentable Area per Property as of 12/31/96(6)
<S> Year-End Office Properties	<C>	<C>	<C>
CRANFORD, UNION COUNTY, NJ 6 Commerce Drive .....	16.80	14.54	Public Service Electric & Gas Co. (18%), Excel Scientific Protocols, Inc. (18%), Columbia National, Inc. (13%)
11 Commerce Drive (6).....	14.14	12.75	Public Service Electric & Gas Co. (23%), Northeast Administrators (23%)
20 Commerce Drive .....	20.82	16.63	Public Service Electric & Gas Co. (25%), Paychex, Inc. (12%)
65 Jackson Drive .....	13.32	12.51	Kraft General Foods, Inc. (35%), Allstate Insurance Co. (27%), The Procter & Gamble Distribution Co. Inc. (17%)

CLARK, UNION COUNTY, NJ 100 Walnut Avenue .....	21.39	19.43	BDSI, Inc. (39%), The Equitable Life Assurance Society of the United States (15%)
JERSEY CITY, HUDSON COUNTY, NJ 95 Christopher Columbus Drive.....	19.49	17.74	Donaldson, Lufkin & Jenrette Securities Corp. (67%), NTT Data Corp. (25%)
Harborside Financial Center(8) Christopher Columbus Drive Exchange Place & the Hudson River Plaza I .....	1.29	1.29	Bankers Trust Harborside, Inc. (96%)
Plaza II .....	2.93	2.93	Dow Jones Telerate Holdings, Inc. (44%), Dean Witter Trust Co. (24%)
Plaza III .....	3.40	3.40	American Institute of Certified Public Accountants (34%), Bank of Tokyo Information Services, Inc. (19%)
Parking Agreement (10).	N/A	N/A	Kinney Hackensack, Inc. (100%)
ROSELAND, ESSEX COUNTY, NJ 101 Eisenhower Parkway.....	16.70	15.13	Arthur Andersen LLP (29%), Brach, Eichler, Rosenberg, Silver, Bernstein & Hammer (13%)
103 Eisenhower Parkway.....	21.57	20.69	Ravin, Sarasohn, Cook, Baumgarten (18%), Lum, Hoenes, Able (17%), Chelsea-GCA (15%)

Page 17

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Property Location -----	Year Built -----	Net Rentable Area (Sq. Ft.) -----	Percentage Leased as of 12/31/96 (%) (1) -----	1996 Base Rent (\$000) (2) -----	1996 Effective Rent (\$000) (3) -----	Percentage Of 1996 Total Office and Office/Flex Base Rent (%) -----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Year-End Office Properties (cont.)						
WOODCLIFF LAKE, BERGEN COUNTY, NJ 50 Tice Boulevard .....	1984	235,000	99.0	4,611	3,954	6.21
300 Tice Boulevard (8).....	1991	230,000	100.0	245	245	0.33
PARAMUS, BERGEN COUNTY, NJ 15 Essex Road .....	1979	(7)	(7)	261	224	0.35
FAIR LAWN, BERGEN COUNTY, NJ 17-17 Route 208 .....	1987	143,000	100.0	3,343	3,331	4.52
FORT LEE, BERGEN COUNTY, NJ One Bridge Plaza (8) .....	1981	200,000	90.7	174	174	0.24
FLORHAM PARK, MORRIS COUNTY, NJ 325 Columbia Turnpike .....	1987	168,144	97.1	3,396	2,998	4.57
PARSIPPANY, MORRIS COUNTY, NJ 600 ParsIPPany Road .....	1978	96,000	99.4	1,471	1,444	1.98
SUFFERN, ROCKLAND COUNTY, NY 400 Rella Boulevard .....	1988	180,000	95.9	3,250	3,219	4.38

Page 18

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Property Location -----	1996 Average Base Rent per Sq. Ft. (\$ (4) -----	1996 Average Effective Rent Per Sq. Ft. (\$ (5) -----	Tenants Leasing 10% or More of Net Rentable Area per Property as of 12/31/96 (6) -----
<S>	<C>	<C>	<C>
Year-End Office Properties (cont.)			

WOODCLIFF LAKE, BERGEN COUNTY, NJ 50 Tice Boulevard .....	19.82	17.00	Syncsort, Inc. (22%)
300 Tice Boulevard (8) .....	1.07	1.07	Medco Containments Services, Inc. (20%), Xerox Corp. (13%), Chase Home Mortgage Corp. (11%), Comdisco, Inc. (11%)
PARAMUS, BERGEN COUNTY, NJ 15 Essex Road .....	(7)	(7)	(7)
FAIR LAWN, BERGEN COUNTY, NJ 17-17 Route 208 .....	23.38	23.29	Lonza, Inc. (63%), Chubb Federal Insurance Co. (16%), Boron-Lepone Assoc., Inc. (10%)
FORT LEE, BERGEN COUNTY, NJ One Bridge Plaza (8) .....	0.96	0.96	Broadview Associates LLP (16%), Bozell Worldwide, Inc. (12%)
FLORHAM PARK, MORRIS COUNTY, NJ 325 Columbia Turnpike .....	20.80	18.36	Bressler, Amery & Ross (24%), General Motors Acceptance Corp. (14%), Dun & Bradstreet, Inc. (12%)
PARSIPPANY, MORRIS COUNTY, NJ 600 Parsippany Road .....	15.42	15.13	Metropolitan Life Insurance Co. (36%), International Business Machines (35%)
SUFFERN, ROCKLAND COUNTY, NY 400 Rella Boulevard .....	18.83	18.65	Allstate Insurance Co. (41%), The Prudential Insurance Co. (21%), Provident Savings F.A. (20%), John Alden Life Insurance Co. of N.Y. (11%)

Page 19

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Property Location -----	Year Built -----	Net Rentable Area (Sq. Ft.) -----	Percentage Leased as of 12/31/96 (%) (1) -----	1996 Base Rent (\$000) (2) -----	1996 Effective Rent (\$000) (3) -----	Percentage of 1996 Total Office and Office/ Flex Base Rent (%) -----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Year-End Office Properties (cont.)						
PRINCETON, MERCER COUNTY, NJ 5 Vaughn Drive .....	1987	98,500	99.2	2,048	2,037	2.76
400 Alexander Park(8).....	1987	70,550	100.0	971	840	1.31
103 Carnegie Center(8).....	1984	96,000	91.9	1,299	1,299	1.75
CLIFTON, PASSAIC COUNTY, NJ 777 Passaic Avenue .....	1983	75,000	69.2	780	679	1.05
Clifton, Passaic County, NJ						
TOTOWA, PASSAIC COUNTY, NJ 999 Riverview Drive .....	1988	56,066	97.5	967	963	1.30
WALL TOWNSHIP, MONMOUTH COUNTY, NJ 1305 Campus Parkway .....	1988	23,350	87.9	390	375	0.53
1350 Campus Parkway .....	1990	79,747	80.5	1,174	1,161	1.58
NEPTUNE, MONMOUTH COUNTY, NJ 3600 Route 66 .....	1989	180,000	100.0	2,411	2,411	3.25
EGG HARBOR, ATLANTIC COUNTY, NJ 100 Decadon Drive .....	1987	40,422	100.0	772	772	1.04
200 Decadon Drive .....	1991	39,922	94.1	604	596	0.81

BASKING RIDGE, SOMERSET COUNTY, NJ 222 Mt. Airy Road (8).....	1986	49,000	100.0	191	191	0.26
233 Mt. Airy Road (8).....	1987	66,000	100.0	336	336	0.45

Page 20

<CAPTION>

Property Location -----	1996 Average Base Rent per Sq. Ft. (\$ (4) -----	1996 Average Effective Rent Per Sq. Ft. (\$ (5) -----	Tenants Leasing 10% or More of Net Rentable Area per Property as of 12/31/96(6) -----
<S> Year-End Office Properties (cont.)	<C>	<C>	<C>
PRINCETON, MERCER COUNTY, NJ 5 Vaughn Drive .....	20.96	20.85	U.S. Trust of N.J. (19%), Princeton Venture Research Corp. (14%), Woodrow Wilson (12%), Villeroy & Boch Tableware Ltd. (11%)
400 Alexander Park(8).....	13.76	11.91	Berlitz International Inc.(100%)
103 Carnegie Center(8).....	14.72	14.72	Ronin Development Corp. (11%)
CLIFTON, PASSAIC COUNTY, NJ 777 Passaic Avenue .....	15.03	13.08	Motorola Inc. (19%)
Clifton, Passaic County, NJ			
TOTOWA, PASSAIC COUNTY, NJ 999 Riverview Drive .....	17.69	17.62	Bank of New York (55%), Bankers Financial (16%), Commonwealth Land (11%)
WALL TOWNSHIP, MONMOUTH COUNTY, NJ 1305 Campus Parkway .....	19.00	18.27	Centennial Cellular Corp. (41%), McClaughlin, Bennett, Gelson(25%), Premier Dash (12%), NJ Natural Energy(10%)
1350 Campus Parkway .....	18.29	18.09	New Jersey National Bank (17%), Stephen E. Gertier (17%), Hospital Computer Systems, Inc. (11%)
NEPTUNE, MONMOUTH COUNTY, NJ 3600 Route 66 .....	13.39	13.39	The U.S. Life Insurance Company in New York City (100%)
EGG HARBOR, ATLANTIC COUNTY, NJ 100 Decadon Drive .....	19.10	19.10	Computer Sciences Corp. (79%)
200 Decadon Drive .....	16.08	15.87	Hughes STX (27%), Reliance Healthcare Group (19%), International Business Machines (14%), Computer Sciences Corp. (11%)
BASKING RIDGE, SOMERSET COUNTY, NJ 222 Mt. Airy Road (8).....	3.90	3.90	Lucent Technologies Inc. (100%)
233 Mt. Airy Road (8).....	5.09	5.09	A.T.& T. Corp. (100%)

Page 21

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Property Location -----	Year Built -----	Net Rentable Area (Sq. Ft.) -----	Percentage Leased as of 12/31/96 (%) (1) -----	1996 Base Rent (\$000) (2) -----	1996 Effective Rent (\$000) (3) -----	Percentage of 1996 Total Office and Office/ Flex Base Rent (%) ---
<S> Year-End Office Properties (cont.)	<C>	<C>	<C>	<C>	<C>	<C>
PLYMOUTH MEETING, MONTGOMERY COUNTY, PA 5 Sentry Parkway East (8) ..	1984	91,600	100.0	214	214	0.29
5 Sentry Parkway West (8) ..	1984	38,400	100.0	95	95	0.13
MEDIA, DELAWARE COUNTY, PA Rose Tree Coporate Center Center I (8).....	1986	100,000	96.1	1,221	1,221	1.64
Center II (8).....	1990	160,000	99.0	1,847	1,846	2.49

LESTER, DELAWARE COUNTY, PA  
International Court at  
Airport Business Center(8)

Property Location	Year Built	1996 Average Base Rent per Sq. Ft. (\$)	1996 Average Effective Rent Per Sq. Ft. (\$)	1996 Base Rent (\$000)	1996 Effective Rent (\$000)	Percentage of 1996 Total Office and Office/Flex Base Rent (%)
International Court I ..	1986	95,000	99.7	85	85	0.11
International Court II ..	1987	208,000	99.8	153	153	0.21
International Court III.	1992	68,000	100.0	55	55	0.07
<b>Total Year-End Office Properties</b>		<b>6,372,879</b>	<b>97.0</b>	<b>67,407</b>	<b>63,009</b>	<b>90.78</b>

Page 22

<CAPTION>

Property Location	1996 Average Base Rent per Sq. Ft. (\$)	1996 Average Effective Rent Per Sq. Ft. (\$)	Tenants Leasing 10% or More of Net Rentable Area per Property as of 12/31/96
<b>PLYMOUTH MEETING, MONTGOMERY COUNTY, PA</b>			
5 Sentry Parkway East (8) ..	2.34	2.34	Merck, Inc. (72%), Selas Fluid Processing Corp. (22%)
5 Sentry Parkway West (8) ..	2.47	2.47	Merck, Inc. (70%), David Cutler Group (30%)
<b>MEDIA, DELAWARE COUNTY, PA</b>			
Rose Tree Coporate Center Center I (8) ..	12.71	12.71	General Services Administration (13%), Erie Insurance Company (11%)
Center II (8) ..	11.66	11.65	Barnett International (27%)
<b>LESTER, DELAWARE COUNTY, PA</b>			
International Court at Airport Business Center(8)			
International Court I ..	0.90	0.90	SAP America, Inc. (81%)
International Court II ..	0.74	0.74	PNC Bank (51%), Mercy Health Plan (34%)
International Court III.	0.81	0.81	SAP America, Inc. (38%), McLaren Hart Environmental Engineering Corp. (38%), Mercy Health Plan(13%)
<b>Total Year-End Office Properties</b>	<b>19.00 (11)</b>	<b>17.54 (11)</b>	

Page 23

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Property Location	Year Built	Net Rentable Area (Sq. Ft.)	Percentage Leased as of 12/31/96 (%) (1)	1996 Base Rent (\$000) (2)	1996 Effective Rent (\$000) (3)	Percentage Of 1996 Total Office and Office/Flex Base Rent (%)
<b>TOTOWA, PASSAIC COUNTY, NJ</b>						
11 Commerce Way ..	1989	47,025	88.9	412	412	0.55
20 Commerce Way ..	1992	42,540	100.0	467	467	0.63
29 Commerce Way ..	1990	48,930	100.0	454	430	0.61
40 Commerce Way ..	1987	50,576	100.0	426	416	0.57
45 Commerce Way ..	1992	51,207	100.0	478	454	0.64

60 Commerce Way .....	1988	50,333	100.0	292	273	0.39
80 Commerce Way (8).....	1996	22,500	51.6	--	--	--
100 Commerce Way (8).....	1996	24,600	--	--	--	--
120 Commerce Way .....	1994	9,024	100.0	128	126	0.17
140 Commerce Way .....	1994	26,881	100.0	210	210	0.28

Page 24

<CAPTION>

Property Location -----	1996 Average Base Rent per Sq. Ft. (\$)(4)	1996 Average Effective Rent Per Sq. Ft. (\$)(5)	Tenants Leasing 10% or More of Net Rentable Area per Property as of 12/31/96(6)
<S>	<C>	<C>	<C>
Year-End Office/Flex Properties			
TOTOWA, PASSAIC COUNTY, NJ			
11 Commerce Way .....	9.86	9.86	Caremark Homecare (78%), Quantum Health (11%),
20 Commerce Way .....	10.98	10.98	Motorola Inc. (45%), Siemens Electro- Components (41%), John Guest USA (14%)
29 Commerce Way .....	9.28	8.79	Sandvik Sorting Systems, Inc. (44%), Paterson Dental Supply Inc. (23%), Fujitec America Inc. (22%), Bell Atlantic Meridian Systems (11%)
40 Commerce Way .....	8.42	8.23	Thomson Electronics (35%), Minolta Business Systems Inc. (35%), Snap-On, Inc. (14%), Inchscape Testing Services (14%)
45 Commerce Way .....	9.33	8.87	Ericsson Radio Systems Inc. (52%), Woodward Clyde Consultants (27%), Oakwood Corporate Housing (10%), Sensormatic Electronics (10%)
60 Commerce Way .....	5.80	5.42	Ericsson Inc. (43%), Relectronic Service Corp. (43%), Maxlite-S.K. America (14%)
80 Commerce Way (8).....	--	--	Hey Diddle Diddle Inc. (52%), Bell Atlantic Communications (11.6%)
100 Commerce Way (8).....	--	--	
120 Commerce Way .....	14.18	13.96	Deerfield Healthcare (100%)
140 Commerce Way .....	7.81	7.81	Advanced Images Systems Inc. (20%), Philips Consumer (19%), Holder Group Inc. (11%), Showa Toll USA Inc. (10%), Alpha Testing (10%), Telsource Inc. (10%), Dairygold (10%), Universal Hospital Services (10%)

Page 25

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Property Location -----	Year Built	Net Rentable Area (Sq. Ft.)	Percentage Leased as of 12/31/96 (%) (1)	1996 Base Rent (\$000) (2)	1996 Effective Rent (\$000) (3)	Percentage of 1996 Total Office and Office/ Flex Base Rent (%)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Year-End Office/Flex Properties (cont.)						
WALL TOWNSHIP, MONMOUTH COUNTY, NJ						
1325 Campus Parkway .....	1988	35,000	91.9	392	391	0.53
1340 Campus Parkway .....	1992	72,502	88.9	600	600	0.81

1320 Wykoff Road .....	1986	20,336	100.0	190	190	0.26
1324 Wykoff Road .....	1987	21,168	100.0	206	206	0.28
1433 Highway 34 .....	1985	69,020	94.7	563	549	0.76
HAMILTON TOWNSHIP, MERCER COUNTY, NJ						
100 Horizon Drive .....	1989	13,275	100.0	226	226	0.30
200 Horizon Drive .....	1991	45,770	85.3	445	445	0.60
300 Horizon Drive .....	1989	69,780	100.00	923	919	1.25
500 Horizon Drive .....	1990	41,205	92.8	436	427	0.59
Total Yr-End Office/Flex Prop.		761,672	91.5	6,848	6,741	9.22
Total Year-End Properties		7,134,551	96.4	74,255	69,750	100.00

See footnotes on subsequent page.

Page 26

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Property Location		1996 Average Base Rent per Sq. Ft. (\$ (4)	1996 Average Effective Rent Per Sq. Ft. (\$ (5)	Tenants Leasing 10% or More of Net Rentable Area per Property as of 12/31/96 (6)
<S>				
Year-End Office/Flex Properties (cont.)				
WALL TOWNSHIP, MONMOUTH COUNTY, NJ				
1325 Campus Parkway .....	1988	12.19	12.16	American Press (71%)
1340 Campus Parkway .....	1992	9.31	9.31	Groundwater & Environmental Services (33%), Software Shop (22%), Lincare/Omni (15%), Association for Retarded Citizens (11%)
1320 Wykoff Road .....	1986	9.34	9.34	Eastern Automation (71%), A.T.&T. Corp. (29%)
1324 Wykoff Road .....	1987	9.73	9.73	A.T.& T. Corp. (29%), State of New Jersey (25%), Supply Saver, Inc. (22%)
1433 Highway 34 .....	1985	8.61	8.40	State Farm Mutual Auto Insurance (22%), NJ Natural Gas Co. (14%), Beacon Tool Inc. (12%)
HAMILTON TOWNSHIP, MERCER COUNTY, NJ				
100 Horizon Drive .....	1989	17.02	17.02	H.I.P. of New Jersey Inc. (100%)
200 Horizon Drive .....	1991	11.40	11.40	O.H.M. Remediation Services Corp. (85%)
300 Horizon Drive .....	1989	13.23	13.17	State of NJ/D.E.P (50%), McFaul & Lyons (26%), Fluor Daniel GTI (24%)
500 Horizon Drive .....	1990	11.40	11.17	First Financial (30%), Lakeview Child Center Inc. (19%), SHL Systems House Corp. (18%), NJ Consumer Water Co. (14%), Diedre Moire Corp. (11%)
Total Yr-End Office/Flex Prop.		10.00 (11)	9.84 (11)	
Total Year-End Properties		17.28 (11)	16.07 (11)	

See footnotes on subsequent page.

Page 27



- (1) Based on all leases in effect as of December 31, 1996.
- (2) Total base rent for 1996, determined in accordance with GAAP. 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.
- (3) Total base rent for 1996 minus total 1996 amortization of tenant improvements, leasing commissions and other concessions and costs, determined in accordance with GAAP.
- (4) Base rent for 1996 divided by net rentable square feet leased at December 31, 1996. For those properties acquired by the Company during 1996, amounts presented reflected only that portion of the year during which the Company owned the properties.
- (5) Effective rent for 1996 divided by net rentable square feet leased at December 31, 1996. For those properties acquired by the Company during 1996, base rent and effective rent amounts presented reflect only that portion of the year during which the Company owned the properties.
- (6) Excludes office space leased by the Company.
- (7) 15 Essex Road was sold by the Company on March 20, 1996.
- (8) As this Year-End Property was acquired or fully constructed by the Company during 1996, the amounts represented in 1996 Base Rent and Effective Rent as well as 1996 Average Base Rent per Sq.Ft. and 1996 Average Effective Rent per Sq.Ft. reflect only that portion of the year during which the Company owned or placed the property in service during the year. Accordingly, amounts may not be indicative of the property's full year results.
- (9) The Harborside Financial Center was completely reconstructed from 1983 through 1990, although the base structure was originally constructed in 1930.
- (10) The Company has a lease agreement with a parking services company for the use of certain land at Harborside to be used as a paid parking area.
- (11) Includes only those properties owned by the Company on January 1, 1996.

Page 28

</TABLE>

RM Properties: Property Tables

The following tables set forth certain historical information relating to each of the RM Office Properties, the RM Office/Flex Properties and the Industrial/Warehouse properties which were owned 100 percent by RM as of December 31, 1996.

<TABLE>

<CAPTION>

Property Location	Year Built	Net Rentable Area (Sq. Ft.)	Percentage Leased as of 12/31/96 (%) (1)	1996 Base Rent (\$000) (2)	Percentage Of 1996 Total Office, Office/Flex, & Industrial/Warehouse Base Rent (%)
-----	-----	-----	-----	-----	-----
<S>					
RM Office Properties					
ELMSFORD,					
WESTCHESTER COUNTY, NY					
100 Clearbrook Road (6) ....	1975	60,000	93.8	776	1.32
101 Executive Boulevard ...	1971	50,000	94.3	893	1.52
570 Taxter Road .....	1972	75,000	94.2	1,483	2.52
HAWTHORNE,					
WESTCHESTER COUNTY, NY					
1 Skyline Drive .....	1980	20,400	50.0	134	0.23
2 Skyline Drive .....	1987	30,000	100.0	420	0.71
17 Skyline Drive .....	1989	85,000	100.0	1,130	1.92
30 Saw Mill River Road ....	1982	248,400	100.0	4,471	7.59
</TABLE>					

<TABLE>  
<CAPTION>

Property Location -----	1996 Average Base Rent per Sq. Ft. (\$) (3) -----	Tenants Leasing 10% or More of Net Rentable Area per Property as of 12/31/96(4) -----
<S> RM Office Properties	<C>	<C>
ELMSFORD, WESTCHESTER COUNTY, NY		
100 Clearbrook Road(6) ....	13.79	ANS (34%)
101 Executive Boulevard ...	18.92	Pennysaver Group (18%), MCS Business Machines(11%), Alcone Sim's O'Brien (12%)
570 Taxter Road .....	20.99	Connecticut General (15%)
HAWTHORNE, WESTCHESTER COUNTY, NY		
1 Skyline Drive .....	13.11	Childtime Childcare (50%)
2 Skyline Drive .....	13.99	MW Samara (41%), Perinin Construction (30%), Boykoff & Bell (13%)
17 Skyline Drive .....	13.29	IBM (100%)
30 Saw Mill River Road ....	18.00	IBM (100%)

</TABLE>  
<TABLE>  
<CAPTION>

Property Location -----	Year Built -----	Net Rentable Area (Sq. Ft.) -----	Percentage Leased as of 12/31/96 (%) (1) -----	1996 Base Rent (\$000) (2) -----	Percentage Of 1996 Total Office, Office/Flex, & Industrial/Warehouse Base Rent (%) -----
<S> RM Office Properties(cont.)	<C>	<C>	<C>	<C>	<C>
YONKERS, WESTCHESTER COUNTY, NY					
1 Executive Boulevard.....	1982	112,000	82.5	1,958	3.32
3 Executive Boulevard.....	1987	58,000	95.0	1,100	1.87
TARRYTOWN, WESTCHESTER COUNTY, NY					
200 White Plains Road .....	1982	89,000	91.3	1,588	2.69
220 White Plains Road.....	1984	89,000	96.2	1,772	3.01
WHITE PLAINS, WESTCHESTER COUNTY, NY					
1 Barker Avenue .....	1975	68,000	100.0	1,461	2.48
3 Barker Avenue .....	1983	65,300	98.9	1,216	2.06
1 Water Street .....	1979	45,700	100.0	874	1.48
11 Martine Avenue .....	1987	180,000	100.0	4,224	7.17
50 Main Street .....	1985	309,000	96.7	7,039	11.95
Total RM Office Properties		1,584,800	95.9	30,539	51.84

<CAPTION>

Property Location -----	1996 Average Base Rent per Sq. Ft. (\$)(3) -----	Tenants Leasing 10% or More of Net Rentable Area per Property as of 12/31/96(4) -----
<S>	<C>	<C>
RM Office Properties(cont.)		
YONKERS, WESTCHESTER COUNTY, NY		
1 Executive Boulevard.....	21.19	Wise/Contact US (14%)
3 Executive Boulevard.....	19.97	GMAC/MIC (47%), Metropolitan Life (22%)
TARRYTOWN, WESTCHESTER COUNTY, NY		
200 White Plains Road .....	19.53	Independent Health (28%), Allmerica Finance (17%), NYS Dept. of Environmental Services(13%)
220 White Plains Road.....	20.70	Stellare Management (11%)
WHITE PLAINS, WESTCHESTER COUNTY, NY		
1 Barker Avenue .....	21.49	O'Connor, McGuinn (19%), United Skys Realty Corp. (19%)
3 Barker Avenue .....	18.82	Bernard C. Harris (56%)
1 Water Street .....	19.13	Trigen Energy (37%), Stewart Title (15%)
11 Martine Avenue .....	23.47	KPMG Peat Marwick (14%), McCarthy Fingar (11%), David Worby (11%)
50 Main Street .....	23.57	National Economic Research Assoc. Inc.(10%)
Total RM Office Properties	20.10	

</TABLE>

<TABLE>  
<CAPTION>

Property Location -----	Year Built -----	Net Rentable Area (Sq. Ft.) -----	Percentage Leased as of 12/31/96 (%) (1) -----	1996 Base Rent (\$000) (2) -----	Percentage Of 1996 Total Office, Office/Flex, & Industrial/ Warehouse Base Rent (%) -----
<S>	<C>	<C>	<C>	<C>	<C>
RM Office/Flex Properties					
ELMSFORD, WESTCHESTER COUNTY, NY					
1 Westchester Plaza .....	1967	25,000	100.0	282	0.48
2 Westchester Plaza .....	1968	25,000	100.0	387	0.66
3 Westchester Plaza .....	1969	93,500	100.0	1,088	1.85
4 Westchester Plaza .....	1969	44,700	86.6	520	0.88
5 Westchester Plaza .....	1969	20,000	100.0	229	0.39
6 Westchester Plaza .....	1968	20,000	76.5	196	0.33

7 Westchester Plaza .....	1972	46,200	100.0	619	1.05
8 Westchester Plaza .....	1971	67,200	68.5	711	1.21

Page 33

<CAPTION>

Property Location -----	1996 Average Base Rent per Sq. Ft. (\$)(3) -----	Tenants Leasing 10% or More of Net Rentable Area per Property as of 12/31/96(4) -----
<S> RM Office/Flex Properties	<C>	<C>
ELMSFORD, WESTCHESTER COUNTY, NY		
1 Westchester Plaza .....	11.30	KCI Therapeutic (40%), Thin Film Concepts (20%), RS Knapp(20%), American Greeting (20%)
2 Westchester Plaza .....	15.50	Board of Cooperation (78%), Kin-Tronics (12%), Squires Production (10%)
3 Westchester Plaza .....	11.63	Apria Healthcare (32%), Kangol Headware (27%), V-Band Corp. (16%), Dental Concepts (12%)
4 Westchester Plaza .....	13.43	Metropolitan Life (38%), EEV Inc. (34%)
5 Westchester Plaza .....	11.45	Kramer Scientific (26%), Rokonet Industries (25%), UA Plumbers Education (25%), Furniture Etc. (13%), Fujitsu (13%)
6 Westchester Plaza .....	12.80	Xerox (27%), Signacon Control (27%), PC Technical (23%), Girard Rubber Co. (12%)
7 Westchester Plaza .....	13.41	Emigrant Savings (56%), Fire-End Croker (22%), Health Maintenance (10%)
8 Westchester Plaza .....	15.46	Westchester Library (19%), Mamiya Amnerica (16%), Self Powered Lighting (13%)

Page 34

</TABLE>

<TABLE>

<CAPTION>

Property Location -----	Year Built -----	Net Rentable Area (Sq. Ft.) -----	Percentage Leased as of 12/31/96 (%)(1) -----	1996 Base Rent (\$000)(2) -----	Percentage Of 1996 Total Office, Office/Flex, & Industrial/ Warehouse Base Rent (%) -----
<S> RM Office/Flex Properties(cont.)	<C>	<C>	<C>	<C>	<C>
ELMSFORD, WESTCHESTER COUNTY, NY(cont.)					
11 Clearbrook Road .....	1974	31,800	100.0	267	0.45
75 Clearbrook Road .....	1990	32,720	100.0	665	1.13
150 Clearbrook Road .....	1975	74,900	100.0	939	1.59

175 Clearbrook Road .....	1973	98,900	97.6	1,191	2.02
200 Clearbrook Road .....	1974	94,000	100.0	946	1.61
250 Clearbrook Road .....	1973	155,000	84.1	1,206	2.05
50 Executive Boulevard ...	1969	45,200	98.1	386	0.66
77 Executive Boulevard ...	1977	13,000	100.0	169	0.29
85 Executive Boulevard ...	1968	31,000	100.0	287	0.49

Page 35

<CAPTION>

Property Location	1996 Average Base Rent per Sq. Ft. (\$)(3)	Tenants Leasing 10% or More of Net Rentable Area per Property as of 12/31/96(4)
<S>	<C>	<C>
RM Office/Flex Properties(cont.)		
ELMSFORD, WESTCHESTER COUNTY, NY(cont.)		
11 Clearbrook Road .....	8.41	Eastern Jungle (27%), Treetops Inc. (21%) MCS Marketing (18%), Creative Medical (14%), Puig Perfumes (14%)
75 Clearbrook Road .....	20.33	Evening Out (100%)
150 Clearbrook Road .....	12.54	Court Sports I(24%), Philips Medical (18%), Transwestern Pub (12%)
175 Clearbrook Road .....	12.34	Midland Avenue (35%), Hypres (12%)
200 Clearbrook Road .....	10.06	Midland Avenue (22%), Proftech Corp. (20%), IR Industries (18%), Wyse Technology (14%)
250 Clearbrook Road .....	9.25	AFP Imaging (42%), The Artina Group (14%)
50 Executive Boulevard ...	8.71	MMO Music Group (69%), Medical Billing (22%)
77 Executive Boulevard ...	13.03	Bright Horizons (55%), WNN Corporation (35%)
85 Executive Boulevard ...	9.25	Vrex Inc. (49%), Westhab Inc. (18%), Saturn II Systems (11%), John Caulfields (13%)

Page 36

</TABLE>  
<TABLE>  
<CAPTION>

Property Location	Year Built	Net Rentable Area (Sq. Ft.)	Percentage Leased as of 12/31/96 (%) (1)	1996 Base Rent (\$000) (2)	Percentage Of 1996 Total Office, Office/Flex, & Industrial/Warehouse Base Rent (%)
<S>	<C>	<C>	<C>	<C>	<C>
RM Office/Flex Properties(cont.)					
ELMSFORD, WESTCHESTER COUNTY, NY(cont.)					
300 Executive Blvd .....	1970	60,000	100.0	514	0.87

350 Executive Blvd .....	1970	15,400	100.0	238	0.40
399 Executive Blvd .....	1962	80,000	100.0	926	1.57
400 Executive Blvd .....	1970	42,200	100.0	550	0.93
500 Executive Blvd .....	1970	41,600	100.0	566	0.96
525 Executive Blvd .....	1972	61,700	100.0	752	1.28
HAWTHORNE, WESTCHESTER COUNTY, NY					
4 Skyline Drive .....	1987	80,600	100.0	1,082	1.84
8 Skyline Drive .....	1985	50,000	100.0	487	0.83
10 Skyline Drive .....	1985	20,000	81.0	215	0.36

Page 37

<CAPTION>

Property Location -----	1996 Average Base Rent per Sq. Ft. (\$)(3) -----	Tenants Leasing 10% or More of Net Rentable Area per Property as of 12/31/96(4) -----
<S> RM Office/Flex Properties(cont.)	<C>	<C>
ELMSFORD, WESTCHESTER COUNTY, NY(cont.)		
300 Executive Blvd .....	8.57	Varta Batteries (44%), Princeton Ski Outlet (43%), LMG International (12%)
350 Executive Blvd .....	15.45	Ikon Office (100%)
399 Executive Blvd .....	11.57	American Banknote (72%), Kaminstein Imports (28%)
400 Executive Blvd .....	13.03	Baker Engineering (38%), North American Van Lines (24%)
500 Executive Blvd .....	13.61	Singer Holding Corp. (36%), Dover Elevator (16%), Commerce Overseas(16%), Charles Martine (13%), Olsten Home Health (13%)
525 Executive Blvd .....	12.18	Vie de France (57%), New York Blood Center (21%)
HAWTHORNE, WESTCHESTER COUNTY, NY		
4 Skyline Drive .....	13.43	GEC Alsthom (50%), RMI Direct Marketing (10%)
8 Skyline Drive .....	9.75	Cityscape (51%), Reveco Inc. (29%), Stratasys Inc. (12%)
10 Skyline Drive .....	13.27	DX Communications (65%), Galston Corp. (17%)

Page 38

</TABLE>  
<TABLE>  
<CAPTION>

Percentage  
Of 1996  
Total Office,  
Office/Flex,

Property Location	Year Built	Net Rentable Area (Sq. Ft.)	Leased as of 12/31/96 (%) (1)	1996 Base Rent (\$000) (2)	& Industrial/Warehouse Base Rent (%)
<S>					
RM Office/Flex Properties(cont.)					
HAWTHORNE, WESTCHESTER COUNTY, NY(cont.)					
11 Skyline Drive .....	1989	45,000	100.0	679	1.15
15 Skyline Drive .....	1989	55,000	100.0	902	1.53
200 Saw Mill River Road ...	1965	51,100	100.0	611	1.04
YONKERS, WESTCHESTER COUNTY, NY					
100 Corporate Boulevard ...	1987	78,000	100.0	1,260	2.14
4 Executive Plaza .....	1986	80,000	83.6	704	1.19
6 Executive Plaza .....	1987	80,000	100.0	962	1.63
1 Odell Plaza .....	1980	106,000	98.2	1,099	1.87
5 Odell Plaza .....	1983	38,400	100.0	439	0.74
7 Odell Plaza.....	1984	42,600	100.0	587	1.00

Page 39

</TABLE>  
<TABLE>  
<CAPTION>

Property Location	1996 Average Base Rent per Sq. Ft. (\$) (3)	Tenants Leasing 10% or More of Net Rentable Area per Property as of 12/31/96(4)
<S>		
RM Office/Flex Properties(cont.)		
HAWTHORNE, WESTCHESTER COUNTY, NY(cont.)		
11 Skyline Drive .....	15.09	Cube Computer (40%), Steri Pharmacy (19%), Bowthorpe Holdings (18%), Planned Parenthood (11%)
15 Skyline Drive .....	16.40	United Parcel Service (61%), Emisphere Technology (23%), Minolta Copier (16%)
200 Saw Mill River Road ...	11.96	Walter Degruyter (21%), Xerox (17%), Argents Air Express(12%), SI Industrial (10%), AAR Hardware (10%)
YONKERS, WESTCHESTER COUNTY, NY		
100 Corporate Boulevard ...	16.15	Bank of New York (28%), Montefiore (19%), Xerox (13%), Quality Lifestyle (12%), Medigene (11%)
4 Executive Plaza .....	10.52	O K Industries (43%), Minami International (11%)
6 Executive Plaza .....	12.02	Cablevision System (39%), KVL Audio Visual (12%), Empire Managed (10%)
1 Odell Plaza .....	10.55	Court Sports II (19%), Gannett Satellite (11%), Crown Trophy (10%)

5 Odell Plaza .....	11.42	Voyetra Technology (45%), Photo Fili Inc. (34%), Premier Pharmacy (22%)
7 Odell Plaza.....	13.78	US Post Office (41%), Bright Horizons (16%), TT Systems Corp. (12%), CP Bourg Inc. (12%)

Page 40

</TABLE>  
<TABLE>  
<CAPTION>

Property Location -----	Year Built -----	Net Rentable Area (Sq. Ft.) -----	Percentage Leased as of 12/31/96 (%) (1) -----	1996 Base Rent (\$000) (2) -----	Percentage Of 1996 Total Office, Office/Flex, & Industrial/ Warehouse Base Rent (%) -----
<S>	<C>	<C>	<C>	<C>	<C>
RM Office/Flex Properties(cont.)					
STAMFORD, FAIRFIELD COUNTY, CT					
419 West Avenue .....	1986	88,000	100.0	1,333	2.26
500 West Avenue .....	1988	25,000	100.0	320	0.54
550 West Avenue .....	1990	54,000	100.0	721	1.22
Total RM Office/Flex Properties		2,112,720	96.3	25,035	42.49

Page 41

<CAPTION>

Property Location -----	1996 Average Base Rent per Sq. Ft. (\$ (3) -----	Tenants Leasing 10% or More of Net Rentable Area per Property as of 12/31/96(4) -----
<S>	<C>	<C>
RM Office/Flex Properties(cont.)		
STAMFORD, FAIRFIELD COUNTY, CT		
419 West Avenue .....	15.15	Lear Siegal Inc. (81%)
500 West Avenue .....	12.80	TNT Skypac (26%), Stamford Associates (26%), Lead Trackers(21%), Delecor USA (17%), M. Cohen & Sons (11%)
550 West Avenue .....	13.35	Lifecodes Corp. (44%), Davidoff of Geneva (39%)
Total RM Office/Flex Properties	12.31	

Page 42

</TABLE>  
<TABLE>  
<CAPTION>

Property Location -----	Year Built -----	Net Rentable Area (Sq. Ft.) -----	Percentage Leased as of 12/31/96 (%) (1) -----	1996 Base Rent (\$000) (2) -----	Percentage Of 1996 Total Office, Office/Flex, & Industrial/ Warehouse Base Rent (%) -----
----------------------------	---------------------	---	---	--	--



<S>	<C>	<C>	<C>	<C>	<C>
Industrial/Warehouse Properties					
ELMSFORD, WESTCHESTER COUNTY, NY					
1 Warehouse Lane .....	1957	6,600	100.0	42	0.07
2 Warehouse Lane .....	1957	10,900	95.9	109	0.19
3 Warehouse Lane .....	1957	77,200	100.0	249	0.42
4 Warehouse Lane .....	1957	195,500	80.0	1,758	2.99
5 Warehouse Lane .....	1957	75,100	100.0	737	1.25
6 Warehouse Lane .....	1982	22,100	100.0	445	0.75
Total Industrial/Warehouse Prop.		----- 387,400 -----	----- 89.8 -----	----- 3,340 -----	----- 5.67 -----
Total RM Office, Office/Flex and Industrial/Warehouse Properties		4,084,920 =====	95.5 =====	58,914 =====	100.00 =====

See footnotes on subsequent page.

</TABLE>  
<TABLE>  
<CAPTION>

Property Location	1996 Average Base Rent per Sq. Ft. (\$)(3)	Tenants Leasing 10% or More of Net Rentable Area per Property as of 12/31/96 (4)
-----	-----	-----
<S>	<C>	<C>
Industrial/Warehouse Properties		
ELMSFORD, WESTCHESTER COUNTY, NY		
1 Warehouse Lane .....	6.38	JP Trucking Service(100%)
2 Warehouse Lane .....	10.48	RJ Bruno Roofing (55%), Savin Engineering (41%)
3 Warehouse Lane .....	3.23	United Parcel Service Inc. (100%)
4 Warehouse Lane .....	11.24	San Mar Laboratory (55%), Marcraft Clothes (18%), 2 Westchester Medical (11%)
5 Warehouse Lane .....	9.82	Metbev Inc. (42%), E&H Tire Buying (19%), Backstage Exclusive Knitwear (16%), Conway Import Co. (10%)
6 Warehouse Lane .....	20.12 -----	Conway General (96%)
Total Industrial/Warehouse Prop.	9.60 -----	
Total RM Office, Office/Flex and Industrial/Warehouse Properties	15.10 -----	

See footnotes on subsequent page.

- (1) Based on all leases in effect as of December 31, 1996.
- (2) Total base rent for RM, as recorded in 1996, determined in accordance with GAAP. 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.
- (3) Base rent for 1996 divided by net rentable square feet leased at December 31, 1996.

(4) Excludes office space leased by RM as of December 31, 1996.  
</TABLE>

#### Retail Properties.

The Company owns two stand-alone retail properties as of February 28, 1997, both acquired in the RM Acquisition.

The Company owns an 8,000 square foot restaurant, constructed in 1986, located in the South Westchester Executive Park in Yonkers, Westchester County, New York. The restaurant is 100 percent leased to Magic at Yonkers, Inc. for use as a Red Robin restaurant under a 25-year lease. The lease currently provides for fixed annual rent of \$230,000, with fully-reimbursed real estate taxes, and operating expenses escalated based on CPI over a base year CPI. The lease, which expires on June 30, 2012, includes scheduled rent increases in July 1997 to approximately \$265,000 annually, and in July 2002 to approximately \$300,000 annually. The lease also provides for additional rent calculated as a percentage of sales over a specified sales amount, as well as for two five-year renewal options. 1996 base rental revenue, calculated in accordance with GAAP, to RM was approximately \$198,000.

The Company also owns a 9,300 square foot restaurant, constructed in 1984, located at 230 White Plains Road, Tarrytown, Westchester County, New York. The restaurant is 100 percent leased to TGI Fridays under a 10-year lease which provides for fixed annual rent of approximately \$195,000, with fully-reimbursed real estate taxes, and operating expenses escalated based on CPI over a base year CPI. The lease, which expires on August 31, 2004, also provides for additional rent calculated as a percentage of sales over a specified sales amount, as well as for four five-year renewal options. 1996 base rental revenue, calculated in accordance with GAAP, to RM was approximately \$195,000.

#### Land Leases.

The Company owns two land leases as of February 28, 1997, both acquired in the RM Acquisition.

Page 45

The Company has land leased to Star Enterprises, where a 2,264 square foot Texaco Gas Station was constructed, located at 1 Enterprise Boulevard in Yonkers, Westchester County, New York. The 15-year, triple-net land lease provides for annual rent of approximately \$125,000 through January 1998, with an increase to approximately \$145,000 annual rent through April 30, 2005. The lease also provides for two five-year renewal options. 1996 base rental revenue, calculated in accordance with GAAP, to RM was approximately \$135,000.

The Company also leases five acres of land to Rake Realty, where a 103,500 office building exists, located at 700 Executive Boulevard, Elmsford, Westchester County, New York. The 22-year, triple-net land lease provides for fixed annual rent plus a CPI adjustment every five years, and expires on November 30, 2000. RM's 1996 base rent, calculated in accordance with GAAP, under this lease was approximately \$97,000. The lease also provides for several renewal options which could extend the lease term for an additional 30 years.

#### Multi-family Residential Properties.

As of February 28, 1997, the Company owned two multi-family residential properties, described below:

##### Tenby Chase Apartments, Delran, Burlington County, New Jersey

The Company's multi-family residential property, known as the Tenby Chase Apartments, was built in 1970. The property contains 327 units, comprised of 196 one-bedroom units and 131 two-bedroom units, with an average size of approximately 1,235 square feet per unit. The property had an average monthly rental rate of approximately \$713 per unit during 1996 and was approximately 97 percent leased as of December 31, 1996. The property had 1996 total base rent of approximately \$2.7 million which represented approximately 3.5 percent of the Company's 1996 total base rent. The average occupancy rate for the Property in each of 1996, 1995, and 1994, was 95.3 percent, 93.6 percent, and 94.8 percent respectively.

##### 25 Martine Avenue, White Plains, Westchester County, New York

The Company's multi-family residential property, acquired in the RM Acquisition and known as 25 Martine Avenue, was completed in 1987. The property contains 124 units, comprised of 18 studio units, 71 one-bedroom units and 35 two-bedroom units, with an average size of approximately 722 square feet per unit. The property had an average monthly rental rate of approximately \$1,488 per unit during 1996 and was 100.0 percent leased as of December 31, 1996. The property had 1996 total base rent to RM of approximately \$2.1 million which represented approximately 3.5 percent of the RM Properties' 1996 total base rent of RM. The average occupancy rate for the property in each of 1996, 1995 and 1994 was 96.4 percent, 98.3 percent and 97.6 percent, respectively.

Page 46

#### Year-End Office Properties: Schedule of Lease Expirations

The following table sets forth a schedule of the lease expirations for the Year-End Office Properties beginning January 1, 1997, assuming that none of the

tenants exercises renewal options:

<TABLE>  
<CAPTION>

Year of Expiration	Number of Leases Expiring (1)	Percentage of Net Rentable Area Subject to Expiring Leases (Sq. Ft.)	Total Leased Square Feet Represented by Expiring Leases (%) (2)	Annual Base Rent Under Expiring Leases (\$000) (3)	Average Annual Rent per Net Rentable Square Foot Represented By Expiring Leases (\$)
<S>	<C>	<C>	<C>	<C>	<C>
1997 .....	80	446,492	7.49	8,335	18.67
1998 .....	93	963,384	16.17	13,883	14.41
1999 .....	109	755,273	12.68	14,383	19.04
2000 .....	84	1,132,727	19.01	21,036	18.57
2001 .....	57	579,496	9.73	11,831	20.42
2002 .....	26	275,143	4.62	6,416	23.32
2003 .....	15	367,381	6.17	6,363	17.32
2004 .....	6	67,411	1.13	1,480	21.95
2005 .....	6	126,663	2.13	2,005	15.83
2006 .....	8	147,911	2.48	3,072	20.77
2007 & Thereafter	16	1,096,443	18.39	22,837	20.83
Total/Weighted Average .....	500	5,958,324	100.00	111,641	18.74

(1) Includes office tenants only. Excludes leases for amenity, retail, parking and month-to-month office tenants. Some tenants have multiple leases.

(2) Excludes all space vacant as of December 31, 1996.

(3) Based upon aggregate base rent, determined in accordance with GAAP, including all leases dated on or before December 31, 1996.

Page 47

</TABLE>  
Year-End Office/Flex Properties: Schedule of Lease Expirations

The following table sets forth a schedule of the lease expirations for the Year-End Office/Flex Properties, beginning January 1, 1997, assuming that none of the tenants exercises renewal options:

<TABLE>  
<CAPTION>

Year of Expiration	Number of Leases Expiring (1)	Net Rentable Area Subject to Expiring Leases (Sq. Ft.)	Percentage of Total Leased Square Feet Represented by Expiring Leases (%) (2)	Annual Base Rent Under Expiring Leases (\$000) (3)	Average Annual Rent per Net Rentable Square Foot Represented By Expiring Leases (\$)
<S>	<C>	<C>	<C>	<C>	<C>
1997 .....	17	149,866	21.68	1,380	9.21
1998 .....	9	89,266	12.91	864	9.68
1999 .....	13	97,601	14.12	1,039	10.65
2000 .....	13	176,531	25.53	1,963	11.12
2001 .....	9	85,987	12.44	854	9.93
2002 .....	2	13,824	2.00	135	9.77
2003 .....	1	9,024	1.31	128	14.18
2004 .....	1	39,060	5.65	445	11.39
2005 .....	1	7,225	1.05	71	9.83
2007 & Thereafter	2	22,844	3.31	230	10.07
Total/Weighted Average .....	68	691,228	100.00	7,109	10.28

(1) Includes office/flex tenants only. Excludes leases for amenity, retail, parking and month-to-month office tenants. Some tenants have multiple leases.

(2) Excludes all space vacant as of December 31, 1996.

(3) Based upon aggregate base rent determined in accordance with GAAP, including all leases dated on or before December 31, 1996.

Page 48

</TABLE>

RM Office Properties: Schedule of Lease Expirations

The following table sets forth a schedule of the lease expirations for the RM Office Properties beginning January 1, 1997, assuming that none of the tenants exercises renewal options:

<TABLE>

<CAPTION>

Year of Expiration	Number of Leases Expiring (1)	Net Rentable Area Subject to Expiring Leases (Sq. Ft.)	Percentage of Total Leased Square Feet Represented by Expiring Leases (%) (2)	Annual Base Rent Under Expiring Leases (\$000) (3)	Average Annual Rent per Net Rentable Square Foot Represented By Expiring Leases (\$)
<S>	<C>	<C>	<C>	<C>	<C>
1997 .....	76	262,279	17.77	5,422	20.67
1998 .....	51	204,357	13.85	4,473	21.89
1999 .....	61	185,156	12.55	3,840	20.74
2000 .....	29	468,778	31.77	8,282	17.67
2001 .....	28	193,965	13.14	4,237	21.85
2002 .....	10	49,716	3.37	1,034	20.79
2003 .....	6	61,267	4.15	1,349	22.02
2004 .....	2	5,470	0.37	124	22.62
2005 .....	4	37,015	2.51	840	22.71
2006 .....	1	6,108	0.41	153	25.00
2007 & Thereafter	1	1,667	0.11	31	18.50
Total/Weighted Average .....	269	1,475,778	100.00	29,785	20.18

(1) Includes office tenants only. Excludes leases for amenity, retail, parking and month-to-month office tenants. Some tenants have multiple leases.

(2) Excludes all space vacant as of December 31, 1996.

(3) Based upon aggregate historical base rent to RM, determined in accordance with GAAP, including all leases dated on or before December 31, 1996.

Page 49

</TABLE>

RM Office/Flex Properties: Schedule of Lease Expirations

The following table sets forth a schedule of the lease expirations for the RM Office/Flex Properties, beginning January 1, 1997, assuming that none of the tenants exercises renewal options:

<TABLE>

<CAPTION>

Year of Expiration	Number of Leases Expiring (1)	Percentage of Net Rentable Area Subject to Expiring Leases (Sq. Ft.)	Total Leased Square Feet Represented by Expiring Leases (%) (2)	Annual Base Rent Under Expiring Leases (\$000) (3)	Average Annual Rent per Net Rentable Square Foot Represented By Expiring Leases (\$)
<S>	<C>	<C>	<C>	<C>	<C>
1997 .....	37	215,598	10.70	2,528	11.73
1998 .....	61	349,817	17.37	4,319	12.35
1999 .....	45	290,765	14.44	3,329	11.45
2000 .....	34	344,358	17.10	4,190	12.17
2001 .....	41	450,701	22.38	5,481	12.16

2002 .....	15	168,364	8.36	2,038	12.10
2003 .....	2	31,871	1.58	422	13.23
2006 .....	4	88,699	4.40	1,351	15.23
2007 & Thereafter	2	73,934	3.67	1,080	14.61
	---	-----	-----	-----	-----
Total/Weighted Average .....	241	2,014,107	100.00	24,738	12.28
	===	=====	=====	=====	-----

(1) Includes office/flex tenants only. Excludes leases for amenity, retail, parking and month-to-month office tenants. Some tenants have multiple leases.

(2) Excludes all space vacant as of December 31, 1996.

(3) Based upon aggregate base rent to RM determined in accordance with GAAP, including all leases dated on or before December 31, 1996.

Page 50

</TABLE>  
RM Industrial/Warehouse Properties: Schedule of Lease Expirations

The following table sets forth a schedule of the lease expirations for the RM Industrial/Warehouse Properties, beginning January 1, 1997, assuming that none of the tenants exercises renewal options:

<TABLE>  
<CAPTION>

Year of Expiration	Number of Leases Expiring (1)	Net Rentable Area Subject to Expiring Leases (Sq. Ft.)	Percentage of Total Leased Square Feet Represented by Expiring Leases (%) (2)	Annual Base Rent Under Expiring Leases (\$000) (3)	Average Annual Rent per Net Rentable Square Foot Represented By Expiring Leases (\$)
<S>	<C>	<C>	<C>	<C>	<C>
1997 .....	4	31,500	9.18	272	8.65
1998 .....	5	150,803	43.94	923	6.12
2000 .....	2	18,504	5.39	207	11.18
2001 .....	3	33,778	9.84	592	17.52
2004 .....	1	108,600	31.65	1,112	10.24
	--	-----	-----	-----	-----
Total/Weighted Average .....	15	343,185	100.00	3,106	9.05
	==	=====	=====	=====	-----

(1) Includes industrial/warehouse tenants only. Excludes leases for amenity, retail, parking and month-to-month office tenants. Some tenants have multiple leases.

(2) Excludes all space vacant as of December 31, 1996.

(3) Based upon aggregate historical base rent to RM, determined in accordance with GAAP, including all leases dated on or before December 31, 1996.

Page 51

</TABLE>  
95 Christopher Columbus Drive, Jersey City, Hudson County, NJ

As the 1996 revenues of 95 Christopher Columbus Drive, Jersey City ("Grove Street") was in excess of 10 percent of the Company's consolidated total revenues for the year ended December 31, 1996, additional information regarding Grove Street is provided below.

Grove Street is located in the Waterfront Region submarket of Hudson County, which includes Hoboken, Jersey City and Weehawken. The building, built in 1989, is located on approximately 1.8 acres and has 36,600 square feet on each of the first 18 floors and 24,000 square feet on the 19th floor. On April 9, 1996, DLJ, a significant tenant that previously leased approximately 55 percent of the space at Grove Street, signed a lease with the Company for an additional 73,200 square feet of office space and on December 31, 1996, DLJ signed a lease for an additional 6,507 square feet of space, which, in the aggregate, increased DLJ's occupancy to approximately 67 percent of the property as of December 31, 1996. The building currently contains 621,900 net rentable square feet and was 100% leased as of December 31, 1996. The building has 13 passenger and two freight elevators and offers 24-hour card access. Other amenities include fiber optics telecommunications, a separate power source for the most sophisticated computer systems, building life safety systems connected to an uninterruptable power source, extra height ceilings to accommodate raised floors, five-story skylit atrium with waterfall and reflecting pool, multiple on-premises retail services, six level attached parking deck with 485 spaces and an elevator and direct

access to the Grove Street PATH subway station. The Grove Street PATH subway station provides direct access to midtown and downtown Manhattan.

The following table sets forth certain information (on a per net rentable square foot basis unless otherwise indicated) about 95 Christopher Columbus Drive, Jersey City since January 1, 1992 (based upon an average of all lease transactions during the respective periods):

<TABLE>  
<CAPTION>

	Year Ended December 31,				
	1992	1993	1994	1995	1996
<S>	<C>	<C>	<C>	<C>	<C>
Number of leases signed during period(1) .....	1	1	2	1	2
Rentable square footage leased during period(1) ..	36,600	24,379	29,810	5,004	79,707
Base rent(\$)(1)(2) .....	19.31	17.80	15.87	13.50	18.42
Tenant improvements(\$)(3) .....	31.25	11.03	11.42	24.00	39.18
Leasing commissions(\$)(4) .....	2.54	7.21	6.27	2.47	2.56
Other concessions(\$)(5) .....	--	--	--	--	--
Effective rent(\$)(6) .....	17.00	15.12	12.89	9.09	15.23
Expense stop(\$)(7) .....	--	--	--	--	--
Effective equivalent triple net rent(\$)(8) .....	17.00	15.12	12.89	9.09	15.23
Occupancy rate at end of period(%) (1) .....	76.35	83.76	86.70	88.00	100.00

See footnotes on subsequent page.

Page 52

- (1) Includes only office tenants with lease terms of 12 months or longer. Excludes leases for amenity, parking, retail and month-to-month office tenants.
- (2) Equals aggregate base rent received over their respective terms from all lease transactions during the period, divided by the terms in months for such leases during the period, multiplied by 12, divided by the total net rentable square feet leased under all lease transactions during the period.
- (3) Equals work letter cost net of estimated provision for profit and overhead, or costs incurred by the Company in connection with tenant improvements allowances per the respective lease agreement. Actual cost tenant improvements may differ from estimated work letter costs.
- (4) Equals an aggregate of leasing commissions payable to employees and third parties based on standard commission rates and excludes negotiated commission discounts obtained from time to time.
- (5) Includes moving expenses, furniture allowances and other concessions.
- (6) Equals aggregate base rent received over their respective terms from all lease transactions during the period minus all tenant improvements, leasing commissions and other concessions from all lease transactions during the period, divided by the terms in months for such leases, multiplied by 12, divided by the total net rentable square feet leased under all lease transactions during the period.
- (7) All leases in this Property are triple net leases. Tenants pay their proportionate share of real estate taxes, operating costs and utility costs.
- (8) Equals effective rent minus expense stop.

</TABLE>

Page 53

The following table sets forth the average percentage leased and average annual rental per leased square foot (excluding storage space) for the past five years for 95 Christopher Columbus Drive, Jersey City. All of the leases at 95 Christopher Columbus Drive, Jersey City are triple net leases (i.e., tenants pay their proportionate share of real estate taxes, insurance and operating expenses).

<TABLE>  
<CAPTION>

Year	Average Percentage Leased(%) (1)	Average Annual Rental per Leased Square Foot(\$)(2)
<S>	<C>	<C>
1996	94.0	20.74
1995	87.4	20.70
1994	85.8	20.31
1993	80.1	20.92
1992	76.4	20.74

(1) Average of beginning and end of year aggregate percentage leased.

(2) Total base rents for the year, determined in accordance with GAAP, divided by average of beginning and end of year aggregate net rentable area leased.

</TABLE>

Two tenants at Grove Street occupy approximately 92 percent of the net rentable square feet in the aggregate at December 31, 1996. As of December 31, 1996, DLJ, a national securities firm, occupied 413,852 square feet (approximately 67 percent of the net rentable square feet of Grove Street) pursuant to four leases which expire July 13, 2009, with two five-year renewal options. Total rental income from DLJ in 1996, including escalations and recoveries, was approximately \$11.5 million (excluding lobby and storage space). The DLJ leases provide for, among other things, annual rental rate increases of approximately \$1.3 million in July 1999 and approximately \$1.6 million in July 2004. NTT, an international communications firm, occupies 137,000 square feet (approximately 22 percent of the net rentable square feet of Grove Street) pursuant to a lease which expires September 30, 2000, with three five-year renewal options. NTT's billed rent for 1996 was approximately \$3.0 million (excluding lobby space).

Page 54

The following table sets forth a schedule of the lease expirations for Grove Street, assuming that none of the tenants exercises renewal options or termination rights:

<TABLE>  
<CAPTION>

Year of Expiration	Number of Leases Expiring (1)	Net Rentable Area Subject to Expiring Leases (Sq. Ft.)	Percentage of Total Leased Square Feet Represented By Expiring Leases (%) (2)	Annual Base Rent Under Expiring Leases (\$000) (3)	Average Annual Rent Per Net Rentable Square Foot Represented By Expiring Leases (\$)
<S>	<C>	<C>	<C>	<C>	<C>
1999 .....	1	21,749	3.60	348	16.00
2000 .....	4	161,339	26.69	3,159	19.58
2001 .....	2	6,019	1.00	84	14.09
2002 .....	1	8,061	1.33	125	15.52
2009 .....	4	407,345	67.38	8,387	20.59
	--	-----	-----	-----	-----
Total/Weighted Average.....	12	604,513	100.00	12,103	20.02
	==	=====	=====	=====	-----

(1) Includes office tenants only. Excludes leases for amenity, retail, parking and month-to-month office tenants. Some tenants have multiple leases.

(2) Excludes all space vacant as of December 31, 1996.

(3) Based upon aggregate base rent determined in accordance with GAAP, including all leases dated on or before December 31, 1996.

</TABLE>

The aggregate tax basis of depreciable real property at Grove Street for federal income tax purposes was approximately \$74 million as of December 31, 1996. Depreciation and amortization are computed on the declining balance and straight-line methods over the estimated useful life of the real property which range from 31.5 to 39 years. The aggregate tax basis of depreciable personal property associated with Grove Street for federal income tax purposes was approximately \$15,000 as of December 31, 1996. Depreciation and amortization are computed on the double declining balance method over the estimated useful life of the personal property of five to seven years.

Grove Street has been granted an abatement under the Fox-Lance program by Jersey City, which establishes the payment to the City of Jersey City for municipal services to be paid in lieu of conventional real estate taxes. The abatement program is in effect for the 15-year period from completion of the project (1989 through 2004). The total annual charge in lieu of real estate taxes has been designated by the program at two percent of the project cost (i.e., \$1,131,000 per annum) for the first ten years and 2.5 percent (i.e., \$1,413,750 per annum) for years 11 through 15.

Page 55

Harborside Financial Center, Jersey City, Hudson County, NJ

As the book value of Harborside was in excess of 10 percent of the Company's total assets at December 31, 1996, additional information regarding the property is provided below.

Harborside, acquired by the Company on November 4, 1996, is a completely redeveloped, three-building office complex containing 1,886,800 square feet of net rentable area located in the Exchange Place Newport Center submarket of Jersey City, New Jersey. This submarket is a satellite office market of Manhattan and is occupied primarily by the support and technical operations of New York City-based financial institutions. The buildings, known as Plazas I, II and III were developed as a complete reconstruction of existing buildings in two phases, the first completed in 1983 and the second in 1990. The buildings are connected via an enclosed 1,000 foot waterfront promenade featuring restaurants, service retail shops and a food court, as well as an atrium lobby. The promenade includes various retail operations such as restaurants, a bank, and a dry cleaner. The property is situated on 47.98 acres for the existing building

complex, 11.29 acres of undeveloped land, 5.78 acres of piers and 21.61 acres of underwater land (excluding piers).

Plaza I is served by six passenger elevators as well as a 15,000 lb. freight car. Plazas II and III are each served by ten passenger elevators and have seven oversized freight elevators in total. In addition, there are large shafts where freight elevators have been removed which enable tenants to bring significant electric telecommunications cabling to their space at minimal cost.

The property leases space to a parking operator and provides for approximately 1,685 parking spaces including 200 spaces on the south pier. Public transportation to the property is available through the Exchange Place PATH rail station which is immediately adjacent to the property and links Harborside to downtown Manhattan in approximately four minutes. The PATH also provides access to midtown Manhattan, Newark and Hoboken in less than twenty minutes. The property is also connected to Manhattan by road via a three mile drive to the Holland Tunnel and a five-mile drive to the Lincoln Tunnel. Interstates 78 and 495, US Routes 1, 9 and 440, and NJ Route 3 connect the property to locations throughout northern New Jersey.

Page 56

The following table sets forth certain information (on a per rentable square foot basis unless otherwise indicated) about the property since January 1, 1992 (based upon an average of all lease transactions during the respective periods):

<TABLE>  
<CAPTION>

	Year Ended December 31, 1996				
	1992	1993	1994	1995	1996
	----	----	----	----	----
<S>	<C>	<C>	<C>	<C>	<C>
Number of leases signed during period (1) .....	4	3	9	5	8
Rentable sq. footage leased during period (1) .....	192,278	12,143	201,933	50,806	186,133
Base rent (\$) (2) .....	18.18	20.35	16.04	22.33	20.41
Tenant improvements (3) ...	39.82	24.31	17.69	19.21	13.38
Leasing commissions (4) ...	14.60	8.68	10.28	4.71	10.45
Other concessions (5) .....	--	--	--	--	--
Effective rent (\$) (6) ...	14.41	13.86	13.91	19.95	18.07
Expense stop (\$) (7) .....	0.98	3.42	3.91	2.52	4.34
Effective equivalent triple net rent (\$) (8) .....	13.43	10.44	10.00	17.43	13.73
Occupancy rate at end of period (%) (1) .....	78.60	88.10	93.30	96.10	98.80

See footnotes on subsequent page.

Page 57

- (1) Includes only office tenants with lease terms of 12 months or longer. Excludes leases for amenities, parking, retail and month-to-month office tenants.
- (2) Equals aggregate base rent received over their respective terms from all lease transactions during the period, divided by the terms in months for such leases during the period, multiplied by 12, divided by the total net rentable square feet leased under all lease transactions during the period.
- (3) Equals work letter costs net of estimated provision for profit and overhead. Actual cost tenant improvements may differ from estimated work letter costs.
- (4) Equals an aggregate of leasing commissions payable to employees and third parties based on standard commission rates and excludes negotiated commission discounts obtained from time to time.
- (5) Includes moving expenses, furniture allowances and other concessions.
- (6) Equals aggregate base rent received over their respective terms from all lease transactions during the period minus all tenant improvements, leasing commissions and other concessions from all lease transactions during the period, divided by the terms in months for such leases, multiplied by 12, divided by the total net rentable square feet under all lease transactions during the period.
- (7) Equals the aggregate of each base year tax and common area maintenance pool multiplied by the respective pro rata share for all lease transactions during the period, divided by the total net rentable



square feet leased under all lease transactions during the period.

(8) Equals effective rent minus expense stop.  
</TABLE>

The following schedule sets forth the average percent leased and average annual rental per leased square foot for the years ended December 31, 1992 through 1996 for Harborside:

<TABLE>  
<CAPTION>

Year	Average Percentage Leased(%) (1)	Average Annual Rental Per Leased Square Foot (\$) (2)
1996	97.50	\$16.23
1995	94.70	15.99
1994	90.70	15.26
1993	83.40	16.36
1992	73.50	14.69

(1) Average of beginning and end of year aggregate percentage leased.

(2) Total base rents for the year, determined in accordance with generally accepted accounting principles, divided by average of beginning and end of year aggregate net rentable area leased.

</TABLE>

Page 58

Four tenants at Harborside occupy approximately 63 percent of the net rentable square feet in the aggregate as of December 31, 1996, as follows:

Bankers Trust Harborside, Inc., a commercial bank, occupied 385,000 square feet (approximately 21 percent of the net rentable square feet of Harborside) at December 31, 1996, pursuant to a triple net lease which expires March 31, 2003, with a five-year renewal option. Total rental income from Bankers Trust, including escalations and recoveries, was approximately \$548,000 for the period November 4 through December 31, 1996. The lease provides, among other things, for an annual rent increase of \$770,000 to an annual rent of \$3,272,500 beginning on April 1, 1998.

Dow Jones Telerate Holdings, Inc., a telecommunications firm, occupied 378,232 square feet at December 31, 1996 (approximately 20 percent of the net rentable square feet of Harborside) pursuant to various leases expiring June 30, 1999 through March 31, 2001, with two five-year renewal options on 187,817 square feet of the space and one five-year option on 45,187 square feet of the space. Total rental income from Dow Jones Telerate Holdings, Inc., including escalations and recoveries was approximately \$1,483,000 for the period November 4 through December 31, 1996. Certain of the leases provide for annual rental increases totaling approximately \$181,000 beginning in June 2001.

AICPA, a professional organization, occupied approximately 250,000 square feet (approximately 13 percent of the net rentable square feet of Harborside) at December 31, 1996, pursuant to a lease which expires July 31, 2012, with a ten-year renewal option. Total rental income from the AICPA, including escalations and recoveries, was approximately \$1,153,000 for the period November 4 through December 31, 1996. The AICPA lease provides for, among other things, annual rental increases of approximately \$836,000 in July 2002 and \$836,000 in July 2007.

Dean Witter Trust Company, a securities firm, occupied 179,131 square feet (approximately 9.5 percent of the net rentable square feet of Harborside) at December 31, 1996, pursuant to a lease which expires February 8, 2008, with ten-year and five-year renewal options. Total rental income from Dean Witter, including escalations and recoveries, was approximately \$796,000 for the period November 4, 1996 through December 31, 1996. The lease provides for, among other things, annual rental increases of approximately \$221,000 beginning in February 1998, \$30,000 in September 2000, \$473,000 in February 2003, and \$64,000 in September 2005.

Page 59

The following table sets forth a schedule of the lease expirations for Harborside, beginning January 1, 1997, assuming that none of the tenants exercise renewal options:

<TABLE>  
<CAPTION>

Year of Expiration	Number of Leases Expiring(1)	Net Rentable Area Subject to Expiring Leases (Sq.Ft.)	Percentage of Total Leased Sq. Ft. Represented Leases (%) (2)	Annual Base Rent Under Expiring Leases (\$000) (3)	Avg. Annual Rent Per Net Rentable Sq. Ft. Represented by Expir.Leases
1997	2	19,540	1.16	428	\$21.90
1998	5	415,233	24.65	3,222	7.76
1999	7	85,209	5.06	1,986	23.31
2000	8	296,057	17.58	5,921	20.00
2001	2	69,996	4.16	1,679	23.99
2003	1	6,299	0.37	166	26.35
2004	1	24,729	1.47	590	23.86
2005	4	114,641	6.81	1,688	14.72

2006	5	85,389	5.07	1,740	20.38
2007 and Thereafter	8	567,392	33.67	12,188	21.48
	--	-----	-----	-----	-----
Total/Weighted Average	43	1,684,485	100.00	29,608	17.58
	==	=====	=====	=====	-----

(1) Includes office tenants only. Excludes leases for amenities, retail, parking and month-to-month office tenants.

(2) Excludes all space vacant as of December 31, 1996.

(3) Based upon aggregate base rent, calculated in accordance with GAAP, including all leases dated on or before December 31, 1996.

</TABLE>

The aggregate tax basis of depreciable real property at Harborside for federal income tax purposes was approximately \$254 million as of December 31, 1996. Depreciation and amortization are computed on the declining balance and straight-line methods over the estimated useful life of the real property which range from 31.5 to 39 years. There is no depreciable personal property associated with Harborside for federal income tax purposes as of December 31, 1996. Depreciation and amortization are computed on the double declining balance method over the estimated useful life of the personal property of five to seven years.

Page 60

Tax abatements for Harborside were obtained in 1988 by the former owner of the property from the City of Jersey City under the Fox-Lance Program and were assumed by the Company as part of the acquisition of Harborside on November 4, 1996. The abatements, which commenced in 1990, are for a term of 15 years. The Company is required to pay municipal services equal to two percent of Total Project Costs, as defined, in year one and increase by \$75,000 per annum through year fifteen. Total Project Costs, as defined, are \$148.7 million. The service charges for the remaining undeveloped parcels will be equal to two percent of Total Project Costs for each unit in year one and increase to three percent by year fifteen.

The Company's Real Estate Markets.

The Company's Properties are strategically located in a contiguous area from Philadelphia, Pennsylvania to Stamford, Connecticut. The following is a discussion of the markets within which the Company's properties are located:

Northern New Jersey: The Northern New Jersey market consists of Bergen, Essex, Hudson, Morris and Passaic Counties. Northern New Jersey's five counties are part of the greater New York metropolitan area, are less than a 45 minute drive from Manhattan, and are widely regarded as major centers for corporate and international business. The region has direct access to New York City by public transportation and extensive road networks. In addition to being home to the two largest cities in New Jersey, Newark and Jersey City, Newark International Airport and the New York/New Jersey Harbor are also located within the five-county boundary.

Overall vacancy rates have declined in the Northern New Jersey market for the fourth consecutive year as a direct result of an increase in leasing activity and net absorption levels. Although some built-to-suit activity is present, speculative construction remains virtually nonexistent. The Company owns and operates approximately 4.5 million square feet of office and office/flex space in Northern New Jersey.

Central New Jersey: The Central New Jersey market consists of Union, Somerset, Hunterdon, Middlesex, Mercer and Monmouth Counties. Encompassing approximately 2,000 square miles in six counties, Central New Jersey is notable for its proximity to major highway arteries like Interstates 78 and 287, Route 1, the Garden State Parkway and the New Jersey Turnpike. This market continues to be a prime location for Fortune 500 headquarters, research & development operations and financial, insurance and real estate (FIRE) sector businesses.

Central New Jersey vacancy rates are decreasing while average asking rents are increasing. This is, in part, attributable to the increase in demand, measured by leasing activity, which rose predominantly due to corporate expansions. The Company owns and operates approximately 1.6 million square feet of office and office/flex space in the Central New Jersey Counties of Union, Somerset, Mercer and Monmouth.

Southern New Jersey: The Southern New Jersey market consists of Burlington, Camden, Atlantic, Ocean, Gloucester, Salem, Cumberland and Cape May Counties. This market has extensive geographic boundaries, stretching from the Delaware River and Philadelphia, to the Atlantic Ocean and Atlantic City. The region is mainly suburban, with the exception of Camden County, which is home to many affluent communities, and Atlantic City, one of the nation's largest centers for gaming/tourism.

Page 61

The Company owns and operates 80,000 square feet of office space in Atlantic County and a 327-unit multi family residential complex in Burlington County.

Suburban Philadelphia, Pennsylvania: The Suburban Philadelphia market consists of Bucks, Chester, Delaware, Montgomery, Lehigh and Northampton Counties. These

six surround the City of Philadelphia, are home to many affluent communities and are regarded as major centers for corporate and international business. The areas are served by an extensive highway network allowing easy access to Philadelphia International Airport and the Port of Philadelphia.

Over the last few years the overall vacancy rate in this region has declined and in 1996, the rate dipped below 10 percent for the first time as a result of strong leasing activity and virtually no new construction. The Company owns and operates approximately 761,000 square feet in Suburban Philadelphia.

Rockland County, New York: Rockland County, New York is located north of the New Jersey/New York border directly adjacent to Bergen County. Rockland County has excellent highway access to both New York City via Interstate 87 and to New Jersey via Interstate 287.

The Company owns and operates a 180,000 square foot office property in Rockland County.

Westchester County, New York: Westchester County, New York, is located immediately north of New York City. There is access to the City by public transportation and through an extensive road network. The vacancy rate in Westchester County has declined steadily over the last three years as the office market has absorbed 3 million square feet that IBM, A.T. & T. and NYNEX vacated from 1989 to 1993. Speculative construction has been virtually non-existent during the past five years.

The Company owns and operates approximately 1.6 million square feet of office space, approximately 1.6 million square feet of office/flex space, approximately 386,000 square feet of industrial/warehouse space and a 124-unit residential multifamily property in Westchester County, New York. The Company entered this market for the first time with the RM Acquisition.

Fairfield County, Connecticut: Fairfield County, Connecticut is the county in Connecticut closest in proximity with New York City. It has direct access to the City via public transportation and through an extensive road network. The county is home to ten Fortune 500 headquarters and there has been a substantial decline in vacancy during the past two years.

The Company owns approximately 166,000 square feet of office/flex space in Fairfield County. The Company entered this market for the first time with the RM Acquisition.

Page 62

#### ITEM 3. LEGAL PROCEEDINGS

There are no material pending legal proceedings, other than ordinary routine litigation incidental to its business, to which the Company is a party or to which any of its Properties is subject.

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

The Company did not submit any matters to a vote of security holders in the fourth quarter of the fiscal year ending December 31, 1996.

Page 63

#### PART II

#### Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's Common Stock is traded on the New York Stock Exchange under the symbol CLI.

Market Information. The Company's Common Stock has been traded on the New York Stock Exchange ("NYSE") since August 25, 1994. The high, low, and close price per share of Common Stock for the years ended December 31, 1995 and 1996 are as

follows:

<TABLE>  
<CAPTION>

For the Year Ended December 31, 1995:

	High -----	Low ---	Close -----
<S>	<C>	<C>	<C>
First Quarter	\$17.375	\$15.500	\$17.375
Second Quarter	\$19.375	\$16.500	\$19.375
Third Quarter	\$20.250	\$18.875	\$20.250
Fourth Quarter	\$22.500	\$19.125	\$21.875

<CAPTION>

For the Year Ended December 31, 1996:

	High -----	Low ---	Close -----
<S>	<C>	<C>	<C>
First Quarter	\$23.625	\$20.750	\$22.375
Second Quarter	\$24.625	\$21.500	\$24.250
Third Quarter	\$27.125	\$22.625	\$27.125
Fourth Quarter	\$30.875	\$26.125	\$30.875

</TABLE>

On February 28, 1997, the closing stock sales price on the NYSE was \$32.00 per share.

Holder. The approximate number of holders of record of the shares of the Company's Common Stock was 244 as of February 28, 1997.

Dividends and Distributions. As a result of the Company's improved operating performance, in September 1996 the Company announced a 5.9 percent increase in its regular quarterly distribution, commencing with the Company's distribution with respect to the third quarter of 1996, from \$.425 per share to \$.450 per share of Common Stock (\$1.80 per share of Common Stock on an annualized basis). The Company declared a cash dividend of \$.450 per share on December 20, 1996, to stockholders of record on January 4, 1997. Also on that date, the Company declared a cash distribution to the limited partners in the Operating Partnership that was equivalent to \$.450 per share. The dividend and distribution were paid on January 19, 1997. The declaration and payment of dividends and distributions will continue to be determined by the Board of Directors in light of conditions then existing, including the Company's earnings, financial condition, capital requirements, applicable legal restrictions and other factors.

Page 64

ITEM 6. SELECTED FINANCIAL DATA

CALI REALTY CORPORATION AND SUBSIDIARIES

SELECTED FINANCIAL DATA

The following table sets forth selected financial data on a consolidated basis for the Company and on a combined basis for the Cali Group. The consolidated selected financial data of the Company as of December 31, 1996, 1995 and 1994 and for the years ended December 31, 1996 and 1995, and for the period from August 31, 1994 to December 31, 1994 and the combined selected financial data of the Cali Group as of December 31, 1993 and 1992, and for the periods ended August 30, 1994, December 31, 1993 and 1992 have been derived from the Company's financial statements.(1)

<TABLE>  
<CAPTION>

OPERATING DATA:

	The Company			The Cali Group		
	Year Ended December 31, 1996	Year Ended December 31, 1995	August 31, 1994 to December 31, 1994	January 1, 1994 to August 30, 1994	Year Ended December 31, 1993	
1992						

<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenues \$45,300	\$95,472	\$62,335	\$16,841	\$33,637	\$47,900	
Operating and other expenses \$15,163	\$29,662	\$20,705	\$ 5,240	\$11,155	\$16,408	
General and administrative 2,773	\$ 5,800	\$ 3,712	\$ 1,079	\$ 2,288	\$ 2,618	\$
Depreciation and amortization 7,640	\$15,812	\$12,111	\$ 3,764	\$ 5,454	\$ 8,231	\$
Interest expense \$21,896	\$12,677	\$ 8,661	\$ 1,768	\$13,608	\$21,707	
Income (loss) before gain on sale of rental property, minority interest and extraordinary items \$(2,172)	\$31,521	\$17,146	\$ 4,990	\$ (110)	\$(1,064)	
Gain on sale of rental property	\$ 5,658	\$ --	\$ --	\$ --	\$ --	\$ -
Income (loss) before extraordinary items \$(2,172)	\$32,419	\$13,638	\$ 3,939	\$ (110)	\$(1,064)	
Net income per common share	\$1.73	\$1.23	\$0.38			

Dividends declared per common share \$1.75 \$1.66 \$0.54

<CAPTION>

BALANCE SHEET DATA:  
(in thousands)

	The Company			The Cali Group	
	1996	December 31, 1995	1994	December 31, 1993	1992
Rental property, before accumulated depreciation and amortization	\$ 853,352	\$387,675	\$234,470	\$213,675	\$210,407
Total assets	\$1,026,328	\$363,949	\$225,295	\$208,828	\$208,863
Mortgages and loans payable	\$ 268,010	\$135,464	\$ 77,000	\$231,981	\$230,385
Total liabilities	\$ 297,985	\$150,058	\$ 88,081	\$243,163	\$241,052
Stockholders' equity (partners' deficit)	\$ 701,379	\$185,808	\$108,311	\$ (34,355)	\$ (32,189)

See footnotes on subsequent page.

Page 65

<CAPTION>

CALI REALTY CORPORATION AND SUBSIDIARIES

SELECTED FINANCIAL DATA

OTHER DATA:

	The Company			The Cali Group		
	Year Ended December 31, 1996	Year Ended December 31, 1995	August 31, 1994 to December 31, 1994	January 1, 1994 to August 30, 1994	Year Ended December 31, 1993	
Cash flows provided by operating activities	\$ 46,823	\$ 28,446	\$ 6,367	\$ 6,328	\$ 2,735	\$
Cash flows (used in) provided by investing activities	\$ (307,752)	\$ (133,736)	\$ (8,947)	\$ 1,975	\$ (3,227)	
Cash flows provided by (used in) financing activities	\$ 464,769	\$ 99,863	\$ 8,974	\$ (1,038)	\$ (886)	\$
Funds from Operations after straight-lining of rents before minority interest of unitholders (2)	\$ 45,220	\$ 27,397	\$ 8,404			

<FN>

(1) See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(2) The Company considers Funds from Operations ("FFO"), after adjustment for straight-lining of rents, one measure of real estate investment trust ("REIT") performance. FFO is defined as net income (loss) before minority interest of unitholders computed in accordance with Generally Accepted Accounting Principles ("GAAP"), excluding gains (or losses) from debt restructuring and sales of property, plus real estate-related depreciation and amortization. FFO should not be considered as an alternative for net income as an indication of the Company's performance or to cash flows as a measure of liquidity. FFO presented herein is not necessarily comparable to FFO presented by other real estate companies due to the fact that not all real estate companies use the same definition. However, the Company's FFO is comparable to the FFO of real estate companies that use the current definition of the National Association of Real Estate Investment Trusts ("NAREIT"), as published in March 1995, after the adjustment for straight-lining of rents.

</FN>

</TABLE>

Page 66

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CALI REALTY CORPORATION AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the "Selected Financial Data" and the Company's Financial Statements and the Notes thereto.

The Company was incorporated on May 24, 1994, as a Maryland corporation, and commenced operations effective with the completion of its Initial Public Offering ("IPO") on August 31, 1994, which was simultaneous with effecting a

business combination with the Cali Group (not a legal entity). 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.

Following the IPO, during 1994 and 1995, the Company acquired 28 office and office/flex properties, aggregating approximately 1.7 million square feet, for a total cost of \$157.5 million. The financing for the 1994 and 1995 acquisitions was primarily facilitated by a public stock offering in November 1995 (from which the Company raised \$72.5 million in net proceeds) and funds made available from the Company's credit facility. Additionally, in conjunction with one of the 1995 acquisitions, the Company issued 93,458 Units in the Operating Partnership and assumed an \$18.8 million mortgage loan.

At the end of 1995, the Company's portfolio of 39 Class A office and office/flex properties, and one multi-family residential property, were located in New Jersey, except for one office property located in Rockland County, New York. The Company's portfolio at December 31, 1995 aggregated approximately 3.9 million square feet, which was an increase of 78 percent over the Company's portfolio square feet at its IPO.

In 1996, the Company acquired 15 office and office/flex properties, aggregating approximately 3.3 million square feet, for a total cost of \$459.4 million. The financing for the 1996 acquisitions was facilitated by two public stock offerings in 1996, from which the Company raised an aggregate of \$518.2 million in net proceeds, and the assumption of \$150.0 million in mortgage financing in connection with the acquisition of the Harborside Financial Center ("Harborside").

At the end of 1996, the Company's portfolio of 56 office and office/flex properties, and a multi-family residential property, was located primarily in New Jersey, except for seven office properties acquired in 1996 in suburban Philadelphia, and one office property located in Rockland County, New York. The Company's portfolio at December 31, 1996 aggregated 7.1 million square feet, which represented an increase of 82 percent over the Company's portfolio square feet at December 31, 1995.

As a result of the acquisitions by the Company in 1995 and 1996, the operating results of the Company during such periods are not directly comparable.

Page 67

#### RESULTS OF OPERATIONS

The following comparisons for the year ended December 31, 1996 ("1996"), as compared to the year ended December 31, 1995 ("1995") and for 1995 as compared to the twelve month period ended December 31, 1994 makes reference to the following: (i) the effect of the "Initial Properties," which represent all properties owned by the Company at December 31, 1994, (ii) the effect of the "Acquired Properties," which represent all properties acquired since January 1, 1995, and (iii) the effect of the "Disposition," which refers to the Company's sale of Essex Road on March 20, 1996.

#### Year Ended December 31, 1996 Compared to Year Ended December 31, 1995

Total revenues increased \$33.1 million, or 53.2 percent, for 1996 over 1995. Base rents increased \$26.1 million, or 51.4 percent, of which an increase of \$26.4 million, or 52.0 percent, was attributable to the Acquired Properties, and an increase of \$0.9 million, or 1.8 percent, as a result of occupancy changes at the Initial Properties, offset by a decrease of \$1.2 million, or 2.4 percent, as a result of the Disposition. Escalations and recoveries increased \$4.9 million, or 51.8 percent, of which an increase of \$4.6 million, or 49.0 percent, was attributable to the Acquired Properties, and \$0.4 million, or 4.0 percent, as a result of occupancy changes at the Initial Properties, offset by a decrease of \$0.1 million, or 1.2 percent, due to the Disposition. Interest income increased \$1.6 million for 1996 over 1995, due primarily to the funds held at December 31, 1996 from the Company's common stock offering in November 1996. Parking and other income increased \$0.5 million, or 29.5 percent, of which \$0.3 million, or 17.9 percent, was attributable to the Initial Properties, and \$0.3 million, or 15.9 percent, due to the Acquired Properties, offset by a decrease of \$0.1 million, or 4.3 percent, due to the Disposition.

Total expenses for 1996 increased \$18.7 million, or 41.5 percent, as compared to 1995. Real estate taxes increased \$3.5 million, or 60.4 percent, for 1996 over 1995, of which \$3.6 million, or 60.9 percent, was a result of the Acquired Properties, and \$0.1 million, or 2.6 percent, related to the Initial Properties, offset by a decrease of \$0.2 million, or 3.1 percent, due to the Disposition. Additionally, operating services increased \$3.6 million, or 42.4 percent, and utilities increased \$1.8 million, or 28.6 percent. The aggregate increase in operating services and utilities of \$5.4 million, or 36.5 percent, consists of \$5.9 million, or 39.9 percent, attributable to the Acquired Properties, offset by a decrease of \$0.5 million, or 3.5 percent, as a result of the Disposition. General and administrative expense increased \$2.1 million, or 56.3 percent, of which \$2.2 million, or 57.5 percent, is primarily attributable to an increase in payroll and related costs as a result of the Company's expansion in 1996, offset by a decrease of \$0.1 million, or 1.2 percent, due to the Disposition. Depreciation and amortization increased \$3.7 million, or 30.6 percent, for 1996 over 1995, of which \$4.4 million, or 36.7 percent, related to depreciation on the Acquired Properties, offset by decreases of \$0.5 million, or 4.1 percent, for amortization of deferred financing costs due to reduction in debt outstanding on the Initial Properties, and \$0.2 million, or 2.0 percent, as a result of the Disposition. Interest expense increased \$4.0 million, or 46.4

percent, primarily due to an increase in the average outstanding borrowings on the Company's credit facilities during 1996 over 1995 in connection with an increase in property acquisitions, as well as the increase in mortgage indebtedness assumed in connection with the acquisition of Harborside.

Page 68

Income before gain on sale of rental property, minority interest and extraordinary item increased to \$31.5 million in 1996 from \$17.1 million in 1995. The increase of \$14.4 million was due to the factors discussed above.

Net income increased \$18.3 million for 1996, from \$13.6 million in 1995 to \$31.9 million in 1996, as a result of an increase in income before gain on sale of property, minority interest and extraordinary item of \$14.4 million and a gain on sale of the Disposition property of \$5.7 million, offset by the increase in minority interest of \$1.3 million and 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).

Year Ended December 31, 1995 Compared to  
Year Ended December 31, 1994

The following comparison is for Cali Realty Corporation Consolidated Operations for the year ended December 31, 1995 as compared to Cali Realty Corporation Consolidated Operations for the period August 31, 1994 to December 31, 1994, plus Cali Group Combined Operations for the period January 1, 1994 to August 30, 1994 (collectively, "1994").

Total revenues increased \$11.9 million, or 23.5 percent, for 1995 over 1994. Base rents increased \$10.4 million, or 25.6 percent, of which \$9.3 million, or 22.8 percent, was attributable to the Acquired Properties and \$1.1 million, or 2.8 percent, was due to increased occupancy at the Initial Properties. Escalations and recoveries increased \$1.4 million, or 17.6 percent, of which \$1.1 million, or 13.6 percent, was attributable to the Acquired Properties and \$0.3 million, or 4.0 percent, to the Initial Properties.

Total expenses for 1995 decreased \$0.4 million from 1994. Interest expense decreased \$6.7 million, or 43.7 percent, primarily due to the reduction in indebtedness resulting from the repayment of the mortgages and loans in connection with the IPO. Additionally, in 1994, the Cali Group recognized an expense of \$0.7 million, in connection with the settlement of a tenant participation agreement and ground rent of \$0.6 million was eliminated as a result of the purchase by the Company of the land previously leased.

These decreases were partially offset by an increase in depreciation and amortization of \$2.9 million, or 31.4 percent, for 1995 over 1994. This increase is primarily attributable to increases of \$1.9 million in rental property depreciation, of which \$1.3 million is attributable to the Acquired Properties, and increases of \$0.7 million in amortization of costs relating to the Mortgage Financing and \$0.3 million related to amortization of leasing-related costs. In addition, utilities increased \$1.5 million, or 29.8 percent, of which \$1.1 million, or 23.5 percent, is attributable to the Acquired Properties; real estate taxes increased \$0.9 million, or 18.0 percent, of which \$1.1 million, or 21.8 percent, was attributable to the Acquired Properties offset by a decrease of \$0.2 million, or 3.8 percent, for the Initial Properties; operating services increased \$2.0 million, or 29.9 percent, of which \$1.4 million, or 20.9 percent, was attributable to the Acquired Properties, and general and administrative costs increased \$0.3 million as a result of increased salaries and benefits.

Income before gain on sale of rental property, minority interest and extraordinary item increased to \$17.1 million for 1995 from \$4.9 million for 1994. The increase of \$12.2 million was due to the factors discussed above.

Page 69

Net income decreased \$2.0 million from \$15.7 million in 1994 to \$13.6 million in 1995 as a result of recognition in 1994 of an \$11.9 million extraordinary gain primarily due to the early retirement of indebtedness at less than carrying value.

## LIQUIDITY AND CAPITAL RESOURCES

### Statement of Cash Flows

During the year ended December 31, 1996, the Company generated \$46.8 million in cash flow from operating activities, and, together with \$518.2 million in net proceeds from its common stock offerings in 1996, \$10.3 million of proceeds from the sale of a rental property, \$2.0 million in proceeds from stock options exercised, and funds from escrow cash balances relating to the Mortgage Financing of \$0.1 million, used an aggregate \$577.4 million to (i) purchase 15 rental properties for \$304.2 million, (ii) complete construction of two office/flex properties for \$2.7 million, (iii) acquire land for future development, tenant improvements and building improvements for \$11.3 million (including \$2.9 million for tenant improvement costs incurred 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 Inc. at the Company's 400 Alexander Park, Princeton, Mercer County, New Jersey office property), (iv) pay quarterly dividends and distributions of \$32.4 million, (v) prepay a portion of its mortgage notes and prepayment penalties and other related costs for \$5.8 million, (vi) pay the amortization on mortgage principal of \$0.3 million, (vii) reduce its outstanding borrowings on its credit facilities by a net amount of \$16.9 million, and (viii) increase its cash and cash equivalents balance by \$203.8 million.

## Acquisition and Development Activity

On March 20, 1996, the Company sold its office building located at 15 Essex Road in Paramus, Bergen County, New Jersey ("Essex Road") and concurrently acquired a 96,000 square foot office building at 103 Carnegie Center in Princeton, Mercer County, New Jersey. The concurrent transactions with unrelated parties 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 year ended December 31, 1996 include a gain of \$5.7 million relating to this transaction.

On May 2, 1996, the Company acquired Rose Tree Corporate Center, a two-building suburban office complex totaling 260,000 square feet, located in Media, Delaware County, Pennsylvania, for approximately \$28.1 million, which was drawn from one of the Company's credit facilities.

During the second quarter of 1996, the Company completed its construction of tenant improvements to 400 Alexander Park, a three-story, 70,550 square foot office building located in Princeton, Mercer County, New Jersey, which the Company acquired in December 1995 and leased the property in its entirety to Berlitz International Inc. Also during the second quarter of 1996, the Company entered into a lease agreement with Donaldson, Lufkin & Jenrette Securities Corporation ("DLJ") for an additional 73,200 square feet of office space located at 95 Christopher Columbus Drive in Jersey City, increasing DLJ's occupancy to approximately 66 percent of the property.

Page 70

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

On November 4, 1996, the Company acquired Harborside, a 1.9 million square foot office complex located in Jersey City, Hudson County, New Jersey for approximately \$292.7 million. The acquisition cost included the assumption of existing and seller-provided mortgage financing aggregating \$150.0 million. The balance of the cost was paid primarily in cash and was financed substantially through drawings from the Company's credit facilities. As part of the purchase, the Company also acquired 11.3 acres of land fully zoned and permitted for an additional 4.1 million square feet of development and the water rights associated with 27.4 acres of land extending into the Hudson River immediately east of Harborside, including two piers with an area of 5.8 acres.

On November 7, 1996, the Company acquired Five Sentry Parkway East & West, a two-building office complex comprised of approximately 130,000 square feet located in Plymouth Meeting, Montgomery County, Pennsylvania for approximately \$12.5 million, which was drawn from one of the Company's credit facilities.

On December 10, 1996, the Company acquired 300 Tice Boulevard, a 230,000 square foot office building located in Woodcliff Lake, Bergen County, New Jersey, for approximately \$35.1 million in cash, made available from the net proceeds received from the Company's common stock offering in November 1996 (the "November 1996 Offering").

On December 16, 1996, the Company acquired One Bridge Plaza, a 200,000 square foot office building located in Fort Lee, Bergen County, New Jersey, for approximately \$26.9 million in cash, made available from the net proceeds received from the November 1996 Offering.

On December 17, 1996, the Company acquired the International Court at Airport Business Center, a three-building office complex comprised of approximately 371,000 square feet located in Lester, Delaware County, Pennsylvania for approximately \$43.2 million in cash, made available from the net proceeds received from the November 1996 Offering.

In December 1996, the Company completed the construction of two office/flex properties on vacant land purchased in the Company's Totowa, Passaic County, New Jersey office park acquired in November 1995. The two properties, which were 25 percent leased at December 31, 1996, aggregated 47,100 square feet, and were constructed for an aggregate cost of \$2.7 million.

On January 28, 1997, the Company acquired 1345 Campus Parkway, a 76,000 square foot office/flex property, located in Wall Township, Monmouth County, New Jersey, for approximately \$6.8 million in cash, made available from the net proceeds received from the November 1996 Offering. The property is located in the same office park in which the Company previously acquired two office properties and four office/flex properties in November 1995.

Page 71

On January 31, 1997, the Company acquired 65 properties (the "RM Properties") of Robert Martin Company LLC and affiliates ("RM"), for a total cost of approximately \$450.0 million. The cost of the transaction was financed through the assumption of \$185.3 million in mortgage indebtedness, approximately \$220.0 million in cash, substantially all of which was obtained from the Company's cash reserves, and the issuance of 1,401,225 Units in the Operating Partnership.

The RM Properties consist primarily of 54 office and office/flex properties aggregating approximately 3.7 million square feet and six industrial/warehouse properties aggregating approximately 400,000 square feet. The RM Properties are located primarily in established business parks in Westchester County, New York



and Fairfield County, Connecticut. The Company has agreed not to sell certain of the RM Properties for a period of seven years without the consent of the RM principals, except for sales made under certain circumstances and/or conditions.

In connection with the RM transaction, the Company was granted a three-year option to acquire a 115,000 square foot office property and an 84,000 square foot office/flex property (the "Option Properties") for an aggregate minimum price of \$19.0 million and has granted RM the right to put such properties to the Company between a range of an aggregate purchase price of \$11.6 million to \$21.3 million, under certain conditions. The purchase prices, under the agreement, are subject to adjustment based on different formulas and are payable in cash or Units.

#### Financing Activities

##### Mortgage Debt, Credit Facilities and Interest Rate Swaps

Concurrent with the IPO, the Company's initial operating subsidiaries, which own the Initial Properties, issued five-year mortgage notes with an aggregate principal balance of \$144.5 million 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 \$70.0 million were purchased by unrelated third parties. Bonds with an aggregate principal balance of \$74.5 million were purchased by the Company. As a result, the Company's initial mortgage financing was \$70.0 million (the "Mortgage Financing"). Approximately \$38.0 million of the Mortgage Financing is guaranteed under certain conditions by certain partners of the Cali Group 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. \$46.0 million of the \$70.0 million 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 \$24.0 million bears interest at a net cost to the Company equal to a floating rate of 100 basis points over one-month LIBOR (5.53 percent at December 31, 1996) with a lifetime interest rate cap of 11.6 percent. Pursuant to the terms of the Mortgage Financing, the Company is required to escrow \$143,000 per month for tenant improvements and leasing commissions and \$53,000 per month for capital improvements.

In advance of the sale of Essex Road, on March 12, 1996, the Company prepaid \$5.5 million (\$1.7 million-fixed rate, \$3.8 million-floating rate debt) of the Mortgage Financing, resulting in outstanding balances of \$44.3 million for the 8.02 percent fixed rate debt and \$20.2 million for the floating rate debt.

Page 72

At the IPO, the Company obtained a \$70.0 million revolving credit facility from Prudential Securities Credit Corp. ("PSC") (the "First Prudential 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 \$6.0 million letter of credit, secured by the First Prudential Facility, to meet certain tenant improvement and capital expenditure reserve requirements. The First Prudential Facility bore interest at a floating rate equal to 150 basis points over one-month LIBOR for January 1, 1996 through August 31, 1996. Effective September 1, 1996, the interest rate was reduced to a floating rate equal to 125 basis points over one-month LIBOR. The First Prudential Facility is a recourse liability of the Operating Partnership and is secured by a pledge of the \$74.5 million Bonds held by the Company. The First Prudential Facility requires monthly payments of interest only, with outstanding advances and any accrued but unpaid interest due November 30, 1997 and is subject to renewal at the lender's sole discretion. Subsequent to December 31, 1996 and through March 1, 1997, the Company did not draw any additional funds from the First Prudential Facility.

In connection with the acquisition of an office building in Fair Lawn, Bergen County, New Jersey on March 3, 1995, the Company assumed an \$18.8 million non-recourse mortgage loan ("Fair Lawn Mortgage") 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 year ended December 31, 1996, the Company paid \$319,000 for amortization of principal on the Fair Lawn Mortgage.

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 \$24.0 million through August 1999.

On January 23, 1996, the Company entered into an interest rate swap agreement with one of the participating banks in the Bank Facility. The swap agreement has a three-year term and a notional amount of \$26.0 million, which fixes the Company's one-month LIBOR base to 5.265 percent on its floating rate credit facilities.

On February 1, 1996, the Company obtained a credit facility (the "Bank Facility"), secured by certain of its properties, in the amount of \$75.0 million from two participating banks. The Bank Facility has a three-year term and bears interest at 150 basis points over one-month LIBOR. The terms of the Bank 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 Bank Facility also requires a fee equal to one quarter of one percent of the

unused balance payable quarterly in arrears.

Page 73

In connection with the acquisition of Harborside, on November 4, 1996, the Company assumed existing mortgage debt and was provided seller-mortgage debt aggregating \$150.0 million. The existing financing of approximately \$107.5 million bears interest at a fixed rate of 7.32 percent for a term of approximately nine years. The seller-provided financing of approximately \$42.5 million also has a term of nine years and initially bears interest at a rate of 6.99 percent. The interest rate on the seller-provided financing will be reset at the end of the third and sixth loan years based on the yield of the three-year treasury obligation at that time, with spreads of 110 basis points in years four through six and 130 basis points in years seven through maturity.

As part of the Harborside acquisition, the Company agreed to make payments (with an estimated net present value of approximately \$5.3 million) to the seller for development rights ("Contingent Obligation") if and when the Company commences construction on the acquired site during the next several years. However, the agreement provides, among other things, that even if the Company does not commence construction, the seller may nevertheless require the Company to acquire these rights during the six-month period after the end of the sixth year. After such period, the seller's option lapses, but any development in years 7 through 30 will require a payment, on an increasing scale, for the development rights.

On November 4, 1996, the Company obtained a revolving credit facility ("Second Prudential Facility") from PSC totaling \$80.0 million which bears interest at 125 basis points over one-month LIBOR, and matures on January 15, 1998, unless the Company or PSC elects to extend the maturity date to not earlier than June 30, 1998, or the facility is refinanced prior to such date at the election of either the Company or PSC. The Second Prudential Facility is a recourse liability of the Operating Partnership and is secured by the Company's equity interest in Harborside. The terms of the Second Prudential Facility include certain restrictions and covenants that limit, among other things, dividend payments and additional indebtedness and that require compliance with specified financial ratios and other financial measurements.

In connection with the RM transaction on January 31, 1997, the Company assumed a \$185.3 million non-recourse mortgage loan with Teachers Insurance and Annuity Association of America with interest only payable monthly at a fixed annual rate of 7.18 percent (the "TIAA Mortgage"). The TIAA Mortgage is secured and cross-collateralized by 43 of the RM Properties and matures on December 31, 2003. The Company, at its option, may convert the TIAA Mortgage to unsecured public debt upon achievement by the Company of an investment credit rating of Baa3/BBB- or better. The TIAA Mortgage is prepayable in whole or in part subject to certain provisions, including yield maintenance.

#### Common Stock Offerings and Shelf Registrations

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

On July 29, 1996, the Company filed a shelf registration statement (File No. 333-09081) with the Securities and Exchange Commission ("SEC") for an aggregate amount of \$500.0 million in equity securities of the Company. The registration statement was declared effective by the SEC on August 2, 1996.

Page 74

On August 13, 1996, the Company sold 3,450,000 shares of its common stock through a public stock offering (the "August 1996 Offering"), which included an exercise of the underwriters' over-allotment option of 450,000 shares. Net proceeds from the August 1996 Offering (after offering costs) were approximately \$76.8 million. The offering was conducted using one underwriter and the shares were issued from the Company's \$250.0 million shelf registration statement (File No. 33-96538).

Pursuant to the Company's Registration Statement on Form S-3 (File No. 333-09081), on November 22, 1996, the Company completed an underwritten public offer and sale of 17,537,500 shares of its common stock using several different underwriters to underwrite such public offer and sale (which included an exercise of the underwriters' over-allotment option of 2,287,500 shares). The Company received approximately \$441.2 million in net proceeds (after offering costs) from the November 1996 Offering, and used such funds to acquire certain of the Company's property acquisitions in November and December, pay down outstanding borrowings on its revolving credit facilities, and invested the excess funds in Overnight Investments.

On December 31, 1996, the Company filed a shelf registration statement (File No. 333-19101) with the SEC for an aggregate amount of \$1.0 billion in equity securities of the Company. The registration statement was declared effective by the SEC on January 7, 1997.

#### STRATEGIC PLAN

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 expects to meet its short-term liquidity requirements generally through its working capital and net cash provided by operating activities along with the First Prudential Facility, the Bank Facility and the Second Prudential 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, the ability 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 operating activities, long-term or short-term borrowings (including draws on the Company's credit facilities), and the issuance of debt securities or additional equity securities. In addition, the Company anticipates utilizing the First Prudential Facility, the Bank Facility and the Second Prudential Facility primarily to fund property acquisition activities.

Page 75

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 continue to make regular quarterly distributions to its stockholders which, based upon current policy, in the aggregate would equal approximately \$66.0 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 ("FFO") after adjustment for the straight-lining of rents one measure of REIT performance. FFO 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. FFO 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.

Page 76

FFO for the years ended December 31, 1996 and 1995, as calculated in accordance with the National Association of Real Estate Investment Trusts ("NAREIT") definition published in March 1995, are summarized in the following table (in thousands):

<TABLE>  
<CAPTION>

	Year Ended December 31,	
	1996	1995
<S>	<C>	<C>
Income before gain on sale of property, minority interest, and extraordinary item	\$31,521	\$17,146
Add: Real estate-related depreciation and amortization	14,677	10,563
Funds from Operations	46,198	27,709
Deduct: Rental income adjustment for straight-lining of rents	(978)	(312)
Funds from Operations after adjustment for straight-lining of rents	\$45,220	\$27,397
Weighted average shares outstanding (1)	21,171	13,986

<FN>

(1) Assumes redemption of all Units, calculated on a weighted average basis,

for shares of common stock in the Company.  
</FN>  
</TABLE>

INFLATION

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

Page 77

ITEM 8. FINANCIAL STATEMENT AND SUPPLEMENTARY DATA

Report of Independent Accountants

To the Board of Directors and  
Shareholders of Cali Realty Corporation  
and the Partners of the Cali Group

In our opinion, the consolidated and combined financial statements listed in the index appearing in Item 14(a)(1) and (2) present fairly, in all material respects, the financial position of Cali Realty Corporation (the "Company") and its subsidiaries at December 31, 1996 and 1995, and the results of their operations and their cash flows for the periods ended December 31, 1996, 1995 and 1994, and the results of operations and cash flows of Cali Group for the period January 1, 1994 through August 30, 1994, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's and Cali Group's management; our responsibility is to express our opinion on these financial statements based upon our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/Price Waterhouse LLP

-----  
Price Waterhouse LLP  
New York, New York  
February 18, 1997

Page 78

CALI REALTY CORPORATION AND SUBSIDIARIES

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

<TABLE>  
<CAPTION>

ASSETS	December 31,	
	1996	1995
<S>	<C>	<C>
Rental property		
Land	\$ 98,127	\$ 38,962
Buildings and improvements	718,466	319,028
Tenant improvements	35,626	28,588
Furniture, fixtures and equipment	1,133	1,097
	853,352	387,675
Less -- accumulated depreciation and amortization	(68,610)	(59,095)
	784,742	328,580
Cash and cash equivalents (includes \$201,269 in overnight investments at December 31, 1996)	204,807	967
Unbilled rents receivable	19,705	18,855
Deferred charges and other assets, net of accumulated amortization	11,840	10,873
Restricted cash	3,160	3,229
Accounts receivable, net of allowance of \$189 and \$134	2,074	1,445
	\$1,026,328	\$363,949

LIABILITIES AND STOCKHOLDERS' EQUITY

Mortgages and loans payable	\$ 268,010	\$135,464
Dividends and distributions payable	17,554	7,606
Accounts payable and accrued expenses	5,068	3,245
Rents received in advance and security deposits	6,025	3,114
Accrued interest payable	1,328	629
<b>Total liabilities</b>	<b>297,985</b>	<b>150,058</b>
Minority interest of unitholders in Operating Partnership	26,964	28,083
Commitments and contingencies		
Stockholders' equity		
Preferred stock, 5,000,000 shares authorized, none issued		
Common stock, \$.01 par value, 95,000,000 shares authorized, 36,318,937 and 15,104,725 shares outstanding	363	151
Additional paid-in capital	701,016	185,657
Retained earnings	--	--
<b>Total stockholders' equity</b>	<b>701,379</b>	<b>185,808</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$1,026,328</b>	<b>\$363,949</b>

</TABLE>

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

Page 79

CALI REALTY CORPORATION AND SUBSIDIARIES  
STATEMENTS OF OPERATIONS  
(in thousands, except per share amounts)

<TABLE>

<CAPTION>

	Cali Realty Corporation Consolidated		Cali Group Combined
	Year Ended		August 31, 1994
1994	December 31, 1996	December 31, 1995	January 1, 1994
REVENUES	to		to
1994	December 31, 1994		August 30,
<S>	<C>	<C>	<C>
<C>			
Base rents	\$76,922	\$50,808	\$13,805
\$26,653			
Escalations and recoveries from tenants	14,429	9,504	2,523
5,557			
Parking and other	2,204	1,702	434
1,121			
Interest income	1,917	321	79
306			
<b>Total revenues</b>	<b>95,472</b>	<b>62,335</b>	<b>16,841</b>
33,637			
EXPENSES			
Real estate taxes	9,395	5,856	1,680
3,282			
Utilities	8,138	6,330	1,522
3,354			
Operating services	12,129	8,519	2,038
4,519			
General and administrative	5,800	3,712	1,079
2,288			
Depreciation and amortization	15,812	12,111	3,764
5,454			
Interest expense	12,677	8,661	1,768
13,608			
Ground rent	--	--	--
589			
Participation agreement settlement	--	--	--
653			
<b>Total expenses</b>	<b>63,951</b>	<b>45,189</b>	<b>11,851</b>
33,747			
Income (loss) before gain on sale of rental property, minority interest and extraordinary item	31,521	17,146	4,990
(110)			
Gain on sale of rental property	5,658	--	--

Income (loss) before minority interest and extraordinary item (110)	37,179	17,146	4,990
Minority interest	4,760	3,508	1,051
Income (loss) before extraordinary item (110)	32,419	13,638	3,939
Extraordinary items-- (loss) gain (net of minority interest's share of \$86 in 1996)	(475)	--	--
11,864			
Net income	\$31,944	\$13,638	\$3,939
\$11,754			

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

Page 80

</TABLE>  
 CALI REALTY CORPORATION AND SUBSIDIARIES  
 STATEMENTS OF OPERATIONS  
 (in thousands, except per share amounts)

<TABLE>  
 <CAPTION>

	Cali Realty Corporation Consolidated		
	Year Ended December 31, 1996	1995	August 31, 1994 to December 31, 1994
Net income per common share:			
Income before extraordinary item -- loss on early retirement of debt	\$1.76	\$1.23	\$0.38
Extraordinary item-- loss on early retirement of debt	(0.03)	--	--
Net income per common share	\$1.73	\$1.23	\$0.38
Dividends declared per common share	\$1.75	\$1.66	\$0.54
Weighted average common shares outstanding	18,461	11,122	10,500

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

Page 81

</TABLE>  
 CALI REALTY CORPORATION AND SUBSIDIARIES  
 STATEMENT OF STOCKHOLDERS' EQUITY AND PARTNERS' DEFICIT  
 (in thousands)

<TABLE>  
 <CAPTION>

CALI GROUP COMBINED	Partners' Deficit
Balance at December 31, 1993	\$ (34,335)
Contributions	3,130
Distributions	(11,857)
Net income	11,754
Balance at August 30, 1994	\$ (31,308)

<CAPTION>

CALI REALTY CORPORATION CONSOLIDATED	Common stock Shares	Par Value	Additional Paid-In Capital	Retained Earnings	Total Stockholders' Equity
Net proceeds from IPO	10,500	\$105	\$165,413	--	\$165,518
Adjustments for minority interest of unitholders in Operating Partnership at IPO	--	--	(55,493)	--	(55,493)
Net income	--	--	--	\$ 3,939	3,939
Dividends	--	--	(1,714)	(3,939)	(5,653)
Balance at December 31, 1994	10,500	105	108,206	--	108,311

Purchase of treasury stock	(100)	(1)	(1,594)	--	(1,595)
Conversion of 105 Units to shares of common stock	105	1	1,097	--	1,098
Net income	--	--	--	13,638	13,638
Dividends	--	--	(5,600)	(13,638)	(19,238)
Net proceeds from common stock offering	4,600	46	83,548	--	83,594
-----					
Balance at December 31, 1995	15,105	151	185,657	--	185,808
Conversion of 101 Units to shares of common stock	101	1	1,072	--	1,073
Net income	--	--	--	31,944	31,944
Dividends	--	--	(5,722)	(31,944)	(37,666)
Net proceeds from common stock offerings	20,987	210	518,009	--	518,219
Stock options exercised	126	1	2,000	--	2,001
-----					
Balance at December 31, 1996	36,319	\$363	\$701,016	--	\$701,379
=====					

</TABLE>

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

Page 82

<TABLE>  
<CAPTION>

CALI REALTY CORPORATION AND SUBSIDIARIES  
STATEMENTS OF CASH FLOWS  
(in thousands)

	Cali Realty Corporation Consolidated		Cali Group Combined
	Year Ended December 31, 1996	August 31, 1994 to December 31, 1994	January 1, to August 30,
-----			
1994			
CASH FLOWS FROM OPERATING ACTIVITIES			
1994			
-----			
<S>	<C>	<C>	<C>
Net income	\$ 31,944	\$ 13,638	\$ 3,939
11,754			\$
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	15,812	12,111	3,764
5,454			
Gain on sale of rental property	(5,658)	--	--
--			
Minority interest	4,760	3,508	1,051
--			
Extraordinary item-- loss (gain)	475	--	--
(11,864)			
Participation agreement settlement	--	--	--
653			
Changes in operating assets and liabilities:			
(Increase) decrease in unbilled rents receivable	(979)	(312)	95
(1,583)			
Increase in deferred charges and other assets, net	(4,335)	(1,678)	(3,133)
(669)			
(Increase) decrease in accounts receivable, net	(629)	(99)	(225)
1,100			
Increase in accounts payable and accrued expenses	1,823	35	322
1,005			
Increase in rents received in advance and security deposits	2,911	878	162
763			
Increase (decrease) in accrued interest payable	699	365	392
(285)			
-----			
Net cash provided by operating activities	46,823	28,446	6,367
6,328			
=====			
CASH FLOWS FROM INVESTING ACTIVITIES			
-----			
Additions to rental property	(318,145)	(133,489)	(19,804)
(2,235)			
Proceeds from sale of rental property	10,324	--	--
--			
Decrease (increase) in restricted cash	69	(247)	(2,204)
809			
Cash from contributed assets	--	--	13,061
--			
Proceeds from sale of investments	--	--	--
3,401			
-----			
Net cash (used in) provided by investing activities	(307,752)	(133,736)	(8,947)
1,975			
=====			
=====			

Page 83

<CAPTION>

CALI REALTY CORPORATION AND SUBSIDIARIES  
STATEMENTS OF CASH FLOWS  
(in thousands)

	Cali Realty Corporation Consolidated			Cali Group Combined
	Year Ended		August 31, 1994	January 1,
	December 31,	December 31,	to	to
	1996	1995	December 31, 1994	August 30, 1994
CASH FLOWS FROM FINANCING ACTIVITIES				
<S>	<C>	<C>	<C>	<C>
Proceeds from mortgages and loans payable 16,327	272,113	60,402	79,000	
Repayments of mortgages and loans payable (16,571)	(294,819)	(20,702)	(223,811)	
Payment of financing costs (1,952)	--	(102)	(5,233)	
Debt prepayment premiums and other costs --	(312)	--	--	
Purchase of treasury stock --	--	(1,595)	--	
Proceeds from common stock offerings --	518,219	83,594	165,518	
Proceeds from stock options exercised --	2,001	--	--	
Payment of dividends and distributions --	(32,433)	(21,734)	(1,790)	
Proceeds from concurrent placement --	--	--	5,175	
Cash distributions to partners (1,972)	--	--	(5,175)	
Payments to non-continuing partners in connection with IPO --	--	--	(4,710)	
Cash contributions from partners of the Cali Group 3,130	--	--	--	
Net cash provided by (used in) financing activities (1,038)	464,769	99,863	8,974	
Net increase (decrease) in cash and cash equivalents 7,265	203,840	(5,427)	6,394	
Cash and cash equivalents, beginning of period 5,796	967	6,394	--	
Cash and cash equivalents, end of period 13,061	\$ 204,807	\$ 967	\$ 6,394	\$

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

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

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

Cali Realty Corporation and subsidiaries (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 December 31, 1996, the Company owned and operated 57 properties, consisting of 56 office and office/flex buildings totaling approximately 7.1 million square feet and a multi-family residential property (the "Properties"). 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 ("IPO") 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 the IPO issuing 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. In connection with the business combination, the Operating Partnership assumed net liabilities of \$26,133. 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 12 office



buildings and one multi-family residential property, all located in New Jersey (the "Original Properties").

#### Acquisitions

In 1994 and 1995, following the Company's IPO, the Company acquired 28 office and office/flex properties totaling 1.7 million square feet for approximately \$157,481. These properties are all located in New Jersey, except for one, which is located in Rockland County, New York.

On March 20, 1996, the Company sold its office building located at 15 Essex Road in Paramus, Bergen County, New Jersey ("Essex Road") and concurrently acquired a 96,000 square foot office building at 103 Carnegie Center in Princeton, Mercer County, New Jersey. The concurrent transactions with unrelated parties 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 year ended December 31, 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 (see Note 5) and obtained a release of the mortgage liens on the property. On account of prepayment penalties, write-offs of loan origination fees and costs, 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)), is recorded for the year ended December 31, 1996.

Page 85

On May 2, 1996, the Company acquired Rose Tree Corporate Center, a two-building suburban office complex totaling 260,000 square feet, located in Media, Delaware County, Pennsylvania, for approximately \$28,100, which was drawn from one of the Company's credit facilities.

On July 23, 1996, the Company acquired 222 and 233 Mount Airy Road, two suburban office buildings totaling 115,000 square feet, located in Basking Ridge, Somerset County, New Jersey, for approximately \$10,478, which was drawn from one of the Company's credit facilities.

On November 4, 1996, the Company acquired the property known as the Harborside Financial Center ("Harborside"), a 1.9 million square foot office complex located in Jersey City, Hudson County, New Jersey for approximately \$292,670. The acquisition cost included the assumption of existing and seller-provided mortgage financing aggregating \$150,000 (see Note 5). The balance of the cost was paid in cash and was financed substantially through drawings from the Company's credit facilities. As part of the purchase, the Company also acquired 11.3 acres of land fully zoned and permitted for an additional 4.1 million square feet of development and the water rights associated with 27.4 acres of land extending into the Hudson River immediately east of Harborside, including two piers with an area of 5.8 acres.

On November 7, 1996, the Company acquired Five Sentry Parkway East & West, a two-building office complex comprised of approximately 130,000 square feet located in Plymouth Meeting, Montgomery County, Pennsylvania for approximately \$12,484, which was drawn from one of the Company's credit facilities.

On December 10, 1996, the Company acquired 300 Tice Boulevard, a 230,000 square foot office building located in Woodcliff Lake, Bergen County, New Jersey, for approximately \$35,112 in cash, made available from the net proceeds received from the Company's common stock offering in November 1996 (the "November 1996 Offering").

On December 16, 1996, the Company acquired One Bridge Plaza, a 200,000 square foot office building located in Fort Lee, Bergen County, New Jersey, for approximately \$26,901 in cash, made available from the net proceeds received from the November 1996 Offering.

On December 17, 1996, the Company acquired the International Court at Airport Business Center, a three-building office complex comprised of approximately 371,000 square feet located in Lester, Delaware County, Pennsylvania for approximately \$43,178 in cash, made available from the net proceeds received from the November 1996 Offering.

In December 1996, the Company completed the construction of two office/flex properties on vacant land purchased in the Company's Totowa, Passaic County, New Jersey office park acquired in November 1995. The two properties, which were 19 percent leased at December 31, 1996, aggregate 47,100 square feet, and were completed for a total cost of \$2,714.

On January 28, 1997, the Company acquired 1345 Campus Parkway, a 76,000 square foot office/flex property, located in Wall Township, Monmouth County, New Jersey, for approximately \$6,800 in cash, made available from the net proceeds received from the November 1996 Offering. The property is located in the same office park in which the Company previously acquired two office properties and four office/flex properties in November 1995.

Page 86

On January 31, 1997, the Company acquired 65 properties (the "RM Properties") of the Robert Martin Company LLC and affiliates ("RM"), for a total cost of approximately \$450,000. The cost of the transaction was financed through the assumption of \$185,283 mortgage indebtedness, approximately \$220,000 in cash, substantially all of which was obtained from the Company's cash reserves, and

the issuance of 1,401,225 Units in the Operating Partnership.

The RM Properties consist primarily of 54 office and office/flex properties aggregating approximately 3.7 million square feet and six industrial/warehouse properties aggregating approximately 400,000 square feet. The RM Properties are located primarily in established business parks in Westchester County, New York and Fairfield County, Connecticut. The Company has agreed not to sell certain of the RM Properties for a period of seven years without the consent of the RM principals, except for sales made under certain circumstances and/or conditions.

In connection with the RM transaction, the Company was granted a three-year option to acquire a 115,000 square foot office property and an 84,000 square foot office/flex property (the "Option Properties") for an aggregate minimum price of \$19,000 and has granted RM the right to put such properties to the Company between a range of an aggregate purchase price of \$11,600 to \$21,300, under certain conditions. The purchase prices, under the agreement, are subject to adjustment based on different formulas and are payable in cash or Units.

The Company provided an \$11,600 non-recourse mortgage loan ("Mortgage Receivable") to entities controlled by the RM principals, bearing interest at an annual rate of 450 basis points over the one-month London Inter-Bank Offered Rate ("LIBOR"). The Mortgage Receivable, which is secured by the Option Properties and guaranteed by certain of the RM principals, matures on February 1, 2000. In addition, the Company received a three percent origination fee in connection with the Mortgage Receivable.

In connection with the RM transaction, RM has made certain customary representations and warranties to the Company, most of which survive the closing for a period of one year. RM has agreed to maintain a minimum net worth of \$25,000 during such period.

As part of the RM transaction, Brad W. Berger, President and Chief Executive Officer of RM, and Timothy M. Jones, Chief Operating Officer of RM, joined the Company as Executive Vice-Presidents under three year employment agreements. The agreements provide for, among other things, both Berger and Jones to be issued warrants to purchase 170,000 shares of the Company's common stock at a price of \$33 per share, which vest equally over a three-year period and expire on January 31, 2007.

Robert F. Weinberg, co-founder of RM, and Berger will serve on the Company's Board of Directors for an initial term of three years. The Company intends to appoint two additional independent Board members, thereby increasing the size of the Board from nine to thirteen members.

Following the transaction, the Company's portfolio consists of 123 properties, aggregating 11.4 million square feet of office, office/flex and industrial/warehouse properties, located in New Jersey, New York, Pennsylvania and Connecticut.

Page 87

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 management services in which the Operating Partnership has a 99 percent interest) is accounted for under the equity method.

The accompanying combined statements of operations, cash flows, and partners' deficit of the Cali Group include all the operations of the entities comprising the Cali Group and are presented on a combined basis because of common management and because all of the entities became wholly-owned by the Operating Partnership and the Company.

Certain other properties affiliated with the Cali Group have been excluded from the statements as they were not included in the business combination described above.

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:

<TABLE>

<S>

<C>

Buildings and improvements	39 to 40 years
Tenant improvements	The shorter of the term of the related lease or useful life
Furniture, fixtures and equipment	5 to 10 years

</TABLE>

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.

Page 88

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 \$1,081, \$1,456, \$445 and \$361 for the years ended December 31, 1996 and 1995, and the periods August 31, 1994 to December 31, 1994 and January 1, 1994 to August 30, 1994, 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. At December 31, 1996, cash and cash equivalents included investments in overnight reverse repurchase agreements ("Overnight Investments") totaling \$201,269. Investments in Overnight Investments are subject to the risks that the counterparty will default and the collateral will decline in market value. The Overnight Investments matured on January 2, 1997. The entire balance, including interest income earned, was realized by the Company and ultimately used in the funding of the RM transaction on January 31, 1997.

Income and Other Taxes -- The Company has elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code (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. Taxes were not provided for in the Cali Group combined financial statements because the entities that comprised the Cali Group were partnerships and any taxable income or loss was included in the income tax returns of the individual partners.

Net Income Per Share -- Net income per share is computed using the weighted average common shares outstanding during the period. The assumed exercise of outstanding stock options using the treasury stock method is not considered dilutive in any period.

Page 89

Dividends and Distributions Payable -- The dividends and distributions payable at December 31, 1996 represent dividends payable to shareholders of record on January 6, 1997 (36,318,937 shares) and distributions payable to minority interest unitholders (2,689,945 Units) on that same date. The fourth quarter dividends and distributions of \$0.45 per share and per Unit were approved by the Board of Directors on December 19, 1996 and were paid on January 21, 1997. All dividends paid and declared during the year ended December 31, 1996 are considered ordinary income to the Company's shareholders for federal income tax purposes. The status of such dividend is subject to final determination by the Internal Revenue Service.

Extraordinary Items -- The extraordinary items represent the net effects resulting from the early settlement of certain mortgage obligations, including accrued interest, net of write-offs of related deferred financing costs and prepayment penalties.

Participation Agreement Settlement -- In connection with its original ten-year lease entered into in 1988, a tenant was granted a rent concession in the form of a residual share, as defined, of the proceeds of any sale or refinancing of the property during the tenants' lease term. In connection with the IPO, the tenant was paid \$1,135 in settlement of this participation agreement, of which \$653 was expensed during the period ended August 30, 1994 and the balance of \$482 is being amortized over the remaining term of the original ten-year term of the lease.

Underwriting Commissions and Offering Costs -- Underwriting commissions and offering costs incurred in connection with the Company's common stock offerings have been reflected as a reduction of additional paid-in-capital.

Stock Options -- The Company accounts for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion (APB) No. 25, "Accounting for Stock Issued to Employees," and related Interpretations. Under APB No. 25, compensation cost is measured as the excess, if any, of the quoted market price of the Company's stock at the date of grant over the exercise price of the option granted. Compensation cost for stock options, if any, is recognized ratably over the vesting period. The Company's policy is to grant options with an exercise price equal to the quoted market price of the Company's stock on the grant date. Accordingly, no compensation cost has been recognized for the Company's stock option plans. The Company provides additional pro forma disclosures as required under Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation." (See Note 8.)

Page 90

### 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:

	December 31,	
	1996	1995
-----		
Escrow and other reserve funds	\$2,814	\$2,901
Residential security deposits	346	328
-----		
Total restricted cash	\$3,160	\$3,229
=====		

### 4. DEFERRED CHARGES AND OTHER ASSETS

	December 31,	
	1996	1995
-----		
Deferred leasing costs	\$14,031	\$13,498
Deferred financing costs	5,390	5,778
-----		
Accumulated amortization	19,421	19,276
	(8,994)	(9,035)
-----		
Deferred charges, net	10,427	10,241
Prepaid expenses and other assets	1,413	632
-----		
Total deferred charges and other assets	\$11,840	\$10,873
=====		

### 5. MORTGAGES AND LOANS PAYABLE

	December 31,	
	1996	1995
-----		
Harborside Mortgages	\$150,000	\$ --
Mortgage Financing	64,508	70,000
Fair Lawn Mortgage	18,445	18,764
First Prudential Facility	6,000	46,700
Bank Facility	23,805	--
Contingent Obligation	5,252	--
-----		
Total mortgages and loans payable	\$268,010	\$135,464
=====		

#### Harborside Mortgages

In connection with the acquisition of Harborside, on November 4, 1996, the Company assumed existing mortgage debt and was provided seller-mortgage debt aggregating \$150,000. The existing financing of approximately \$107,480 bears interest at a fixed rate of 7.32 percent for a term of approximately nine years. The seller-provided financing of approximately \$42,520 also has a term of nine

Page 91

years and initially bears interest at a rate of 6.99 percent. The interest rate on the seller-provided financing will be reset at the end of the third and sixth loan years based on the yield of the three-year treasury obligation at that time, with spreads of 110 basis points in years four through six and 130 basis points in years seven through maturity.

#### Mortgage Financing

Concurrent with the IPO, the Company's initial operating subsidiaries, which own the Original Properties, issued five-year mortgage notes with an aggregate principal balance of \$144,500 secured and cross-collateralized by the Original 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 Cali Group partnerships which owned the Original 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 one-month LIBOR (5.53 percent at December 31, 1996) with a lifetime interest rate cap of 11.6 percent. 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.

In advance of the sale of Essex Road, on March 12, 1996, the Company prepaid \$5,492 (\$1,687 -- fixed rate debt, \$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.

#### Fair Lawn Mortgage

In connection with the acquisition of an office building in Fair Lawn, Bergen County, New Jersey on March 3, 1995, the Company assumed an \$18,764 non-recourse mortgage loan ("Fair Lawn Mortgage") 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 year ended December 31, 1996, the Company has paid \$319 for amortization of principal on the Fair Lawn Mortgage.

#### First Prudential Facility

The Company has a \$70,000 revolving credit facility (the "First Prudential Facility") with Prudential Securities Credit Corp. ("PSC"), 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 First Prudential Facility, to meet certain tenant improvement and capital expenditure reserve requirements. The First Prudential Facility bore interest at a floating rate equal to 150 basis points over one-month LIBOR for January 1, 1996 through August 31, 1996. Effective September 1, 1996, the

Page 92

interest rate was reduced to a floating rate equal to 125 basis points over one-month LIBOR. The First Prudential 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 First Prudential Facility requires monthly payments of interest only, with outstanding advances and any accrued but unpaid interest due November 30, 1997 and is subject to renewal at the lender's sole discretion. Subsequent to December 31, 1996 and through February 18, 1997, the Company did not draw any additional funds from the First Prudential Facility.

#### Bank Facility

On February 1, 1996, the Company obtained a credit facility (the "Bank Facility") secured by certain of its properties in the amount of \$75,000 from two participating banks. The Bank Facility has a three-year term and bears interest at 150 basis points over one-month LIBOR. The terms of the Bank 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 Bank Facility also requires a fee equal to one quarter of one percent of the unused balance payable quarterly in arrears. Subsequent to December 31, 1996 and through February 18, 1997, the Company had additional net borrowings of \$41,195 from the Bank Facility, used for the cash portion of the financing for the RM transaction on January 31, 1997.

#### Contingent Obligation

As part of the Harborside acquisition, the Company agreed to make payments (with an estimated net present value of approximately \$5,252) to the seller for development rights ("Contingent Obligation") if and when the Company commences construction on the acquired site during the next several years. However, the agreement provides, among other things, that even if the Company does not commence construction, the seller may nevertheless require the Company to acquire these rights during the six-month period after the end of the sixth year. After such period, the seller's option lapses, but any development in years 7 through 30 will require a payment, on an increasing scale, for the development rights.

#### Second Prudential Facility

On November 4, 1996, the Company obtained a revolving credit facility ("Second Prudential Facility") from PSC totaling \$80,000 which bears interest at 125 basis points over one-month LIBOR, and matures on January 15, 1998, unless the Company or PSC elects to extend the maturity date to not earlier than June 30, 1998, or the facility is refinanced prior to such date at the election of either the Company or PSC. The Second Prudential Facility is a recourse liability of the Operating Partnership and is secured by the Company's equity interest in Harborside. The terms of the Second Prudential Facility include

certain restrictions and covenants that limit, among other things, dividend payments and additional indebtedness and that require compliance with specified financial ratios and other financial measurements. Subsequent to December 31, 1996 and through February 18, 1997, the Company did not draw any additional funds from the Second Prudential Facility.

TIAA Mortgage

In connection with the RM transaction on January 31, 1997, the Company assumed a \$185,283 non-recourse mortgage loan with Teachers Insurance and Annuity Association of America with interest only payable monthly at a fixed annual rate of 7.18 percent (the "TIAA Mortgage"). The TIAA Mortgage is secured and cross-collateralized by 43 of the RM Properties and matures on December 31, 2003. The Company, at its option, may convert the TIAA Mortgage to unsecured public debt upon achievement by the Company of an investment credit rating of Baa3/BBB- or better. The TIAA Mortgage is prepayable in whole or in part subject to certain provisions, including yield maintenance.

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 the Bank 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 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.

Scheduled Principal Payments and Interest Paid

Scheduled principal payments on the mortgages and loans payable, as of December 31, 1996, are as follows:

Year	Amount
1997	\$ 6,412
1998	448
1999	88,799
2000	527
2001	573
Thereafter	171,251
Total	\$268,010

Cash paid for interest for the years ended December 31, 1996 and 1995, and the periods from August 31, 1994 to December 31, 1994 and from January 1, 1994 to August 30, 1994 was \$12,096, \$8,322, \$1,504, and \$15,977, respectively. Additionally, interest capitalized by the Company for the years ended December 31, 1996 and 1995 was \$118 and \$27, respectively, while no interest was capitalized during the periods August 31, 1994 to December 31, 1994 and January 1, 1994 to August 30, 1994 .

6. MINORITY INTEREST

Certain individuals and entities contributing interests to the Operating Partnership received 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.

Units are able to be redeemed by the unitholders at their option, subject to certain restrictions, 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 year ended December 31, 1996, 100,671 Units were redeemed for common stock of the Company. As of December 31, 1996, the minority interest unitholders owned 6.9 percent of the Operating Partnership.

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 years ended December 31, 1996 and 1995, such fees, which are capitalized and amortized, approximated \$490 and \$575, respectively.

Prior to the IPO, Donaldson, Lufkin & Jenrette Securities Corporation ("DLJ") was an affiliate of a 20 percent limited partner of one property partnership. Total rental income, including escalations and recoveries, from DLJ for the period January 1, 1994 to August 30, 1994 approximated \$6,472.

Prior to the IPO, two limited partners in the Roseland II Limited Partnership were tenants occupying, in the aggregate, 21 percent of the property. Total rental income, including escalations and recoveries, from these tenants for the period January 1, 1994 to August 30, 1994 approximated \$578.

The Cali Group provided administrative services to certain properties not included in the accompanying combined financial statements and earned fees of \$108 for such services for the period January 1, 1994 to August 30, 1994.

Certain Cali Group employees provided leasing services to the Original Properties and received fees as additional compensation ranging from .667 percent to 2.667 percent of adjusted rents. For the period January 1, 1994 to August 30, 1994 such fees, which are capitalized and amortized, approximated \$108.

8. STOCK OPTION AND EXECUTIVE  
COMPENSATION PLANS

Stock Option Plans

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 ("Director 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 Director Plan). Stock options granted under the Employee Plan in 1994 and 1995 become exercisable over a three-year period and those options granted under the Employee Plan in 1996 become exercisable over a five-year period. All stock options granted under the Director Plan become exercisable in one year. All options were granted at the fair market value at the dates of grant and have a term of ten years.

CALI REALTY CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

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

Shares under option:	Employee Plan	Director Plan
Granted on August 31, 1994 at \$17.25 per share	600,000	20,000
Granted at \$15.25 per share	--	5,000
Outstanding at December 31, 1994	600,000	25,000
Granted at \$17.25 per share	181,200	10,000
Granted at \$19.875 per share	39,000	--
Less-- Lapsed or canceled	(3,588)	--
Outstanding at December 31, 1995	816,612	35,000
\$15.25 - \$19.875 per share		
Granted at \$21.50 per share	361,750	14,000
Granted at \$25.25 per share	58,950	--
Granted at \$26.25 per share	375,000	--
Less -- Lapsed or canceled	(7,164)	--
Exercised at \$17.25 per share	(116,041)	(10,000)
Outstanding at December 31, 1996	1,489,107	39,000
\$15.25 - \$26.25 per share		
Exercisable at December 31, 1996	509,710	25,000
Available for grant at December 31, 1995	463,576	15,000
Available for grant at December 31, 1996	175,040	51,000

The weighted-average fair value of options granted during 1996 and 1995 were \$2.41 and \$1.28 per option, respectively. The fair value of each significant option grant is estimated on the date of grant using the Black-Scholes model. The following weighted average assumptions are included in the Company's fair value calculations:

	1996	1995
Expected life (years)	6	6
Risk-free interest rate	6.11%	6.58%
Volatility	19.14%	1.41%

Under the above models, the value of stock options granted under the Employee Plan and Director Plan during 1996 and 1995 totaled approximately \$1,955 and \$294, respectively, which would be amortized ratably on a pro forma basis over the appropriate vesting period. Had the Company determined compensation cost for these plans in accordance with SFAS No. 123, the Company's pro forma net income and earnings per share would have been \$31,980 and \$1.73 in 1996 and \$13,553 and \$1.22 in 1995. The SFAS No. 123 method of accounting does not apply to options granted prior to January 1, 1995 and accordingly, the resulting pro forma compensation cost may not be representative of that to be expected in the future.

#### Executive Compensation Plans

In January 1997, the Company entered into employment contracts with seven of its key executives which provide for, among other things, compensation in the form of stock awards (the "Stock Award Rights") and Company-financed stock purchase rights (the "Stock Purchase Rights") and associated tax obligation payments. In connection with the Stock Award Rights, the executives will receive 199,070 shares of the Company's common stock vesting over a five-year period contingent on the Company meeting certain performance objectives. Pursuant to the terms of the Stock Purchase Rights, the Company provided fixed rate, non-prepayable loans to such executives to finance their purchase of 152,000 shares of the Company's common stock, which the Company has agreed to forgive ratably over five years.

#### 9. 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 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.

#### 10. DISCLOSURE OF FAIR VALUE OF FINANCIAL INSTRUMENTS

The following disclosure of estimated fair value was determined by management using available market information and appropriate valuation methodologies. However, considerable judgment is necessary to interpret market data and develop estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize on disposition of the financial instruments at December 31, 1996 and 1995. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Page 97

Cash equivalents, receivables, accounts payable, and accrued expenses and other liabilities are carried at amounts which reasonably approximate their fair values.

Mortgages and loans payable have an aggregate carrying value of \$268,010 and \$135,464 at December 31, 1996 and 1995, respectively, which approximates their estimated aggregate fair value (excluding prepayment penalties) based upon then current interest rates for debt with similar terms and remaining maturities.

The estimated net gain on settling the Company's interest rate swap agreements, at December 31, 1996, based on quoted market prices of comparable swaps, was \$140.

Disclosure about fair value financial instruments is based on pertinent information available to management as of December 31, 1996 and 1995. Although management is not aware of any factors that would significantly affect the fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since December 31, 1996 and current estimates of fair value may differ significantly from the amounts presented herein.

#### 11. COMMITMENTS AND CONTINGENCIES

##### Tax Abatement Agreements Grove Street Property:

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 at 95 Christopher Columbus Drive, Jersey City. Such PILOT is determined based on the greater of two 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.

##### Harborside Financial Center Property:

Tax abatements for Harborside were obtained in 1988 by the former owner of the property of the City of Jersey City and were assumed by the Company as part of the acquisition of Harborside on November 4, 1996. The abatements, which commenced in 1990, are for a term of 15 years. Such PILOT is equal to two percent of Total Project Costs, as defined, in year one and increase by \$75 per annum through year fifteen. Total Project Costs, as defined, are \$148,712. The service charges for the remaining undeveloped parcels will be equal to two percent of Total Project Costs for each unit in year one and increase to three



percent by year fifteen.

## 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.

At December 31, 1995, DLJ leased approximately 55 percent of the space in the Company's 95 Christopher Columbus Drive, Jersey City, Hudson County, 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.

Page 98

Total rental income from DLJ, including escalations and recoveries, was \$11,498, \$10,352 and \$3,324 for the years ended December 31, 1996 and 1995 and the period ended December 31, 1994, respectively. At December 31, 1996 and 1995, unbilled rents receivable included \$12,862 and \$12,164, respectively, from DLJ.

Future minimum rentals to be received under noncancelable operating leases at December 31, 1996 are as follows:

Year	Amount
1997	\$117,705
1998	107,399
1999	94,462
2000	76,575
2001	59,081
Thereafter	285,198
Total	\$740,420

## 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 provide for, among other things, certain restrictions on the transfer of the common stock to prevent further concentration of stock ownership. Moreover, to evidence compliance with these requirements, the Company must maintain records that disclose the actual ownership of its outstanding common stock and will demand written statements each year from the holders of record of designated percentages of its common stock requesting the disclosure of the beneficial owners of such common stock.

During 1995, the Company completed a public offering of 4,600,000 shares of common stock and received net proceeds of \$83,594. Additionally in 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 May 13, 1996, the 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 a shelf registration statement (File No. 333-09081) with the Securities and Exchanges Commission ("SEC") for an aggregate amount of \$500,000 in equity securities of the Company. The registration statement was declared effective by the SEC on August 2, 1996.

On August 13, 1996, the Company sold 3,450,000 shares of its common stock through a public stock offering (the "August 1996 Offering"), which included an exercise of the underwriters' over-allotment option of 450,000 shares. Net proceeds from the August 1996 Offering (after offering costs) were approximately \$76,830. The offering was conducted using one underwriter and the shares were issued from the Company's \$250,000 shelf registration statement (File No. 33-96538).

Page 99

Pursuant to the Company's Registration Statement on Form S-3 (File No. 333-09081), on November 22, 1996, the Company completed an underwritten public offer and sale of 17,537,500 shares of its common stock using several different underwriters to underwrite such public offer and sale (which included an exercise of the underwriters' over-allotment option of 2,287,500 shares). The Company received approximately \$441,215 in net proceeds (after offering costs) from the November 1996 Offering, and used such funds to acquire certain of the Company's property acquisitions in November and December, pay down outstanding borrowings on its revolving credit facilities, and invested the excess funds in Overnight Investments.

On December 31, 1996, the Company filed a shelf registration statement (File No. 333-19101) with the SEC for an aggregate amount of \$1,000,000 in equity securities of the Company. The registration statement was declared effective by the SEC on January 7, 1997.

## 14. CONDENSED QUARTERLY FINANCIAL INFORMATION (Unaudited)

The following summarizes the condensed quarterly financial information for the Company:

	Quarter Ended 1996			
	December 31,	September 30,	June 30,	March 31,
<S>	<C>	<C>	<C>	<C>
Revenues	\$32,370	\$22,518	\$21,013	\$19,571
Operating and other expenses	9,404	7,035	6,579	6,644
General and administrative	2,365	1,371	1,128	936
Depreciation and amortization	5,157	3,747	3,614	3,294
Interest expense	4,388	2,721	2,999	2,569
Income before gain on sale of rental property, minority interest and extraordinary item	11,056	7,644	6,693	6,128
Gain on sale of rental property	--	--	--	5,658
Income before minority interest and extraordinary item	11,056	7,644	6,693	11,786
Minority interest	894	1,045	1,009	1,812
Income before extraordinary item	10,162	6,599	5,684	9,974
Extraordinary item -- loss on early retirement debt (net of minority interest's share of \$86)	--	--	--	475
Net income	\$10,162	\$ 6,599	\$ 5,684	\$ 9,499
Net income per common share:				
Income before extraordinary item -- loss on early retirement of debt	\$0.34	\$0.39	\$0.37	\$0.66
Extraordinary item-- loss on early retirement of debt	--	--	--	(0.03)
Net income per common share	\$0.34	\$0.39	\$0.37	\$0.63
Dividends declared per common share	\$0.45	\$0.45	\$0.43	\$0.43

	Quarter Ended 1995			
	December 31,	September 30,	June 30,	March 31,
Revenues	\$17,535	\$15,777	\$15,151	\$13,872
Operating and other expenses	5,911	5,381	4,872	4,541
General and administrative	922	856	1,001	933
Depreciation and amortization	3,175	3,009	3,095	2,832
Interest expense	2,500	2,347	2,173	1,641
Income before minority interest	5,027	4,184	4,010	3,925
Minority interest	888	911	873	836
Net income	\$ 4,139	\$ 3,273	\$ 3,137	\$ 3,089
Net income per common share	\$0.31	\$0.31	\$0.30	\$0.29
Dividends declared per common share	\$0.43	\$0.43	\$0.40	\$0.40

&lt;/TABLE&gt;

## CALI REALTY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED AND COMBINED  
FINANCIAL STATEMENTS (CONTINUED)15. PRO FORMA FINANCIAL INFORMATION  
(Unaudited)

The following unaudited pro forma financial information for the years ended December 31, 1996 and 1995 are presented as if the acquisitions and common stock offerings which occurred during 1996 and 1995 had occurred on January 1, 1995. In management's opinion, all adjustments necessary to reflect the effects of these transactions have been made.

This unaudited pro forma financial information is not necessarily indicative of what the actual results of operations of the Company would have been assuming such transactions had been completed as of the beginning of the respective periods, nor do they represent the results of operations of future periods.

	Year Ended	
	December 31, 1996	1995
Revenues	\$153,619	\$145,982
Operating and other expenses	44,571	42,424
General and administrative	8,820	7,862
Depreciation and amortization	23,945	23,778
Interest expense	19,300	19,924

Income before minority interest	56,983	51,994
Minority interest	5,043	4,742
Net income	\$ 51,940	\$ 47,252
Net income per common share	\$1.86	\$1.70

The following unaudited pro forma financial information for the year ended December 31, 1996 is presented as if the acquisitions and common stock offerings which occurred during 1996 and the January 1997 Robert Martin transaction had occurred on January 1, 1996. In management's opinion, all adjustments necessary to reflect the effects of these transactions have been made.

This unaudited pro forma financial information is not necessarily indicative of what the actual results of operations of the Company would have been assuming such transactions had been completed as of the beginning of the year, nor do they represent the results of operations of future periods.

Page 102

	Year Ended December 31, 1996
Revenues	\$226,578
Operating and other expenses	69,260
General and administrative	12,817
Depreciation and amortization	34,070
Interest expense	34,264
Income before minority interest	76,167
Minority interest	7,769
Net income	\$ 68,398
Net income per common share	\$1.89

Page 103

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<CAPTION>  
Cali Realty Corporation  
Real Estate Investments and Accumulated Depreciation  
December 31, 1996  
(dollars in thousands)

SCHEDULE III

Costs Property Location/Type Capitalized [(O) = Office Property/ Subsequent (F) = Office/flex] Acquis.	Year		Related Encumbrances	INITIAL COSTS		
	Built	Acquired		Land	Bldgs and Imprvments	to
<S>	<C>	<C>	<C>	<C>	<C>	
CRANFORD, UNION COUNTY, NJ						
6 Commerce Drive (O) .....	1973	--	\$ 1,752 (a)	\$ 250	\$ --	\$
2,567						
11 Commerce Drive (O) .....	1981	--	3,480 (a)	470	--	
5,599						
20 Commerce Drive (O) .....	1990	--	10,309 (a)	2,346	--	
21,066						
65 Jackson Drive (O) .....	1984	--	3,747 (a)	541	--	
6,682						
CLARK, UNION COUNTY, NJ						
100 Walnut Avenue (O) .....	1985	--	13,706 (a)	--	--	
15,874						
JERSEY CITY, HUDSON COUNTY, NJ						
95 Christopher Columbus Drive (O) .....	1989	--	51,476 (a)	6,205	--	
79,230						
Harborside Financial Center Christopher Columbus Drive Exchange Plaza & the Hudson River (O)	1930	1996	42,520	3,923	51,013	
Plaza I .....						

61	Plaza II .....	1930	1996	(e)	17,655	100,546
131	Plaza III .....	1930	1996	(e)	17,655	101,878
ROSELAND, ESSEX COUNTY NJ						
	101 Eisenhower Parkway(O) .....	1980	--	12,409(a)	228	--
	13,209					
	103 Eisenhower Parkway(O) .....	1985	--	10,488(a)	--	--
	13,950					

<CAPTION>

GROSS AMOUNT  
AT WHICH CARRIED  
AT CLOSE OF PERIOD

Property Location/Type [(O) = Office Property/ (F) = Office/flex]	Land	Bldgs and Imprvments	Total	Accum. Deprec(c)
<S>	<C>	<C>	<C>	<C>
CRANFORD, UNION COUNTY, NJ				
6 Commerce Drive (O) .....	\$ 250	\$ 2,567	\$ 2,817	\$ 1,326
11 Commerce Drive (O) .....	470	5,599	6,069	2,642
20 Commerce Drive (O) .....	2,346	21,066	23,412	4,213
65 Jackson Drive (O) .....	541	6,682	7,223	2,078
CLARK, UNION COUNTY, NJ				
100 Walnut Avenue (O) .....	1,822	14,052	15,874	5,162
JERSEY CITY, HUDSON COUNTY, NJ				
95 Christopher Columbus Drive (O) .....	6,205	79,230	85,435	16,761
Harborside Financial Center Christopher Columbus Drive Exchange Plaza & the Hudson River (O)				
Plaza I .....	3,923	51,018	54,941	213
Plaza II .....	17,655	100,607	118,262	420
Plaza III .....	17,655	102,009	119,664	420
ROSELAND, ESSEX COUNTY NJ				
101 Eisenhower Parkway(O) ..	228	13,209	13,437	6,378
103 Eisenhower Parkway(O) ..	2,300	11,650	13,950	4,254

</TABLE>

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<CAPTION>

Cali Realty Corporation  
Real Estate Investments and Accumulated Depreciation  
December 31, 1996  
(dollars in thousands)

SCHEDULE III

Costs Property Location/Type Capitalized [(O) = Office Property/ Subsequent (F) = Office/flex] Acquis.	INITIAL COSTS					
	Year			Related		
	Built	Acquired	Encumbrances	Land	Bldgs and Imprvments	to
<S>	<C>	<C>	<C>	<C>	<C>	<C>
WOODCLIFF LAKE, BERGEN COUNTY, NJ						
50 Tice Boulevard (O) .....	1984	--	12,795(a)	4,500	--	--
25,228						
300 Tice Boulevard (O) .....	1991	1996	--	5,424	29,688	--
--						
FAIR LAWN, BERGEN COUNTY, NJ						
17-17 Route 208 (O) .....	1987	1995	18,445	3,067	19,415	--
272						

FORT LEE, BERGEN COUNTY, NJ One Bridge Plaza (O) .....	1981	1996	--	2,439	24,462
--					
FLORHAM PARK, MORRIS COUNTY, NJ 325 Columbia Turnpike (O) .....	1987	--	10,300 (a)	1,564	--
14,897					
PARSIPPANY, MORRIS COUNTY, NJ 600 Parsippany Road (O) .....	1978	1994	(d)	1,257	5,594
350					
SUFFERN, ROCKLAND COUNTY, NY 400 Rella Boulevard (O) .....	1988	1995	(d)	1,090	13,412
424					
PRINCETON, MERCER COUNTY, NJ 5 Vaughn Drive (O) .....	1987	1995	(d)	657	9,800
104					
400 Alexander Park (O) .....	1987	1995	--	344	3,917
2,123					
103 Carnegie Center (O) .....	1984	1996	--	2,566	7,868
--					

Page 106

<CAPTION>

Property Location/Type [(O) = Office Property/ (F) = Office/flex]	GROSS AMOUNT AT WHICH CARRIED AT CLOSE OF PERIOD			Accum. Deprec (c)
	Land	Bldgs and Imprvments	Total	
-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
WOODCLIFF LAKE, BERGEN COUNTY, NJ 50 Tice Boulevard (O) .....	4,500	25,228	29,728	8,504
300 Tice Boulevard (O) .....	5,424	29,688	35,112	61
FAIR LAWN, BERGEN COUNTY, NJ 17-17 Route 208 (O) .....	3,067	19,687	22,754	904
FORT LEE, BERGEN COUNTY, NJ One Bridge Plaza (O) .....	2,439	24,462	26,901	--
FLORHAM PARK, MORRIS COUNTY, NJ 325 Columbia Turnpike (O) .....	1,564	14,897	16,461	4,510
PARSIPPANY, MORRIS COUNTY, NJ 600 Parsippany Road (O) .....	1,257	5,944	7,201	310
SUFFERN, ROCKLAND COUNTY, NY 400 Rella Boulevard (O) .....	1,090	13,836	14,926	610
PRINCETON, MERCER COUNTY, NJ 5 Vaughn Drive (O) .....	657	9,904	10,561	354
400 Alexander Park (O) .....	344	6,040	6,384	167
103 Carnegie Center (O) .....	2,566	7,868	10,434	166

Page 107

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<CAPTION>

Cali Realty Corporation  
Real Estate Investments and Accumulated Depreciation  
December 31, 1996  
(dollars in thousands)

III

SCHEDULE

Costs  
Property Location/Type

INITIAL COSTS

-----

Capitalized [(O) = Office Property/ Subsequent (F) = Office/flex] Acquis. -----	Year Built	Acquired	Related Encumbrances	Land	Bldgs and Imprvments	to ---
<S> <C>	<C>	<C>	<C>	<C>	<C>	
HAMILTON TOWNSHIP, MERCER COUNTY, NJ						
100 Horizon Drive (F) ..... 65	1989	1995	(d)	205	1,676	
200 Horizon Drive (F) ..... 1	1991	1995	(d)	205	3,027	
300 Horizon Drive (F) ..... 8	1989	1995	(d)	379	4,355	
500 Horizon Drive (F) ..... 39	1990	1995	(d)	379	3,395	
CLIFTON, PASSAIC COUNTY, NJ						
777 Passaic Avenue ..... 6,817	1983	--	1,323 (a)	--	--	
TOTOWA, PASSAIC COUNTY, NJ						
999 Riverview Drive (O) ..... 49	1988	1995	(d)	476	6,024	
11 Commerce Way (F) ..... 43	1989	1995	(d)	586	2,986	
20 Commerce Way (F) ..... 26	1992	1995	(d)	516	3,108	
29 Commerce Way (F) ..... 225	1990	1995	(d)	586	3,092	
40 Commerce Way (F) ..... 104	1987	1995	(d)	516	3,260	
45 Commerce Way (F) ..... 124	1992	1995	(d)	536	3,379	
60 Commerce Way (F) ..... 152	1988	1995	(d)	526	3,257	
80 Commerce Way (F) ..... 1,134	1996	--	(d)	743	--	
100 Commerce Way (F) ..... 1,133	1996	--	(d)	742	--	
120-140 Commerce Way (F) ..... 27	1994	1995	(d)	457	2,346	

Page 108

<CAPTION>

Property Location/Type [(O) = Office Property/ (F) = Office/flex] -----	GROSS AMOUNT AT WHICH CARRIED AT CLOSE OF PERIOD -----			
	Land	Bldgs and Imprvments	Total	Accum. Deprec (c)
<S> <C>	<C>	<C>	<C>	<C>
HAMILTON TOWNSHIP, MERCER COUNTY, NJ				
100 Horizon Drive (F) ..... 200 Horizon Drive (F) ..... 300 Horizon Drive (F) ..... 500 Horizon Drive (F) .....	205 205 379 379	1,741 3,028 4,363 3,434	1,946 3,233 4,742 3,813	49 89 128 104
CLIFTON, PASSAIC COUNTY, NJ				
777 Passaic Avenue ..... 6,817	1,100	5,717	6,817	2,024
TOTOWA, PASSAIC COUNTY, NJ				
999 Riverview Drive (O) ..... 49	476	6,073	6,549	180
11 Commerce Way (F) ..... 20 Commerce Way (F) ..... 29 Commerce Way (F) ..... 40 Commerce Way (F) ..... 45 Commerce Way (F) ..... 60 Commerce Way (F) ..... 80 Commerce Way (F) ..... 100 Commerce Way (F) ..... 120-140 Commerce Way (F) .....	586 516 586 516 536 526 743 742 457	3,029 3,134 3,317 3,364 3,503 3,409 1,134 1,133 2,373	3,615 3,650 3,903 3,880 4,039 3,935 1,877 1,875 2,830	88 91 103 103 117 108 7 6 69

Page 109

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<CAPTION>

Cali Realty Corporation  
Real Estate Investments and Accumulated Depreciation  
December 31, 1996

(dollars in thousands)

SCHEDULE III

Property Location/Type [(O) = Office Property/ (F) = Office/flex]	Year		Related Encumbrances	INITIAL COSTS		Costs Capitalized Subsequent to Acquis.
	Built	Acquired		Land	Bldgs and Imprvments	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
WALL TOWNSHIP, MONMOUTH COUNTY, NJ						
1305 Campus Parkway (O) .....	1988	1995	(d)	335	2,560	27
1325 Campus Parkway (F) .....	1988	1995	(d)	270	2,928	10
1340 Campus Parkway (F) .....	1992	1995	(d)	489	4,621	158
1350 Campus Parkway (O) .....	1990	1995	(d)	454	7,134	103
1320 Wykoff Road (F) .....	1986	1995	(d)	255	1,285	--
1324 Wykoff Road (F) .....	1987	1995	(d)	230	1,439	--
1433 Highway 34 (F) .....	1985	1995	(d)	889	4,321	37
NEPTUNE, MONMOUTH COUNTY, NJ						
3600 Route 66 .....	1989	1995	(d)	1,099	18,146	28
EGG HARBOR, MONMOUTH COUNTY, NJ						
100 Decadon Drive (O) .....	1987	1995	(d)	300	3,282	66
200 Decadon Drive (O) .....	1991	1995	(d)	369	3,241	48

Page 110

<CAPTION>

Property Location/Type [(O) = Office Property/ (F) = Office/flex]	GROSS AMOUNT AT WHICH CARRIED AT CLOSE OF PERIOD			Accum. Deprec(c)
	Land	Bldgs and Imprvments	Total	
<S>	<C>	<C>	<C>	<C>
WALL TOWNSHIP, MONMOUTH COUNTY, NJ				
1305 Campus Parkway (O) .....	335	2,587	2,922	86
1325 Campus Parkway (F) .....	270	2,938	3,208	86
1340 Campus Parkway (F) .....	489	4,779	5,268	135
1350 Campus Parkway (O) .....	454	7,237	7,691	218
1320 Wykoff Road (F) .....	255	1,285	1,540	37
1324 Wykoff Road (F) .....	230	1,439	1,669	42
1433 Highway 34 (F) .....	889	4,358	5,247	126
NEPTUNE, MONMOUTH COUNTY, NJ				
3600 Route 66 .....	1,099	18,174	19,273	531
EGG HARBOR, MONMOUTH COUNTY, NJ				
100 Decadon Drive (O) .....	300	3,348	3,648	96
200 Decadon Drive (O) .....	369	3,289	3,658	99

Page 111

</TABLE>

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<CAPTION>

Cali Realty Corporation  
Real Estate Investments and Accumulated Depreciation  
December 31, 1996  
(dollars in thousands)

SCHEDULE III

Costs Property Location/Type Capitalized [(O) = Office Property/ Subsequent (F) = Office/flex] Acquis.	INITIAL COSTS					
	Year		Related Encumbrances	Bldgs and Imprvments		to
Built	Acquired	Land		Imprvments		
<S>	<C>	<C>	<C>	<C>	<C>	<C>
BASKING RIDGE, SOMERSET COUNTY, NJ						
222 Mt. Airy Road (O) .....	1986	1996	--	775	3,636	-
233 Mt. Airy Road (O) .....	1987	1996	--	1,034	5,033	-

PLYMOUTH MEETING, MONTGOMERY COUNTY, PA						
5 Sentry Parkway East(O) .....	1984	1996	--	642	8,168	-
-						
5 Sentry Parkway West(O) .....	1984	1996	--	268	3,406	-
-						
MEDIA, DELAWARE COUNTY, PA						
Rose Tree Corporate Center(O)						
Center I .....	1986	1996	--	1,042	9,054	
70						
Center II .....	1990	1996	--	1,543	16,464	
101						
LESTER, DELAWARE COUNTY, PA						
Internation Court at Airport Business Center (O)						
International Court I .....	1986	1996	--	1,349	10,018	-
-						
International Court II .....	1987	1996	--	1,644	20,186	-
-						
International Court III .....	1992	1996	--	491	9,490	-
-						

Page 112

<CAPTION>

Property Location/Type [(O) = Office Property/ (F) = Office/flex]	GROSS AMOUNT AT WHICH CARRIED AT CLOSE OF PERIOD			Accum. Deprec(c)
	Land	Bldgs and Imprvments	Total	
<S>	<C>	<C>	<C>	<C>
BASKING RIDGE, SOMERSET COUNTY, NJ				
222 Mt. Airy Road (O) .....	775	3,636	4,411	38
233 Mt. Airy Road (O) .....	1,034	5,033	6,067	52
PLYMOUTH MEETING, MONTGOMERY COUNTY, PA				
5 Sentry Parkway East(O) .....	642	8,168	8,810	34
5 Sentry Parkway West(O) .....	268	3,406	3,674	14
MEDIA, DELAWARE COUNTY, PA				
Rose Tree Corporate Center(O)				
Center I .....	1,042	9,124	10,166	157
Center II .....	1,543	16,565	18,108	284
LESTER, DELAWARE COUNTY, PA				
Internation Court at Airport Business Center (O)				
International Court I .....	1,349	10,018	11,367	--
International Court II .....	1,644	20,186	21,830	--
International Court III .....	491	9,490	9,981	--

Page 113

</TABLE>

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<CAPTION>

Cali Realty Corporation  
Real Estate Investments and Accumulated Depreciation  
December 31, 1996  
(dollars in thousands)

SCHEDULE III

Property Location/Type [(O) = Office Property/ (F) = Office/flex]	Year Built	Acquired	Related Encumbrances	INITIAL COSTS		Costs Capitalized Subsequent to Acquis.
				Land	Bldgs and Imprvments	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
DELRAN, BURLINGTON COUNTY, NJ						
Tenby Chase Apartments- Route 130 [residential] .....	1970	--	7,223 (a)	395	--	5,036
Furnitures, fixtures & equipment .....	n/a	n/a	--	--	--	1,133
TOTALS .....				\$ 92,906	\$541,910	\$218,536
				=====	=====	=====

<CAPTION>



GROSS AMOUNT  
AT WHICH CARRIED  
AT CLOSE OF PERIOD

Property Location/Type [(O) = Office Property/ (F) = Office/flex]	Land	Bldgs and Imprvments	Total	Accum. Deprec (c)
<S>	<C>	<C>	<C>	<C>
DELRAN, BURLINGTON COUNTY, NJ Tenby Chase Apartments- Route 130 [residential] ....	395	5,036	5,431	2,996
Furnitures, fixtures & equipment .....	--	1,133	1,133	860
TOTALS .....	\$ 98,128	\$755,224	\$853,352	\$ 68,610

See footnotes on subsequent page.

Page 114

- (a) Bonds, which are collateralized by these encumbrances, with an aggregate principal amount of \$74.5 million, are owned by the Company (see Note 5 to the Financial Statements).
- (b) The aggregate cost for federal income tax purposes at December 31, 1996 was \$784,706.
- (c) The buildings' depreciable lives are between 5 to 40 years.
- (d) These buildings are cross-collateralized by the \$75,000 million Bank Facility, of which \$23,805 million was outstanding at December 31, 1996 (see Note 5 to the Financial Statements).
- (e) These buildings are cross-collateralized by the \$107,480 mortgage assumed in the acquisition of Harborside.

Page 115

</TABLE>

Cali Realty Corporation and Cali Group  
Note to Schedule III

Changes in rental properties and accumulated depreciation for the periods ended December 31, 1996, 1995 and 1994, and August 30, 1994, are as follows:

<TABLE>

<CAPTION>

	Cali Realty Corporation			Cali Group
	1996	1995	August 31 to December 31, 1994	January 1 to August 30, 1994
<S>	<C>	<C>	<C>	<C>
Rental Properties:				
Balance at beginning of year	\$ 387,675	\$ 234,470	\$ 217,282	\$ 213,675
Additions .....	473,371	153,753	17,340	4,126
Retirements/ Disposals	(7,694)	(548)	(152)	(519)
Balance at end of year .....	\$ 853,352	\$ 387,675	\$ 234,470	\$ 217,282
Accumulated Depreciation:				
Balance at beginning of year	\$ 59,095	\$ 50,800	\$ 48,201	\$ 44,084
Depreciation expense ..	12,810	8,807	2,688	4,267
Retirements/ Disposals	(3,295)	(512)	(89)	(150)
Balance at end of year .....	\$ 68,610	\$ 59,095	\$ 50,800	\$ 48,201

</TABLE>

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by Item 10 is incorporated by reference to the Company's definitive proxy statement for its annual meeting of stockholders to be held on May 15, 1997.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 is incorporated by reference to the Company's definitive proxy statement for its annual meeting of stockholders to be held on May 15, 1997.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by Item 12 is incorporated by reference to the Company's definitive proxy statement for its annual meeting of stockholders to be held on May 15, 1997.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by Item 13 is incorporated by reference to the Company's definitive proxy statement for its annual meeting of stockholders to be held on May 15, 1997.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS, SCHEDULES AND REPORTS ON FORM 8-K

- (a)1. Financial Statements and Report of Price Waterhouse LLP, Independent Accountants (See Item 8)

Report of Independent Accountants  
Financial Statements:

Balance Sheets:

Cali Realty Corporation Consolidated as of December 31, 1996 and 1995

Statements of Operations:

Cali Realty Corporation Consolidated for the Years Ended December 31, 1996 and December 31, 1995, and for the Period from August 31, 1994 to December 31, 1994

Cali Group Combined for the Period from January 1, 1994 to August 30, 1994

Statements of Stockholders' Equity and Partners' Deficit:

Cali Realty Corporation Consolidated for the Years Ended December 31, 1996 and December 31, 1995, and for the Period from August 31, 1994 to December 31, 1994

Cali Group Combined for the Period from January 1, 1994 to August 30, 1994

Statements of Cash Flows:

Cali Realty Corporation Consolidated for the Years Ended December 31, 1996 and December 31, 1995, and for the Period from August 31, 1994 to December 31, 1994

Cali Group Combined for the Period from January 1, 1994 to August 30, 1994

- (a)2. Financial Statement Schedules:

Schedule III - Real Estate Investments and Accumulated Depreciation as of December 31, 1996 (See Item 8)

All other schedules are omitted because they are not required or the

required information is shown in the financial statements or notes thereto.

(a)3. Exhibits

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

Page 118

Exhibit Number	Exhibit Title
1.1	Underwriting Agreement, dated November 18, 1996, between Cali Realty Corporation and Prudential Securities Incorporated. (1)
23	Consent of Price Waterhouse LLP.
10.42	Agreement of Purchase and Sale, dated September 11, 1996, among Plaza One Exchange Place Limited Partnership, Harborside Exchange Place Limited Partnership, Plaza II and III Urban Renewal Associates, L.P. (Seller) and Cali Realty Corporation (Purchaser). (2)
10.43	Contingent Consideration Agreement, dated November 4, 1996, between Harborside Exchange Place Limited Partnership and Cali Harborside (Fee) Associates L.P. (2)
10.44	Revolving Credit Facility Agreement, dated November 1, 1996, among Cali Realty, L.P., as Borrower, the Lenders parties thereto, and Prudential Securities Credit Corp., as Administrative Agent, in the amount of \$800,000,000. (2)
10.45	Mortgage Note in the amount of \$42,087,513 between Cali Harborside Plaza I(Fee) Associates L.P. and US West Pension Trust Investment Management Company, dated November 4, 1996. (2)
10.46	Assignment and Assumption Agreement, dated as of November 4, 1996, among Plaza One Exchange Place Limited Partnership (formerly known as BT Exchange Limited Partnership), Harborside Exchange Place Limited Partnership, Harborside Urban Renewal Associates L.P., Plaza II and III Urban Renewal Associates L.P., Plaza IV Urban Renewal Associates L.P., Plaza V Urban Renewal Associates L.P., Plaza VI Urban Renewal Associates L.P., Cali Harborside (Fee) Associates L.P., Cal- Harbor II & III Urban Renewal Associates L.P., Cal-Harbor IV Urban Renewal Association L.P., Cal-Harbor V Urban Renewal Associates, L.P., Cal-Harbor VI Urban Renewal Associates L.P., Cal-Harbor VII Urban Renewal Associates L.P., The Northwestern Mutual Life Insurance Company and Principal Mutual Life Insurance Company. (2)
10.47	Management Agreement, dated November 4, 1996, among Cali Harborside (Fee) Associates L.P., Cali Harborside Plaza I (Fee) Associates L.P., Plaza II & III Urban Renewal Associates L.P., Cal-Harbor II & III Urban Renewal Associates L.P., Plaza IV Urban Renewal Associates L.P., Cal-Harbor IV Urban Renewal Associates L.P., Plaza V Renewal Associates L.P., Cal-Harbor V Urban Renewal Associates L.P., Plaza VI Urban Renewal Associates L.P., Harborside Exchange Place Limited Partnership, Cal-Harbor VIII Urban Renewal Associates L.P., North Pier Urban Renewal Associates L.P., Cal-Harbor No. Pier Urban Renewal Associates L.P., South Pier Urban Renewal Associates L.P., Cal-Harbor So. Pier Urban Renewal Associates L.P. and Institutional Realty Management, LLC, as Manager. (2)

Page 119

10.48	Rental Agency Agreement, dated November 4, 1996, among Cali Harborside (Fee) Associates L.P., Cali Harborside Plaza I (Fee) Associates L.P., Plaza II and III Urban Renewal Associates L.P., Cal-Harbor II & III Urban Renewal Associates L.P., Plaza IV Urban Renewal Associates L.P., Cal-Harbor IV Urban Renewal Associates L.P., Plaza V Urban Renewal Associates L.P., Cal-Harbor V Urban Renewal Associates L.P., Plaza VI Urban Renewal Associates L.P., Cal-Harbor VI Urban Renewal Associates L.P., Harborside Exchange Place Limited Partnership, Cal-Harbor VII Urban Renewal Associates L.P., North Pier Urban Renewal Associates L.P., Cal-Harbor No. Pier Urban Renewal Associates L.P., South Pier Urban Renewal Associates L.P., Cal-Harbor So. Pier Urban Renewal Associates L.P., and Institutional Realty Management, LLC, as Rental Agent. (2)
10.49	Company Pledge Agreement, dated as of November 1, 1996, between Cali Realty Corporation and Prudential Securities Credit Corp., as Administrative Agent for the Lenders. (2)
10.50	Pledge Agreement, dated as of November 1, 1996, between Cali Realty, L.P. and Prudential Securities Credit Corp., as Administrative Agent for the benefit of the Lenders. (2)
10.51	Agreement of Assignment of Agreement for Purchase and Sale of Real Estate and Related Property, dated as of October 23, 1996, between Bryemere, L.P. and Five Sentry Realty Associates, L.P. (3)
10.52	Purchase Agreement, dated October 11, 1996, between Whiteweld Centre, Inc. and Cali Realty Acquisition Corporation.(3)

- 10.53 First Amendment to Purchase Agreement, dated as of December 10, 1996, by and between Whiteweld Centre, Inc. and Cali Realty Acquisition Corporation. (3)
- 10.54 Agreement of Sale, dated October 23, 1996, by and among Henderson/Tinicum Partnership, International Court II Limited Partnership, International Court III Joint Venture, Wilbur C. Henderson & Son, David Henderson and Cali Realty Acquisition Corporation. (3)
- 10.55 Amendment to Agreement of Sale, dated December 3, 1996, by and among Henderson/Tinicum Partnership, International Court II Limited Partnership, International Court III Joint Venture, Wilbur C. Henderson & Son, David Henderson and Cali Realty Acquisition Corporation. (3)
- 10.56 Second Amendment to Agreement of Sale, dated December 17, 1996, by and among Henderson/Tinicum Partnership, International Court II Limited Partnership, International Court III Joint Venture, Wilbur C. Henderson & Son, David Henderson and Cali Realty Acquisition Corporation. (3)
- 10.57 Sale Agreement between Metropolitan Life Insurance Company, a New York corporation, as Seller, and Cali Realty Acquisition Corp., a Delaware corporation, as Purchaser, as of November 26, 1996. (4)

Page 120

- 10.58 Amendment to Sale Agreement as of December 4, 1996, by and between Metropolitan Life Insurance Company, a New York corporation, and Cali Realty Acquisition Corp., a Delaware corporation. (4)
- 10.59 Amended and Restated Employment Agreement between Cali Realty Corporation and John R. Cali, dated as of January 21, 1997. \*
- 10.60 Restricted Share Agreement between Cali Realty Corporation and John R. Cali, dated as of January 21, 1997. \*
- 10.61 Amended and Restated Employment Agreement between Cali Realty Corporation and Brant Cali, dated as of January 21, 1997. \*
- 10.62 Restricted Share Agreement between Cali Realty Corporation and Brant Cali, dated as of January 21, 1997. \*
- 10.63 Amended and Restated Employment Agreement between Cali Realty Corporation and Thomas A. Rizk, dated as of January 21, 1997. \*
- 10.64 Restricted Share Agreement between Cali Realty Corporation and Thomas A. Rizk dated as of January 21, 1997. \*
- 10.65 Stock Pledge Agreement between Cali Realty Corporation and Thomas A. Rizk, dated as of January 21, 1997. \*
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- 10.72 Restricted Share Agreement between Cali Realty Corporation and Barry Lefkowitz, dated as of January 21, 1997. \*
- 10.73 Stock Pledge Agreement between Cali Realty Corporation and Barry Lefkowitz, dated as of January 21, 1997.\*
- 10.74 Secured Non-Recourse Promissory Note issued by Barry Lefkowitz to Cali Realty Corporation, dated as of January 21, 1997. \*

Page 121

- 10.75 Employment Agreement between Cali Realty Corporation and James Nugent, dated as of January 21, 1997. \*
- 10.76 Restricted Share Agreement between Cali Realty Corporation and James Nugent, dated as of January 21, 1997. \*
- 10.77 Stock Pledge Agreement between Cali Realty Corporation and James Nugent, dated as of January 21, 1997. \*
- 10.78 Secured Non-Recourse Promissory Note issued by James Nugent to Cali Realty Corporation, dated as of January 21, 1997. \*

- 10.79 Employment Agreement between Cali Realty Corporation and Albert Spring, dated as of January 21, 1997. \*
- 10.80 Restricted Share Agreement between Cali Realty Corporation and Albert Spring, dated as of January 21, 1997. \*
- 10.81 Stock Pledge Agreement between Cali Realty Corporation and Albert Spring, dated as of January 21, 1997. \*
- 10.82 Secured Non-Recourse Promissory Note issued by Albert Spring to Cali Realty Corporation, dated as of January 21, 1997. \*
- 10.83 Employment Agreement between Cali Realty Corporation and Brad W. Berger, dated as of January 31, 1997. \*
- 10.84 Warrant issued by Cali Realty Corporation to Brad W. Berger, dated January 31, 1997, and amendment No. 1 to the warrant.\*
- 10.85 Employment Agreement between Cali Realty Corporation and Timothy M. Jones, dated as of January 31, 1997. \*
- 10.86 Warrant issued by Cali Realty Corporation to Timothy M. Jones, dated January 31, 1997, and amendment No. 1 to the warrant. \*
- 10.87 Warrant issued by Cali Realty Corporation to Greg Berger, dated January 31, 1997.
- 10.88 Warrant issued by Cali Realty Corporation to Andrew Greenspan, dated January 31, 1997.
- 10.89 Warrant issued by Cali Realty Corporation to Michael Grossman, dated January 31, 1997.
- 10.90 Non-Competition Agreement between Cali Realty Corporation and Robert F. Weinberg, dated January 31, 1997.
- 10.91 Non-Competition Agreement between Cali Realty Corporation and Martin S. Berger, dated January 31, 1997.

Page 122

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\* Indicates management contract or compensatory plan or arrangement.

- (1) Incorporated by reference to the identically numbered exhibit to the Company's Form 8-K dated November 21, 1996.
- (2) Incorporated by reference to the identically numbered exhibit to the Company's Form 8-K dated November 18, 1996.
- (3) Incorporated by reference to the identically numbered exhibit to the Company's Form 8-K dated December 30, 1996.
- (4) Incorporated by reference to the identically numbered exhibit to the Company's Form 8-K dated December 31, 1996.

- -----

(b) Reports on Form 8-K

The Company filed Current Reports on Form 8-K dated October 8, 1996, October 28, 1996, October 29, 1996, November 18, 1996, November 21, 1996, December 30, 1996 and December 31, 1996, during the quarter ended December 31, 1996. Items 2, 5 and 7 were reported.

Included in the Form 8-K's dated October 8, 1996, October 28, 1996 and October 29, 1996 was the Company's audited consolidated statement of operations for the year ended December 31, 1995 and the Company's unaudited consolidated financial statements as of and for the six months ended June 30, 1996. Included in the Form 8-K dated December 31, 1996 was the Company's audited consolidated statement of operations for the year ended December 31, 1995 and the Company's unaudited financial statements as of and for the nine months ended September 30, 1996. Also included in the Form 8-K dated October 8, 1996 was the audited financial statements for the year ended December 31, 1995, and the unaudited financial statements for the six months ended June 30, 1996 for the Mount Airy Buildings. Also included in the Form 8-K dated October 28, 1996 was the audited financial statements for the year ended December 31, 1995, 1994 and 1993 and the unaudited financial statements for the six months ended June 30, 1996 for the Harborside Financial Center. Also included in the Form 8-K dated October 29, 1996 was the audited financial statements for the year ended December 31, 1995 and the unaudited financial statements for the six months ended June 30, 1996 for each of the following: 5 Sentry Parkway, Whiteweld Centre, and Airport Business Center. Also included in the Form 8-K dated December 31, 1996 was the audited financial statements for the year ended December 31, 1995 and the unaudited financial statements for the nine months ended September 30, 1996 for One Bridge Plaza, and the unaudited financial statements for the nine months ended June 30, 1996 for each of the following: Harborside Financial Center, 5 Sentry Parkway, Whiteweld Centre and Airport Business

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.

(Registrant) CALI REALTY CORPORATION

Dated: March 28, 1997 /s/ John J. Cali  
-----  
John J. Cali  
Chairman of the Board

Dated: March 28, 1997 /s/ Thomas A. Rizk  
-----  
Thomas A. Rizk  
President, Chief Executive  
Officer and Director

Dated: March 28, 1997 /s/ Barry Lefkowitz  
-----  
Barry Lefkowitz  
Chief Financial Officer

Dated: March 28, 1997 /s/ Brad W. Berger  
-----  
Brad W. Berger  
Executive Vice President  
and Director

Dated: March 28, 1997 /s/ Angelo R. Cali  
-----  
Angelo R. Cali  
Director

Dated: March 28, 1997 /s/ Edward Leshowitz  
-----  
Edward Leshowitz  
Director

Page 124

Dated: March 28, 1997 /s/ Brendan T. Byrne  
-----  
Brendan T. Byrne  
Director

Dated: March 28, 1997 /s/ Kenneth A. DeGhetto  
-----  
Kenneth A. DeGhetto  
Director

Dated: March 28, 1997 /s/ James W. Hughes  
-----  
James W. Hughes  
Director

Dated: March 28, 1997 /s/ Irvin D. Reid  
-----  
Irvin D. Reid  
Director

Dated: March 28, 1997 /s/ Alan Turtletaub  
-----  
Alan Turtletaub  
Director

Dated: March 28, 1997

/s/ Robert F. Weinberg

-----  
Robert F. Weinberg  
Director

Dated: March 28, 1997

/s/ Alan G. Philiposian

-----  
Alan G. Philiposian  
Director

Page 125  
EXHIBIT INDEX

Exhibit Number -----	Exhibit Title -----
1.1	Form of Underwriting Agreement. (1)
23	Consent of Price Waterhouse LLP.
10.42	Agreement of Purchase and Sale, dated September 11, 1996, among Plaza One Exchange Place Limited Partnership, Harborside Exchange Place Limited Partnership, Plaza II and III Urban Renewal Associates, L.P. (Seller) and Cali Realty Corporation (Purchaser). (2)
10.43	Contingent Consideration Agreement, dated November 4, 1996, between Harborside Exchange Place Limited Partnership and Cali Harborside (Fee) Associates L.P. (2)
10.44	Revolving Credit Facility Agreement, dated November 1, 1996, among Cali Realty, L.P., as Borrower, the Lenders parties thereto, and Prudential Securities Credit Corp., as Administrative Agent, in the amount of \$800,000,000. (2)
10.45	Mortgage Note in the amount of \$42,087,513 between Cali Harborside Plaza I(Fee) Associates L.P. and US West Pension Trust Investment Management Company, dated November 4, 1996. (2)
10.46	Assignment and Assumption Agreement, dated as of November 4, 1996, among Plaza One Exchange Place Limited Partnership (formerly known as BT Exchange Limited Partnership), Harborside Exchange Place Limited Partnership, Harborside Urban Renewal Associates L.P., Plaza II and III Urban Renewal Associates L.P., Plaza IV Urban Renewal Associates L.P., Plaza V Urban Renewal Associates L.P., Plaza VI Urban Renewal Associates L.P., Cali Harborside (Fee) Associates L.P., Cal-Harbor II & III Urban Renewal Associates L.P., Cal-Harbor IV Urban Renewal Association L.P., Cal-Harbor V Urban Renewal Associates, L.P., Cal-Harbor VI Urban Renewal Associates L.P., Cal-Harbor VII Urban Renewal Associates L.P., The Northwestern Mutual Life Insurance Company and Principal Mutual Life Insurance Company. (2)
10.47	Management Agreement, dated November 4, 1996, among Cali Harborside (Fee) Associates L.P., Cali Harborside Plaza I (Fee) Associates L.P., Plaza II & III Urban Renewal Associates L.P., Cal-Harbor II & III Urban Renewal Associates L.P., Plaza IV Urban Renewal Associates L.P., Cal-Harbor IV Urban Renewal Associates L.P., Plaza V Renewal Associates L.P., Cal-Harbor V Urban Renewal Associates L.P., Plaza VI Urban Renewal Associates L.P., Harborside Exchange Place Limited Partnership, Cal-Harbor VIII Urban Renewal Associates L.P., North Pier Urban Renewal Associates L.P., Cal-Harbor No. Pier Urban Renewal Associates L.P., South Pier Urban Renewal Associates L.P., Cal-Harbor So. Pier Urban Renewal Associates L.P. and Institutional Realty Management, LLC, as Manager. (2)
	Page 126
10.48	Rental Agency Agreement, dated November 4, 1996, among Cali Harborside (Fee) Associates L.P., Cali Harborside Plaza I (Fee) Associates L.P., Plaza II and III Urban Renewal Associates L.P., Cal-Harbor II & III Urban Renewal Associates L.P., Plaza IV Urban Renewal Associates L.P., Cal-Harbor IV Urban Renewal Associates L.P., Plaza V Urban Renewal Associates L.P., Cal-Harbor V Urban Renewal Associates L.P., Plaza VI Urban Renewal Associates L.P., Harborside Exchange Place Limited Partnership, Cal-Harbor VII Urban Renewal Associates L.P., North Pier Urban Renewal Associates L.P., Cal-Harbor No. Pier Urban Renewal Associates L.P., South Pier Urban Renewal Associates L.P., and Institutional Realty Management, LLC, as Rental Agent. (2)
10.49	Company Pledge Agreement, dated as of November 1, 1996, between Cali Realty Corporation and Prudential Securities Credit Corp., as Administrative Agent for the Lenders. (2)
10.50	Pledge Agreement, dated as of November 1, 1996, between Cali Realty, L.P. and Prudential Securities Credit Corp., as Administrative Agent for the benefit of the Lenders. (2)

- 10.51 Agreement of Assignment of Agreement for Purchase and Sale of Real Estate and Related Property, dated as of October 23, 1996, between Bryemere, L.P. and Five Sentry Realty Associates, L.P. (3)
- 10.52 Purchase Agreement, dated October 11, 1996, between Whiteweld Centre, Inc. and Cali Realty Acquisition Corporation.(3)
- 10.53 First Amendment to Purchase Agreement, dated as of December 10, 1996, by and between Whiteweld Centre, Inc. and Cali Realty Acquisition Corporation.(3)
- 10.54 Agreement of Sale, dated October 23, 1996, by and among Henderson/Tinicum Partnership, International Court II Limited Partnership, International Court III Joint Venture, Wilbur C. Henderson & Son, David Henderson and Cali Realty Acquisition Corporation.(3)
- 10.55 Amendment to Agreement of Sale, dated December 3, 1996, by and among Henderson/Tinicum Partnership, International Court II Limited Partnership, International Court III Joint Venture, Wilbur C. Henderson & Son, David Henderson and Cali Realty Acquisition Corporation.(3)
- 10.56 Second Amendment to Agreement of Sale, dated December 17, 1996, by and among Henderson/Tinicum Partnership, International Court II Limited Partnership, International Court III Joint Venture, Wilbur C. Henderson & Son, David Henderson and Cali Realty Acquisition Corporation.(3)
- 10.57 Sale Agreement between Metropolitan Life Insurance Company, a New York corporation, as Seller, and Cali Realty Acquisition Corp., a Delaware corporation, as Purchaser, as of November 26, 1996.(4)

Page 126

- 10.58 Amendment to Sale Agreement as of December 4, 1996, by and between Metropolitan Life Insurance Company, a New York corporation, and Cali Realty Acquisition Corp., a Delaware corporation.(4)
- 10.59 Amended and Restated Employment Agreement between Cali Realty Corporation and John R. Cali, dated as of January 21, 1997. \*
- 10.60 Restricted Share Agreement between Cali Realty Corporation and John R. Cali, dated as of January 21, 1997. \*
- 10.61 Amended and Restated Employment Agreement between Cali Realty Corporation and Brant Cali, dated as of January 21, 1997. \*
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Page 127



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=====

AMENDED AND RESTATED  
EMPLOYMENT AGREEMENT  
FOR  
JOHN R. CALI

=====

TABLE OF CONTENTS

	Page
	----
1. Employment.....	1
2. Services.....	2
3. Compensation and Benefits.....	3
4. Termination of Employment and Change in Control.....	6
5. Confidential Information.....	12
6. Return of Documents.....	13
7. Noncompete.....	13
8. Remedies.....	15
9. Successors and Assigns.....	15
10. Timing of and No Duplication of Payments/Tax Withholding.....	16
11. Modification or Waiver.....	17
12. Notices.....	17
13. Governing Law.....	18
14. Severability.....	18
15. Counterparts.....	18
16. Headings.....	19
17. Entire Agreement.....	19
18. Survival of Agreements.....	19

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (the "Agreement") is entered into as of January 21, 1997, by and between John R. Cali, an individual residing at 203 Laurel Hill Road, Mountain Lakes, New Jersey 07046 ("Executive"), and Cali Realty Corporation, a Maryland corporation with offices at 11 Commerce Drive, Cranford, New Jersey 07016 (the "Company").

RECITALS

WHEREAS, the Executive has held the position of Chief Administrative Officer pursuant to his Employment Agreement with the Company dated August 31, 1994 ("Prior Agreement") and, through such service, has acquired special and unique knowledge, abilities and expertise; and

WHEREAS, the Company desires to extend Executive's Employment Period (as defined in the Prior Agreement) to January 21, 2002, and the Company and Executive desires to restructure certain terms of the Prior Agreement and otherwise to amend and restate the Prior Agreement in its entirety as set forth in this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements set forth herein, the parties hereby agree as follows:

1. Employment.

The Company hereby agrees to employ Executive, and Executive hereby agrees to be employed by the Company, for a term commencing on the date hereof and expiring on January 21, 2002; provided, however, that commencing on January 21,

2002 and each January 21 thereafter, the term of this Agreement shall be extended automatically for one (1) additional year unless at least ninety (90) days prior to the applicable expiration date either the Company or Executive shall have given written notice to the other party that such party does not wish to extend this Agreement. It being agreed and understood that the extension of this Agreement shall not create an obligation of the Company to issue new awards to Executive hereunder. The term of this Agreement, as it may be extended from time to time in accordance with this Paragraph 1, is referred to herein as the "Employment Period."

2. Services.

During the Employment Period, Executive shall hold the position of Chief Administrative Officer and shall devote his best efforts and substantially all

of his business time, skill and attention to the business of the Company, and shall perform such duties as are customarily performed by similar executive officers and as may be more specifically enumerated from time to time by the Board of Directors of the Company (the "Board") or the Executive Committee of the Board, if any; provided, however, that the foregoing is not intended to (a) preclude Executive from (i) owning and managing personal investments, including real estate investments, subject to the restrictions set forth in Paragraph 7 hereof or (ii) engaging in charitable activities and community affairs, or (b) restrict or otherwise limit Executive from conducting real estate development, acquisition or management activities with respect to those properties described in Schedule A, attached hereto, (the "Excluded Properties"), provided that

2

the performance of the activities referred to in clauses (a) and (b) does not prevent Executive from devoting substantially all of his business time to the Company.

### 3. Compensation and Benefits.

During the Employment Period, the Company shall pay Executive a minimum annual base salary in the amount of \$225,000 (the "Annual Base Salary"), payable in accordance with the Company's regular payroll practices. In addition, Executive also shall be eligible for incentive compensation payable each year in such amounts as may be determined by the Compensation Committee of the Board (the "Compensation Committee") based upon, among other factors, growth in Funds from Operations per Common Share (as hereinafter defined) for the year. Executive's Annual Base Salary shall be reviewed annually in accordance with the policy of the Company from time to time and may be subject to upward adjustment based on, among other things, Executive's performance, as determined in the sole discretion of the Compensation Committee. The Company shall have the right to deduct and withhold from all compensation all social security and other federal, state and local taxes and charges which currently are or which hereafter may be required by law to be so deducted and withheld. In addition to the compensation specified above and other benefits provided pursuant to this Paragraph 3, Executive shall be entitled to the following benefits:

- (a) participation in the Employee Stock Option Plan of Cali Realty Corporation (the "Stock Option Plan"), and other benefit plans (including without limitation the Cali Realty Corporation 401(k) Savings and Retirement Plan and any other stock option plans which may be adopted or maintained by the Company) made generally available to executives of the Company with such participation to be consistent with reasonable Company guidelines;

3

- (b) participation in any health insurance, disability insurance, group life insurance or other welfare benefit program made generally available to executives of the Company; and
- (c) reimbursement for reasonable business expenses incurred by Executive in furtherance of the interests of the Company.

In addition, Executive shall be entitled to receive such bonuses and options to purchase shares of common stock, par value \$0.01 per share, of the Company (the "Common Stock") as the Board shall approve, in its sole discretion, including, without limitation, options and bonuses contingent upon Executive's performance and the achievement of specified financial and operating objectives for Funds from Operations per Common Share. For purposes of this Agreement, "Funds from Operations per Common Share" for any period shall mean (i) net income (loss) before minority interest of unit holders, computed in accordance with generally accepted accounting principles ("GAAP"), excluding gains (or losses) from debt restructuring and sale of property, plus real estate return, depreciation and amortization as calculated in accordance with the National Association of Real Estate Investment Trusts definition published in March 1995, as amended from time to time, and as applied in accordance with the accounting practices and policies of the Company in effect from time to time on a consistent basis to the entire Employment Period, divided by (ii) the sum of (A) the primary weighted average number of outstanding shares of Common Stock as it appears in the Company's financial statement for the applicable period and (B) the primary weighted average number of outstanding limited partnership units of Cali Realty, L.P., a Delaware limited partnership of which the Company is the sole general partner, for the applicable period.

4

As further consideration for Executive agreeing to serve as an officer and entering into this Agreement upon the terms set forth herein, including, without limitation, the terms relating to noncompetition set forth in Paragraph 7 below, the Company shall, concurrently herewith or as soon as practicable after the

execution of this Agreement:

grant to Executive 55,555 restricted shares of Common Stock ("Restricted Shares") pursuant to the terms and conditions of this Agreement, and the written agreement, issued pursuant to this Agreement, evidencing such award executed between the Company and Executive (the "Restricted Share Agreement"). In the event of a conflict between the Restricted Share Agreement and this Agreement, the terms of this Agreement shall control.

The Restricted Share Award (as defined in the Restricted Share Agreement) is scheduled to vest over five (5) years with twenty percent (20%) of the Restricted Shares vesting on each of the first anniversary of the date hereof (the "First Anniversary"), the second anniversary of the date hereof (the "Second Anniversary"), the third anniversary of the date hereof (the "Third Anniversary"), the fourth anniversary of the date hereof (the "Fourth Anniversary") and the fifth anniversary of the date hereof (the "Fifth Anniversary"), provided, that certain Performance Goals as defined and set forth in the Restricted Share Agreement are met. Vesting shall be cumulative in accordance with the provisions of the Restricted Share Agreement and the Performance Goals may be achieved as specified therein up until the seventh anniversary of the date hereof. Except as otherwise provided in Paragraph 4 hereof, Executive must be employed by the Company on the applicable anniversary date to vest in the Restricted Shares scheduled to vest in a particular year. The measurement date to determine such vesting shall be the last day of the Company's fiscal year preceding the year in which the applicable anniversary date occurs.

In addition, upon vesting of the Restricted Shares on each applicable anniversary date, the Company shall make a cash payment to Executive on that anniversary date in an amount equal to forty percent (40%) of the Fair Market Value (determined as of such anniversary date) of the Restricted Shares that vest on such anniversary date (the "Restricted Share Tax Gross-Up Payment").

5

As consideration for entering into the Prior Agreement upon the terms set forth therein, including without limitation, the terms relating to noncompetition set forth in Paragraph 7 thereof, the Company, concurrently therewith, pursuant to Paragraph 3 of the Prior Agreement granted to Executive options to purchase 200,000 shares of Common Stock at a purchase price of \$17.25 per share (the "1994 Options"). Such options were granted pursuant to the terms and conditions of the Stock Option Plan, having a ten (10) year term and vesting over a three (3) year period beginning on August 31, 1994, with one-third of such options vested on the August 31, 1995, and one-third vested on August 31, 1996, and one-third vesting on August 31, 1997, subject to acceleration in accordance with the terms of the Stock Option Plan.

The 1994 Options were and are intended to qualify as incentive stock options within the meaning of Section 422(b) of the Internal Revenue Code of 1986, as amended (the "Code"); provided, however, that to the extent that any of such options did not or do not satisfy the requirements of Section 422(b) of the Code, then they shall be treated as non-qualified options.

#### 4. Termination of Employment and Change in Control.

(a) Termination of Employment by the Company for Cause or By Executive without Good Reason. In the event (i) the Company terminates Executive's employment for Cause (as hereinafter defined) or (ii) Executive terminates his employment without Good Reason (as hereinafter defined), the Company shall pay Executive any unpaid salary accrued through and including the date of termination. In addition, in such event, Executive shall be entitled (i) to exercise any options which

6

have vested and are exercisable in accordance with the terms of the applicable option grant agreement or plan, and (ii) to retain any Restricted Shares previously awarded to Executive pursuant to this Agreement and the Restricted Share Agreement and any Restricted Share Tax Gross-Up Payments which are fully vested on the date of termination. Except for any rights which Executive may have to unpaid salary amounts through and including the date of termination, vested options, and vested Restricted Shares and related Restricted Share Tax Gross-Up Payments, all as set forth above, the Company shall have no further obligations hereunder following such termination.

(b) Termination of Employment Upon Death or Disability . In the event of termination of Executive's employment as a result of either (i) Executive's death or Disability (as hereinafter defined), the Company shall pay to Executive, his estate or his personal representative (A) the unpaid salary

through the end of the Employment Period remaining (assuming no such termination occurred) and (B) a pro-rata portion, based upon the number of days in the period beginning with January 1 of the calendar year in which such termination occurred and ending with the date the Employment Period ends (assuming such termination did not occur), of the average annual amount of incentive compensation payments paid to Executive during each previous year of Executive's employment hereunder (the "Pro-Rata Portion of Incentive Compensation"). The aforesaid amount shall be payable, at the option of Executive, his estate or his personal representative, either (i) in full immediately upon such termination or (ii) monthly over the remainder of the Employment Period. In addition, Executive shall be entitled (i) at the option of Executive, his estate or his personal representative, within one (1) year of the date of such termination, to exercise any options which have vested

7

(including, without limitation, by acceleration in accordance with the terms of the applicable option grant agreement or plan) and are exercisable in accordance with the terms of the applicable option grant agreement or plan or to require the Company (upon written notice delivered within one hundred eighty (180) days following the date of Executive's termination) to repurchase all or any portion of Executive's vested options to purchase shares of Common Stock at a price equal to the difference between the Repurchase Fair Market Value (as hereinafter defined) of the shares of Common Stock for which the options to be repurchased are exercisable and the exercise price of such option as of the date of Executive's termination of employment, and (ii) to retain all Restricted Shares awarded to Executive pursuant to this Agreement and the Restricted Share Agreement whether or not such Restricted Shares had previously vested as of the date of termination. In the event any Restricted Shares have not vested as of the date of termination, such Restricted Shares shall immediately vest and Executive, his estate or his personal representative shall receive a cash payment from the Company on the date of termination in an amount equal to forty percent (40%) of the Fair Market Value (determined as of the date of termination) of the Restricted Shares that vest on the date of termination (the "Termination Restricted Share Tax Gross-Up Payment"). Except for any rights which Executive may have to unpaid salary amounts through the end of the Employment Period, the Pro-Rata Portion of Incentive Compensation, vested options, and Restricted Shares (and the full vesting thereof) and the Termination Restricted Share Tax Gross-Up Payment, all as set forth above, the Company shall have no further obligations hereunder following such termination.

8

(c) Termination of Employment By the Company Without Cause or By the Executive for Good Reason. In the event (i) the Company terminates Executive's employment for any reason other than Cause or (ii) Executive terminates his employment for Good Reason, the Company shall pay to Executive and Executive shall be entitled to all the payments and rights Executive would have had if Executive's employment had been terminated due to Disability as set forth in sub-paragraph 4(b) (including all benefits under this Agreement and the Restricted Share Agreement), except that Executive must exercise any options which have vested within ninety (90) days of the date of termination. Except for any rights which Executive may have to unpaid salary amounts through the end of the Employment Period, the Pro-Rata Portion of Incentive Compensation, vested options, and Restricted Shares (and full vesting thereof) and the Termination Restricted Share Tax Gross-Up Payment, all as set forth above, the Company shall have no further obligations hereunder following such termination.

(d) Upon a Change in Control. In the event of a Change in Control (as hereinafter defined), Executive shall be entitled to (i) all Restricted Shares awarded to Executive pursuant to this Agreement and the Restricted Share Agreement whether or not such Restricted Shares had previously vested as of the date of the Change in Control. In the event any Restricted Shares have not vested as of the date of the Change in Control, such Restricted Shares shall immediately vest and Executive shall receive a cash payment from the Company on the date of the Change in Control in an amount equal to forty percent (40%) of the Fair Market Value (determined as of the date of the Change in Control) of the Restricted Shares that vest on the date of the

9

Change in Control (the "Change in Control Restricted Share Tax Gross-Up Payment") and (ii) an excise tax gross-up payment. If it is determined by an independent accountant mutually acceptable to the Company and Executive that as a result of compensation paid and other benefits provided to Executive by the Company pursuant to this Agreement or otherwise, a tax will be imposed on Executive pursuant to Section 4999 of the Code (or any successor provisions) the Company shall pay Executive in cash an amount equal to the excise tax for which the Executive is liable under Section 4999 of the Code.

Any cash payments owed to Executive pursuant to this Paragraph 4(d) shall be paid to Executive in a single sum on or immediately prior to date of the

Change in Control but prior to the consummation of the transaction with any successor.

In addition, other than the 1994 Options, any other options previously or hereafter granted to Executive that have not vested as of the date of the Change in Control shall immediately vest upon the occurrence of and on the date of a Change in Control irrespective of whether Executive's employment terminates in connection with such Change in Control.

(e) For purposes of this Agreement:

- (i) "Cause" shall mean (A) the willful and continued failure by Executive to substantially perform his duties hereunder (other than any such failure resulting from Executive's incapacity due to physical or mental illness) for a period of thirty (30) days after written demand for substantial performance is delivered by the Company specifically identifying the manner in which the Company believes Executive has not substantially performed his duties, or (B) willful misconduct by Executive which is materially injurious to the Company, monetarily or otherwise, or (C) the willful violation by Executive of the provisions of Paragraph 5 or 7 hereof. For purposes of this Paragraph 4(e)(i), no act, or failure to act, on Executive's part shall be considered "willful" unless done, or omitted to be done, by him (I) not in good faith and (II) without reasonable belief that his action or omission was in furtherance of the interests of the Company.
- (ii) "Change in Control" shall mean that any of the following events has occurred: (a) any "person" or "group" of persons, as such terms are used in Sections 13 and 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), other than any employee benefit plan sponsored by the Company, becomes the "beneficial owner", as such term is used in Section 13 of the Exchange Act, of thirty percent (30%) or more of the Common Stock of

10

the Company issued and outstanding immediately prior to such acquisition; (b) any Common Stock of the Company is purchased pursuant to a tender or exchange offer other than an offer by the Company; or (c) the dissolution or liquidation of the Company or the consummation of any merger or consolidation of the Company or any sale or other disposition of all or substantially all of its assets, if the shareholders of the Company immediately before such transaction own, immediately after consummation of such transaction, equity securities (other than options and other rights to acquire equity securities) possessing less than thirty percent (30%) of the voting power of the surviving or acquiring company.

- (iii) "Disability" shall mean the determination by the Company, upon the advice of an independent qualified physician, reasonably acceptable to Executive, that Executive has become physically or mentally incapable of performing his duties under this Agreement and such disability has disabled Executive for a cumulative period of one hundred eighty (180) days within a twelve (12) month period.
- (iv) "Fair Market Value" shall mean the closing price of the Common Stock as quoted on the New York Stock Exchange at the end of the last business day preceding the Determination Date, the applicable anniversary or the date of termination, as the case may be, as reported in the New York edition of the Wall Street Journal.
- (v) "Good Reason" shall mean (A) any material and substantial breach of this Agreement by the Company, (B) a material reduction in the Executive's Annual Base Salary or other benefits (except for bonuses or similar discretionary payments) as in effect at the time in question, or any other failure by the Company to comply with Paragraph 3 hereof, or (C) the Company shall have given notice pursuant to Paragraph 1 hereof at any time prior to the sixth anniversary of the date hereof that it does not wish to extend this Agreement, except in connection with termination of Executive's employment for Cause or by reason of death or Disability.
- (vi) "Repurchase Fair Market Value" shall mean the average of the closing price on the New York Stock Exchange of the Common Stock on each of the trading days within the thirty

(30) days immediately preceding the date of termination of Executive's employment;

(f) Any termination of Executive's employment by the Company or any such termination by Executive (other than on account of death) shall be communicated by written Notice of Termination to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated.

#### 5. Confidential Information.

(a) Executive understands and acknowledges that during his employment with the Company, he will be exposed to Confidential Information (as defined below), all of which is proprietary and which will rightfully belong to the Company. The Executive shall hold in a fiduciary capacity for the benefit of the Company such Confidential Information obtained by Executive during his employment with the Company and shall not, directly or indirectly, at any time, either during or after his employment with the Company, without the Company's prior written consent, use any of such Confidential Information or disclose any of such Confidential Information to any individual or entity other than the Company or its employees, except as required in the performance of his duties for the Company or as otherwise required by law. Executive shall take all reasonable steps to safeguard such Confidential Information and to protect such Confidential Information against disclosure, misuse, loss or theft.

(b) The term "Confidential Information" shall mean any information not generally known in the relevant trade or industry or otherwise not generally available to the public, which was obtained from the Company or its predecessors or which was learned, discovered, developed, conceived, originated or prepared during or as a result of the performance of any services by Executive on behalf of the Company or its predecessors. For purposes of this Paragraph 5, the Company shall be deemed to include any entity which is controlled, directly or indirectly, by the Company and any entity of which a majority of the economic interest is owned, directly or indirectly, by the Company.

#### 6. Return of Documents.

Except for such items which are of a personal nature to Executive (e.g., daily business planner), all writings, records, and other documents and things containing any Confidential Information shall be the exclusive property of the Company, shall not be copied, summarized, extracted from, or removed from the premises of the Company, except in pursuit of the business of the Company and at the direction of the Company, and shall be delivered to the Company, without retaining any copies, upon the termination of Executive's employment or at any time as requested by the Company.

#### 7. Noncompete.

Executive agrees that:

(a) During the Employment Period and, in the event (i) the Company terminates Executive's employment for Cause, or (ii) Executive terminates his

employment without Good Reason, for a one (1) year period thereafter, Executive shall not, directly or indirectly, within the State of New York, the State of New Jersey, the State of Pennsylvania, and the State of Connecticut, engage in, or own, invest in, manage or control any venture or enterprise primarily engaged in any office-service, office, industrial, or flex property development, acquisition or management activities, without regard to whether or not such activities compete with the Company. Nothing herein shall prohibit Executive from being a passive owner of not more than five percent (5%) of the outstanding stock of any class of securities of a corporation or other entity engaged in such business which is publicly traded, so long as he has no active participation in the business of such corporation or other entity. Moreover, the foregoing limitations shall not be deemed to restrict or otherwise limit Executive from conducting real estate development, acquisition or management activities with respect to the Excluded Properties, if any, provided that during the Employment Period the performance of such activities does not prevent Executive from devoting substantially all of his business time to the Company.

(b) If, at the time of enforcement of this Paragraph 7, a court shall hold that the duration, scope, area or other restrictions stated herein are unreasonable, the parties agree that reasonable maximum duration, scope, area or other restrictions may be substituted by such court for the stated duration,

scope, area or other restrictions and upon substitution by such court, this Agreement shall be automatically modified without further action by the parties hereto.

(c) For purposes of this Paragraph 7, the Company shall be deemed to include any entity which is controlled, directly or indirectly, by the Company and any

14

entity of which a majority of the economic interest is owned, directly or indirectly, by the Company.

#### 8. Remedies.

The parties hereto agree that the Company would suffer irreparable harm from a breach by Executive of any of the covenants or agreements contained in Paragraph 5, 6 or 7 of this Agreement. Therefore, in the event of the actual or threatened breach by Executive of any of the provisions of Paragraph 5, 6 or 7 of this Agreement, the Company may, in addition and supplementary to other rights and remedies existing in its favor, apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce or prevent any violation of the provisions thereof.

#### 9. Successors and Assigns.

(a) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance satisfactory to Executive, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of an such succession shall be a breach of this Agreement and shall entitle Executive to compensation from the Company in the same amount and on the same terms as he would be entitled to hereunder if his employment terminated

15

due to Disability, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the date of termination. In the event of such a breach of this Agreement, the Notice of Termination shall specify such date as the date of termination. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to all or substantially all of its business and/or its assets as aforesaid which executes and delivers the agreement provided for in this Paragraph 9 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law. Any cash payments owed to Executive pursuant to this Paragraph 9 shall be paid to Executive in a single sum immediately prior to the consummation of the transaction with such successor.

(b) This Agreement and all rights of Executive hereunder shall inure to the benefit of and be enforceable by Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If Executive should die while any amounts would still be payable to him hereunder if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Executive's beneficiary as determined under any applicable plan, Executive's devisee, legatee, or other designee or, if there be no such designee, to Executive's estate.

#### 10. Timing of and No Duplication of Payments/Tax Withholding

(a) All payments payable to Executive pursuant to this Agreement shall be paid as soon as practicable after such amounts have become fully vested and

16

determinable. In addition, Executive shall not be entitled to receive duplicate payments under any of the provisions of this Agreement.

(b) The Company shall have the right to deduct and withhold from any amounts which become taxable to Executive hereunder all employment and other federal, state and local taxes and charges which are, or which may hereafter, be required by law to be so deducted or withheld.

#### 11. Modification or Waiver.

No amendment, modification, waiver, termination or cancellation of this Agreement shall be binding or effective for any purpose unless it is made in a writing signed by the party against whom enforcement of such amendment, modification, waiver, termination or cancellation is sought. No course of



dealing between or among the parties to this Agreement shall be deemed to affect or to modify, amend or discharge any provision or term of this Agreement. No delay on the part of the Company or Executive in the exercise of any of their respective rights or remedies shall operate as a waiver thereof, and no single or partial exercise by the Company or Executive of any such right or remedy shall preclude other or further exercise thereof. A waiver of right or remedy on any one occasion shall not be construed as a bar to or waiver of any such right or remedy on any other occasion.

12. Notices.

All notices or other communications required or permitted hereunder shall be made in writing and shall be deemed to have been duly given if delivered by hand or

17

delivered by a recognized delivery service or mailed, postage prepaid, by express, certified or registered mail, return receipt requested, and addressed to the Company or Executive, as applicable, at the address set forth above (or to such other address as shall have been previously provided in accordance with this Paragraph 12).

13. Governing Law.

THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW JERSEY, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS THEREUNDER.

14. Severability.

Whenever possible, each provision and term of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision or term of this Agreement shall be held to be prohibited by or invalid under such applicable law, then, subject to the provisions of Paragraph 7(b) above, such provision or term shall be ineffective only to the extent of such prohibition or invalidity, without invalidating or affecting in any manner whatsoever the remainder of such provisions or term or the remaining provisions or terms of this Agreement.

15. Counterparts.

This Agreement may be executed in separate counterparts, each of which is deemed to be an original and both of which taken together shall constitute one and the same agreement.

18

16. Headings.

The headings of the Paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute a part hereof and shall not affect the construction or interpretation of this Agreement.

17. Entire Agreement.

This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all other prior agreements and undertakings, both written and oral, among the parties with respect to the subject matter hereof.

18. Survival of Agreements.

The covenants made in Paragraphs 4, 5, 6, 7, 8 and 14 each shall survive the termination of this Agreement.

19

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

CALI REALTY CORPORATION

By: /s/ Thomas A. Rizk

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Name: Thomas A. Rizk  
Title: President

/s/ John R. Cali

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John R. Cali

SCHEDULE A

Those properties described in the Prospectus of Cali Realty Corporation for the sale of 10,500,000 Shares dated August 24, 1994, in the section entitled "Business and Properties -- Excluded Properties".

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AMENDED AND RESTATED  
EMPLOYMENT AGREEMENT  
FOR  
BRANT CALI

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TABLE OF CONTENTS

	Page
	----
1. Employment.....	1
2. Services.....	2
3. Compensation and Benefits.....	3
4. Termination of Employment and Change in Control.....	6
5. Confidential Information.....	12
6. Return of Documents.....	13
7. Noncompete.....	13
8. Remedies.....	15
9. Successors and Assigns.....	15
10. Timing of and No Duplication of Payments/ Tax Withholding.....	16
11. Modification or Waiver.....	17
12. Notices.....	17
13. Governing Law.....	18
14. Severability.....	18
15. Counterparts.....	18
16. Headings.....	19
17. Entire Agreement.....	19
18. Survival of Agreements.....	19

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (the "Agreement") is entered into as of January 21, 1997, by and between Brant Cali, an individual residing at 175 Eagle Rock Way, Montclair, New Jersey 07042 ("Executive"), and Cali Realty Corporation, a Maryland corporation with offices at 11 Commerce Drive, Cranford, New Jersey 07016 (the "Company").

RECITALS

WHEREAS, the Executive has held the positions of Chief Operating Officer and Secretary of the Company pursuant to his Employment Agreement with the Company dated August 31, 1994 ("Prior Agreement") and, through such service, has acquired special and unique knowledge, abilities and expertise; and

WHEREAS, the Company desires to extend Executive's Employment Period (as defined in the Prior Agreement) to January 21, 2002, and the Company and Executive desires to restructure certain terms of the Prior Agreement and otherwise to amend and restate the Prior Agreement in its entirety as set forth in this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements set forth herein, the parties hereby agree as follows:

1. Employment.

The Company hereby agrees to employ Executive, and Executive hereby agrees to be employed by the Company, for a term commencing on the date hereof and expiring on January 21, 2002; provided, however, that commencing on January 21, 2002 and each January 21 thereafter, the term of this Agreement shall be extended automatically for one (1) additional year unless at least ninety (90) days prior to the applicable expiration date either the Company or Executive shall have given written notice to the other party that such party does not wish to extend this Agreement. It being agreed and understood that the extension of this Agreement shall not create an obligation of the Company to issue new awards to Executive hereunder. The term of this Agreement, as it may be extended from time to time in accordance with this Paragraph 1, is referred to herein as the "Employment Period."

2. Services.

During the Employment Period, Executive shall hold the positions of Chief Operating Officer and Secretary of the Company and shall devote his best efforts and substantially all of his business time, skill and attention to the business of the Company, and shall perform such duties as are customarily performed by

similar executive officers and as may be more specifically enumerated from time to time by the Board of Directors of the Company (the "Board") or the Executive Committee of the Board, if any; provided, however, that the foregoing is not intended to (a) preclude Executive from (i) owning and managing personal investments, including real estate investments, subject to the restrictions set forth in Paragraph 7 hereof or (ii) engaging in charitable activities and community affairs, or (b) restrict or otherwise limit Executive from conducting real estate development, acquisition or management activities with respect to those properties described in Schedule A, attached hereto, (the "Excluded Properties"), provided that the performance of the activities referred to in clauses (a) and (b) does

2

not prevent Executive from devoting substantially all of his business time to the Company.

### 3. Compensation and Benefits.

During the Employment Period, the Company shall pay Executive a minimum annual base salary in the amount of \$225,000 (the "Annual Base Salary"), payable in accordance with the Company's regular payroll practices. In addition, Executive also shall be eligible for incentive compensation payable each year in such amounts as may be determined by the Compensation Committee of the Board (the "Compensation Committee") based upon, among other factors, growth in Funds from Operations per Common Share (as hereinafter defined) for the year. Executive's Annual Base Salary shall be reviewed annually in accordance with the policy of the Company from time to time and may be subject to upward adjustment based on, among other things, Executive's performance, as determined in the sole discretion of the Compensation Committee. The Company shall have the right to deduct and withhold from all compensation all social security and other federal, state and local taxes and charges which currently are or which hereafter may be required by law to be so deducted and withheld. In addition to the compensation specified above and other benefits provided pursuant to this Paragraph 3, Executive shall be entitled to the following benefits:

- (a) participation in the Employee Stock Option Plan of Cali Realty Corporation (the "Stock Option Plan"), and other benefit plans (including without limitation the Cali Realty Corporation 401(k) Savings and Retirement Plan and any other stock option plans which may be adopted or maintained by the Company) made generally available to executives of the Company with such participation to be consistent with reasonable Company guidelines;

3

- (b) participation in any health insurance, disability insurance, group life insurance or other welfare benefit program made generally available to executives of the Company; and
- (c) reimbursement for reasonable business expenses incurred by Executive in furtherance of the interests of the Company.

In addition, Executive shall be entitled to receive such bonuses and options to purchase shares of common stock, par value \$0.01 per share, of the Company (the "Common Stock") as the Board shall approve, in its sole discretion, including, without limitation, options and bonuses contingent upon Executive's performance and the achievement of specified financial and operating objectives for Funds from Operations per Common Share. For purposes of this Agreement, "Funds from Operations per Common Share" for any period shall mean (i) net income (loss) before minority interest of unit holders, computed in accordance with generally accepted accounting principles ("GAAP"), excluding gains (or losses) from debt restructuring and sale of property, plus real estate return, depreciation and amortization as calculated in accordance with the National Association of Real Estate Investment Trusts definition published in March 1995, as amended from time to time, and as applied in accordance with the accounting practices and policies of the Company in effect from time to time on a consistent basis to the entire Employment Period, divided by (ii) the sum of (A) the primary weighted average number of outstanding shares of Common Stock as it appears in the Company's financial statement for the applicable period and (B) the primary weighted average number of outstanding limited partnership units of Cali Realty, L.P., a Delaware limited partnership of which the Company is the sole general partner, for the applicable period.

4

As further consideration for Executive agreeing to serve as an officer and entering into this Agreement upon the terms set forth herein, including, without limitation, the terms relating to noncompetition set forth in Paragraph 7 below, the Company shall, concurrently herewith or as soon as practicable

after the execution of this Agreement:

grant to Executive 55,555 restricted shares of Common Stock ("Restricted Shares") pursuant to the terms and conditions of this Agreement, and the written agreement, issued pursuant to this Agreement, evidencing such award executed between the Company and Executive (the "Restricted Share Agreement"). In the event of a conflict between the Restricted Share Agreement and this Agreement, the terms of this Agreement shall control.

The Restricted Share Award (as defined in the Restricted Share Agreement) is scheduled to vest over five (5) years with twenty percent (20%) of the Restricted Shares vesting on each of the first anniversary of the date hereof (the "First Anniversary"), the second anniversary of the date hereof (the "Second Anniversary"), the third anniversary of the date hereof (the "Third Anniversary"), the fourth anniversary of the date hereof (the "Fourth Anniversary") and the fifth anniversary of the date hereof (the "Fifth Anniversary"), provided, that certain Performance Goals as defined and set forth in the Restricted Share Agreement are met. Vesting shall be cumulative in accordance with the provisions of the Restricted Share Agreement and the Performance Goals may be achieved as specified therein up until the seventh anniversary of the date hereof. Except as otherwise provided in Paragraph 4 hereof, Executive must be employed by the Company on the applicable anniversary date to vest in the Restricted Shares scheduled to vest in a particular year. The measurement date to determine such vesting shall be the last day of the Company's fiscal year preceding the year in which the applicable anniversary date occurs.

In addition, upon vesting of the Restricted Shares on each applicable anniversary date, the Company shall make a cash payment to Executive on that anniversary date in an amount equal to forty percent (40%) of the Fair Market Value (determined as of such anniversary date) of the Restricted Shares that vest on such anniversary date (the "Restricted Share Tax Gross-Up Payment").

5

As consideration for entering into the Prior Agreement upon the terms set forth therein, including without limitation, the terms relating to noncompetition set forth in Paragraph 7 thereof, the Company, concurrently therewith, pursuant to Paragraph 3 of the Prior Agreement granted to Executive options to purchase 200,000 shares of Common Stock at a purchase price of \$17.25 per share (the "1994 Options"). Such options were granted pursuant to the terms and conditions of the Stock Option Plan, having a ten (10) year term and vesting over a three (3) year period beginning on August 31, 1994, with one-third of such options vested on the August 31, 1995, and one-third vested on August 31, 1996, and one-third vesting on August 31, 1997, subject to acceleration in accordance with the terms of the Stock Option Plan.

The 1994 Options were and are intended to qualify as incentive stock options within the meaning of Section 422(b) of the Internal Revenue Code of 1986, as amended (the "Code"); provided, however, that to the extent that any of such options did not or do not satisfy the requirements of Section 422(b) of the Code, then they shall be treated as non-qualified options.

#### 4. Termination of Employment and Change in Control.

(a) Termination of Employment by the Company for Cause or By Executive without Good Reason. In the event (i) the Company terminates Executive's employment for Cause (as hereinafter defined) or (ii) Executive terminates his employment without Good Reason (as hereinafter defined), the Company shall pay Executive any unpaid salary accrued through and including the date of termination. In addition, in such event, Executive shall be entitled (i) to exercise any options which

6

have vested and are exercisable in accordance with the terms of the applicable option grant agreement or plan, and (ii) to retain any Restricted Shares previously awarded to Executive pursuant to this Agreement and the Restricted Share Agreement and any Restricted Share Tax Gross-Up Payments which are fully vested on the date of termination. Except for any rights which Executive may have to unpaid salary amounts through and including the date of termination, vested options, and vested Restricted Shares and related Restricted Share Tax Gross-Up Payments, all as set forth above, the Company shall have no further obligations hereunder following such termination.

(b) Termination of Employment Upon Death or Disability . In the event of termination of Executive's employment as a result of either (i) Executive's death or Disability (as hereinafter defined), the Company shall pay to

Executive, his estate or his personal representative (A) the unpaid salary through the end of the Employment Period remaining (assuming no such termination occurred) and (B) a pro-rata portion, based upon the number of days in the period beginning with January 1 of the calendar year in which such termination occurred and ending with the date the Employment Period ends (assuming such termination did not occur), of the average annual amount of incentive compensation payments paid to Executive during each previous year of Executive's employment hereunder (the "Pro-Rata Portion of Incentive Compensation"). The aforesaid amount shall be payable, at the option of Executive, his estate or his personal representative, either (i) in full immediately upon such termination or (ii) monthly over the remainder of the Employment Period. In addition, Executive shall be entitled (i) at the option of Executive, his estate or his personal representative, within one (1) year of the date of such termination, to exercise any options which have vested

7

(including, without limitation, by acceleration in accordance with the terms of the applicable option grant agreement or plan) and are exercisable in accordance with the terms of the applicable option grant agreement or plan or to require the Company (upon written notice delivered within one hundred eighty (180) days following the date of Executive's termination) to repurchase all or any portion of Executive's vested options to purchase shares of Common Stock at a price equal to the difference between the Repurchase Fair Market Value (as hereinafter defined) of the shares of Common Stock for which the options to be repurchased are exercisable and the exercise price of such option as of the date of Executive's termination of employment, and (ii) to retain all Restricted Shares awarded to Executive pursuant to this Agreement and the Restricted Share Agreement whether or not such Restricted Shares had previously vested as of the date of termination. In the event any Restricted Shares have not vested as of the date of termination, such Restricted Shares shall immediately vest and Executive, his estate or his personal representative shall receive a cash payment from the Company on the date of termination in an amount equal to forty percent (40%) of the Fair Market Value (determined as of the date of termination) of the Restricted Shares that vest on the date of termination (the "Termination Restricted Share Tax Gross-Up Payment"). Except for any rights which Executive may have to unpaid salary amounts through the end of the Employment Period, the Pro-Rata Portion of Incentive Compensation, vested options, and Restricted Shares (and the full vesting thereof) and the Termination Restricted Share Tax Gross-Up Payment, all as set forth above, the Company shall have no further obligations hereunder following such termination.

8

(c) Termination of Employment By the Company Without Cause or By the Executive for Good Reason. In the event (i) the Company terminates Executive's employment for any reason other than Cause or (ii) Executive terminates his employment for Good Reason, the Company shall pay to Executive and Executive shall be entitled to all the payments and rights Executive would have had if Executive's employment had been terminated due to Disability as set forth in sub-paragraph 4(b) (including all benefits under this Agreement and the Restricted Share Agreement), except that Executive must exercise any options which have vested within ninety (90) days of the date of termination. Except for any rights which Executive may have to unpaid salary amounts through the end of the Employment Period, the Pro-Rata Portion of Incentive Compensation, vested options, and Restricted Shares (and full vesting thereof) and the Termination Restricted Share Tax Gross-Up Payment, all as set forth above, the Company shall have no further obligations hereunder following such termination.

(d) Upon a Change in Control. In the event of a Change in Control (as hereinafter defined), Executive shall be entitled to (i) all Restricted Shares awarded to Executive pursuant to this Agreement and the Restricted Share Agreement whether or not such Restricted Shares had previously vested as of the date of the Change in Control. In the event any Restricted Shares have not vested as of the date of the Change in Control, such Restricted Shares shall immediately vest and Executive shall receive a cash payment from the Company on the date of the Change in Control in an amount equal to forty percent (40%) of the Fair Market Value (determined as of the date of the Change in Control) of the Restricted Shares that vest on the date of the

9

Change in Control (the "Change in Control Restricted Share Tax Gross-Up Payment") and (ii) an excise tax gross-up payment. If it is determined by an independent accountant mutually acceptable to the Company and Executive that as a result of compensation paid and other benefits provided to Executive by the Company pursuant to this Agreement or otherwise, a tax will be imposed on Executive pursuant to Section 4999 of the Code (or any successor provisions) the Company shall pay Executive in cash an amount equal to the excise tax for which the Executive is liable under Section 4999 of the Code.

Any cash payments owed to Executive pursuant to this Paragraph 4(d) shall

be paid to Executive in a single sum on or immediately prior to date of the Change in Control but prior to the consummation of the transaction with any successor.

In addition, other than the 1994 Options, any other options previously or hereafter granted to Executive that have not vested as of the date of the Change in Control shall immediately vest upon the occurrence of and on the date of a Change in Control irrespective of whether Executive's employment terminates in connection with such Change in Control.

(e) For purposes of this Agreement:

- (i) "Cause" shall mean (A) the willful and continued failure by Executive to substantially perform his duties hereunder (other than any such failure resulting from Executive's incapacity due to physical or mental illness) for a period of thirty (30) days after written demand for substantial performance is delivered by the Company specifically identifying the manner in which the Company believes Executive has not substantially performed his duties, or (B) willful misconduct by Executive which is materially injurious to the Company, monetarily or otherwise, or (C) the willful violation by Executive of the provisions of Paragraph 5 or 7 hereof. For purposes of this Paragraph 4(e)(i), no act, or failure to act, on Executive's part shall be considered "willful" unless done, or omitted to be done, by him (I) not in good faith and (II) without reasonable belief that his action or omission was in furtherance of the interests of the Company.
- (ii) "Change in Control" shall mean that any of the following events has occurred: (a) any "person" or "group" of persons, as such terms are used in Sections 13 and 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), other than any employee benefit plan sponsored by the Company, becomes the "beneficial owner", as such term is used in Section 13 of the Exchange Act, of thirty percent (30%) or more of the Common Stock of

10

the Company issued and outstanding immediately prior to such acquisition; (b) any Common Stock of the Company is purchased pursuant to a tender or exchange offer other than an offer by the Company; or (c) the dissolution or liquidation of the Company or the consummation of any merger or consolidation of the Company or any sale or other disposition of all or substantially all of its assets, if the shareholders of the Company immediately before such transaction own, immediately after consummation of such transaction, equity securities (other than options and other rights to acquire equity securities) possessing less than thirty percent (30%) of the voting power of the surviving or acquiring company.

- (iii) "Disability" shall mean the determination by the Company, upon the advice of an independent qualified physician, reasonably acceptable to Executive, that Executive has become physically or mentally incapable of performing his duties under this Agreement and such disability has disabled Executive for a cumulative period of one hundred eighty (180) days within a twelve (12) month period.
- (iv) "Fair Market Value" shall mean the closing price of the Common Stock as quoted on the New York Stock Exchange at the end of the last business day preceding the Determination Date, the applicable anniversary or the date of termination, as the case may be, as reported in the New York edition of the Wall Street Journal.
- (v) "Good Reason" shall mean (A) any material and substantial breach of this Agreement by the Company, (B) a material reduction in the Executive's Annual Base Salary or other benefits (except for bonuses or similar discretionary payments) as in effect at the time in question, or any other failure by the Company to comply with Paragraph 3 hereof, or (C) the Company shall have given notice pursuant to Paragraph 1 hereof at any time prior to the sixth anniversary of the date hereof that it does not wish to extend this Agreement, except in connection with termination of Executive's employment for Cause or by reason of death or Disability.
- (vi) "Repurchase Fair Market Value" shall mean the average of the closing price on the New York Stock Exchange of the Common Stock on each of the trading days within the thirty

(30) days immediately preceding the date of termination of Executive's employment;

(f) Any termination of Executive's employment by the Company or any such termination by Executive (other than on account of death) shall be communicated by written Notice of Termination to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated.

#### 5. Confidential Information.

(a) Executive understands and acknowledges that during his employment with the Company, he will be exposed to Confidential Information (as defined below), all of which is proprietary and which will rightfully belong to the Company. The Executive shall hold in a fiduciary capacity for the benefit of the Company such Confidential Information obtained by Executive during his employment with the Company and shall not, directly or indirectly, at any time, either during or after his employment with the Company, without the Company's prior written consent, use any of such Confidential Information or disclose any of such Confidential Information to any individual or entity other than the Company or its employees, except as required in the performance of his duties for the Company or as otherwise required by law. Executive shall take all reasonable steps to safeguard such Confidential Information and to protect such Confidential Information against disclosure, misuse, loss or theft.

(b) The term "Confidential Information" shall mean any information not generally known in the relevant trade or industry or otherwise not generally available to the public, which was obtained from the Company or its predecessors or which was learned, discovered, developed, conceived, originated or prepared during or as a result of the performance of any services by Executive on behalf of the Company or its predecessors. For purposes of this Paragraph 5, the Company shall be deemed to include any entity which is controlled, directly or indirectly, by the Company and any entity of which a majority of the economic interest is owned, directly or indirectly, by the Company.

#### 6. Return of Documents.

Except for such items which are of a personal nature to Executive (e.g., daily business planner), all writings, records, and other documents and things containing any Confidential Information shall be the exclusive property of the Company, shall not be copied, summarized, extracted from, or removed from the premises of the Company, except in pursuit of the business of the Company and at the direction of the Company, and shall be delivered to the Company, without retaining any copies, upon the termination of Executive's employment or at any time as requested by the Company.

#### 7. Noncompete.

Executive agrees that:

(a) During the Employment Period and, in the event (i) the Company terminates Executive's employment for Cause, or (ii) Executive terminates his

employment without Good Reason, for a one (1) year period thereafter, Executive shall not, directly or indirectly, within the State of New York, the State of New Jersey, the State of Pennsylvania, and the State of Connecticut, engage in, or own, invest in, manage or control any venture or enterprise primarily engaged in any office-service, office, industrial, or flex property development, acquisition or management activities, without regard to whether or not such activities compete with the Company. Nothing herein shall prohibit Executive from being a passive owner of not more than five percent (5%) of the outstanding stock of any class of securities of a corporation or other entity engaged in such business which is publicly traded, so long as he has no active participation in the business of such corporation or other entity. Moreover, the foregoing limitations shall not be deemed to restrict or otherwise limit Executive from conducting real estate development, acquisition or management activities with respect to the Excluded Properties, if any, provided that during the Employment Period the performance of such activities does not prevent Executive from devoting substantially all of his business time to the Company.

(b) If, at the time of enforcement of this Paragraph 7, a court shall hold that the duration, scope, area or other restrictions stated herein are



unreasonable, the parties agree that reasonable maximum duration, scope, area or other restrictions may be substituted by such court for the stated duration, scope, area or other restrictions and upon substitution by such court, this Agreement shall be automatically modified without further action by the parties hereto.

(c) For purposes of this Paragraph 7, the Company shall be deemed to include any entity which is controlled, directly or indirectly, by the Company and any

14

entity of which a majority of the economic interest is owned, directly or indirectly, by the Company.

#### 8. Remedies.

The parties hereto agree that the Company would suffer irreparable harm from a breach by Executive of any of the covenants or agreements contained in Paragraph 5, 6 or 7 of this Agreement. Therefore, in the event of the actual or threatened breach by Executive of any of the provisions of Paragraph 5, 6 or 7 of this Agreement, the Company may, in addition and supplementary to other rights and remedies existing in its favor, apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce or prevent any violation of the provisions thereof.

#### 9. Successors and Assigns.

(a) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance satisfactory to Executive, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of an such succession shall be a breach of this Agreement and shall entitle Executive to compensation from the Company in the same amount and on the same terms as he would be entitled to hereunder if his employment terminated

15

due to Disability, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the date of termination. In the event of such a breach of this Agreement, the Notice of Termination shall specify such date as the date of termination. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to all or substantially all of its business and/or its assets as aforesaid which executes and delivers the agreement provided for in this Paragraph 9 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law. Any cash payments owed to Executive pursuant to this Paragraph 9 shall be paid to Executive in a single sum immediately prior to the consummation of the transaction with such successor.

(b) This Agreement and all rights of Executive hereunder shall inure to the benefit of and be enforceable by Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If Executive should die while any amounts would still be payable to him hereunder if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Executive's beneficiary as determined under any applicable plan, Executive's devisee, legatee, or other designee or, if there be no such designee, to Executive's estate.

#### 10. Timing of and No Duplication of Payments/ Tax Withholding.

(a) All payments payable to Executive pursuant to this Agreement shall be paid as soon as practicable after such amounts have become fully vested and

16

determinable. In addition, Executive shall not be entitled to receive duplicate payments under any of the provisions of this Agreement.

(b) The Company shall have the right to deduct and withhold from any amounts which become taxable to Executive hereunder all employment and other federal, state and local taxes and charges which are, or which may hereafter, be required by law to be so deducted or withheld.

#### 11. Modification or Waiver.

No amendment, modification, waiver, termination or cancellation of this Agreement shall be binding or effective for any purpose unless it is made in a

writing signed by the party against whom enforcement of such amendment, modification, waiver, termination or cancellation is sought. No course of dealing between or among the parties to this Agreement shall be deemed to affect or to modify, amend or discharge any provision or term of this Agreement. No delay on the part of the Company or Executive in the exercise of any of their respective rights or remedies shall operate as a waiver thereof, and no single or partial exercise by the Company or Executive of any such right or remedy shall preclude other or further exercise thereof. A waiver of right or remedy on any one occasion shall not be construed as a bar to or waiver of any such right or remedy on any other occasion.

12. Notices.

All notices or other communications required or permitted hereunder shall be made in writing and shall be deemed to have been duly given if delivered by hand or

17

delivered by a recognized delivery service or mailed, postage prepaid, by express, certified or registered mail, return receipt requested, and addressed to the Company or Executive, as applicable, at the address set forth above (or to such other address as shall have been previously provided in accordance with this Paragraph 12).

13. Governing Law.

THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW JERSEY, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS THEREUNDER.

14. Severability.

Whenever possible, each provision and term of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision or term of this Agreement shall be held to be prohibited by or invalid under such applicable law, then, subject to the provisions of Paragraph 7(b) above, such provision or term shall be ineffective only to the extent of such prohibition or invalidity, without invalidating or affecting in any manner whatsoever the remainder of such provisions or term or the remaining provisions or terms of this Agreement.

15. Counterparts.

This Agreement may be executed in separate counterparts, each of which is deemed to be an original and both of which taken together shall constitute one and the same agreement.

18

16. Headings.

The headings of the Paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute a part hereof and shall not affect the construction or interpretation of this Agreement.

17. Entire Agreement.

This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all other prior agreements and undertakings, both written and oral, among the parties with respect to the subject matter hereof.

18. Survival of Agreements.

The covenants made in Paragraphs 4, 5, 6, 7, 8 and 14 each shall survive the termination of this Agreement.

19

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

CALI REALTY CORPORATION

By: /s/ Thomas A. Rizk

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Name: Thomas A. Rizk

Title: President

/s/ Brant Cali

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Brant Cali

20

SCHEDULE A

Those properties described in the Prospectus of Cali Realty Corporation for the sale of 10,500,000 Shares dated August 24, 1994, in the section entitled "Business and Properties -- Excluded Properties".

21

CALI REALTY CORPORATION

RESTRICTED SHARE AWARD AGREEMENT

JOHN R. CALI

AGREEMENT EVIDENCING THE GRANT OF A RESTRICTED SHARE  
AWARD PURSUANT TO THE AMENDED AND RESTATED EMPLOYMENT AGREEMENT FOR JOHN R.  
CALI ENTERED INTO AS OF JANUARY 21, 1997

AGREEMENT ("Agreement") effective as of January 21, 1997, ("Grant Date") by and between Cali Realty Corporation (the "Company") and John R. Cali ("Recipient").

WHEREAS, pursuant to the amended and restated employment agreement between Recipient and the Company entered into as of January 21, 1997 (the "Employment Agreement") the Company has awarded shares of the Company's common stock, par value \$.01 per share ("Common Stock") to the Recipient subject to such terms, conditions, and restrictions (hereinafter, "Restricted Share Award") as set forth in the Employment Agreement and this Agreement;

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. Award of Shares of Restricted Stock. Pursuant to the Employment Agreement, the Company hereby awards to the Recipient, effective as of the Grant Date, a Restricted Share Award representing the right to earn 55,555 shares of Common Stock ("Restricted Shares") subject to the terms, conditions and restrictions set forth herein. Capitalized terms not otherwise defined in this Agreement shall be as defined in the Employment Agreement.

2. Award Restrictions.

(a) General Rules. Ownership of Restricted Shares shall not vest in the Recipient, and shall be subject to forfeiture until the conditions of Section 2(b) and (c) are fully satisfied. For purposes of this Agreement, the following concepts shall be defined as follows: (i) the lapse of restrictions on the Recipient's rights with respect to the Restricted Shares granted hereunder shall be referred to as "Vesting"; (ii) the period between the Grant Date and the date of Vesting shall be referred to as the "Vesting Period"; and (iii) the date Vesting occurs shall be referred to as the

"Vesting Date."

(b) Vesting. An aggregate of 55,555 Restricted Shares may be earned by the Recipient and vest on a cumulative basis over a five to seven year Vesting Period, with 11,111 Restricted Shares scheduled to be vested and earned on each Vesting Date provided the Performance Goals specified in Section 2(c) below are satisfied. The Vesting Date for this Agreement shall be January 21. In determining the number of Restricted Shares which are earned and vested, fractional shares shall be rounded down to the nearest whole number and shall be aggregated and earned, on the last Vesting Date.

(c) Performance Goals. (i) A total of 11,111 Restricted Shares shall vest on each Vesting Date provided one of the following financial tests ("Financial Tests") is met for the measurement period ending on the last day of the Company's fiscal year immediately preceding such Vesting Date: (A) the Company achieves an eight percent (8%) funds from operations per common share ("FFO") increase, or (B) shareholders receive a fifteen percent (15%) total return (dividends plus stock appreciation per share of Common Stock). For purposes of this Agreement, FFO shall mean (i) net income (loss) before minority interest of unit holders, computed in accordance with generally accepted accounting principles ("GAAP"), excluding gains (or losses) from debt restructuring and sale of property, plus real estate return, depreciation and amortization as calculated in accordance with the National Association of Real Estate Investment Trusts definition published in March 1995, as amended from time to time, and as applied in accordance with the accounting practices and policies of the Company in effect from time to time on a consistent basis to the entire Vesting Period, divided by (ii) the sum of (A) the primary weighted average number of outstanding shares of Common Stock as it appears in the Company's financial statement for the applicable period and (B) the primary weighted average number of outstanding limited partnership units of Cali Realty, L.P., a Delaware limited partnership

(ii) In the event that neither of the Financial Tests above is satisfied in the measurement period ending on the applicable Vesting Date ("Non-Achievement Year"), any Restricted Shares that failed to vest on such Date may vest on a subsequent Vesting Date provided the test described below is satisfied (the "Cumulative Test"). The Cumulative Test shall be applied at the end of any measurement period ("Catch-Up Year") with respect to any prior Non-Achievement Year provided both of the following conditions are satisfied: (I) a Financial Test is satisfied in the Catch-Up Year without respect to any prior period and (II) a Financial Test is satisfied in the Catch-Up Year on a cumulative basis beginning with the first measurement period occurring within the Vesting Period and ending with the Catch-Up Year. In the event that both of the conditions in the immediately preceding sentence are satisfied, the Restricted Shares that failed to vest in the Non-Achievement Year shall automatically vest on the Vesting Date applicable to the Catch-Up Year. For example, if vesting occurred in years one (1) and two (2), year three (3) is a Non-Achievement Year, and one of the Financial Tests is met in year four (4), the Cumulative Test may be used. Vesting in that portion of the Restricted Stock Award scheduled to vest in year three (3) will occur in year four (4) if either the aggregate FFO is thirty-two percent (32%) or the aggregate total return is sixty percent (60%) at the end of the fourth (4th) fiscal year. Rules for Application of the Cumulative Test: (a) it is not necessary for the Catch-Up Year to immediately succeed the Non-Achievement Year in order for the Cumulative Test to be applicable as long as the Catch-Up Year occurs during the Vesting Period and (b) it is not necessary for the same Financial Test to be satisfied in the Catch-Up Year, first on an independent and then on a cumulative basis, in order for conditions (I) and (II) above to be satisfied. Notwithstanding any contrary provisions contained in this Section 2(c), any Restricted Shares that have not been earned and vested by January 21, 2004 pursuant to the Cumulative Test shall

-3-

automatically be canceled and forfeited.

(d) Lapse of Restrictions. Upon the Vesting of Restricted Shares, the Recipient shall own the Shares free and clear of all restrictions imposed by this Agreement and the Recipient shall be free to hold or dispose of such Shares in his discretion, subject to applicable federal and state law or regulations.

(e) Prohibition Against Assignment. During the Vesting Period, the Restricted Shares may not be transferred or encumbered by the Recipient by means of sale, assignment, mortgage, transfer, exchange, pledge, or otherwise. The levy of any execution, attachment, or similar process upon the Restricted Shares shall be null and void.

### 3. Stock Certificates.

(a) Certificates. Restricted Shares shall be evidenced by one or more stock certificates registered in the name of the Recipient or a nominee or nominees therefor. Prior to Vesting, the Company shall prepare and issue a certificate for the Restricted Shares (the "Share Certificate"), which shall be registered in the name of the Recipient and which shall bear such restrictive legend or legends (if any) as the Company may deem necessary or desirable under any applicable law.

(b) Stock Powers. The Recipient shall execute and deliver to the designee of the Company (the "Designee") a stock power designating the Company as the transferee of an unspecified number of Shares, which stock power may be completed by the Designee as specified herein. The Recipient and the Company each waive the requirement that the signature of the Recipient on the stock power be guaranteed. Upon receipt of a copy of this Agreement and the stock power, each signed by the Recipient, the Designee shall promptly notify the proper officers of the Company who shall cause the Share Certificate to be deposited with the Designee, to be held in accordance with the terms of the Employment Agreement and this

-4-

Agreement.

(c) Effect of Vesting. Upon Vesting, the Company shall cause to be delivered to the Recipient (i) a certificate for the Shares which have vested free and clear of restrictive legends and (ii) any stock powers signed hereunder by the Recipient remaining in its possession. In the event that the Recipient dies after Vesting and before delivery of the certificate, such certificate shall be delivered to, and registered in the name of, the Recipient's beneficiary or estate, as the case may be.

(d) Rights of Stockholder. Except as otherwise provided in Section 2 and this Section 3, during the Vesting Period and after the certificates for the Restricted Shares have been issued, the Recipient shall be entitled to all rights of a stockholder of the Company, including the right to

vote and the right to receive dividends, with respect to the Restricted Shares subject to this Agreement. Subject to applicable withholding requirements, if any, dividends on the Restricted Shares shall be paid to the Recipient when earned.

(e) Power of Designee. The Designee is hereby authorized by the Recipient to utilize the stock power delivered by the Recipient to transfer all forfeited Shares to the Company upon receipt of instructions from a duly authorized representative of the Company.

#### 4. Termination of Employment; Change in Control.

(a) Termination Without Cause, For Good Reason, Disability or Death; Change in Control. Unless otherwise provided in the Employment Agreement, if the Recipient's employment with the Company is terminated prior to the end of the Vesting Period set forth in this Agreement either by the Company without Cause, by the Recipient for Good Reason, or due to Disability or death, all Restricted Shares subject to this Agreement and held by, or on behalf of, the Recipient shall be deemed earned and vested as of the Recipient's last day of employment with the Company. In

-5-

addition, unless otherwise provided in the Employment Agreement, all Restricted Shares subject to this Agreement and held by the Recipient on the date a Change in Control occurs shall be deemed earned and vested as of such date.

(b) Termination for Any Other Reason. Unless otherwise provided in the Employment Agreement, if the Recipient's employment with the Company terminates prior to the end of the Vesting Period set forth in this Agreement for reasons other than those specified in Section 4(a) above, any Restricted Shares subject to this Agreement that have not been earned and vested prior to the Recipient's termination of employment shall be immediately forfeited on the last day of the Recipient's employment with the Company.

#### 5. Withholding.

In connection with the delivery of any stock certificates, or the making of any payment in accordance with the provisions of this Agreement, the Company shall withhold Shares or cash amounts (for fractional Shares) equal to the taxes then required by applicable federal, state and local law to be so withheld.

#### 6. Tax Gross-Up Payments.

(a) Entitlement to Tax Gross-Up Payments. The Recipient shall be entitled to receive a tax gross-up payment (the "Tax Gross-Up Payment") from the Company with respect to each tax year Restricted Shares covered by this Agreement are distributed to him. Each Tax Gross-Up Payment shall be a dollar amount equal to forty (40%) percent of the fair market value (as determined for tax purposes) of the Restricted Shares at time of distribution, exclusive of dividends.

(b) Termination of Employment Without Cause, for Good Reason, Disability or Death; Change in Control. Unless otherwise provided in the Employment Agreement, if the Recipient's employment with the Company is terminated prior to the end of the Vesting Period set forth in this Agreement either by the Company

-6-

without Cause, by the Recipient for Good Reason, or due to Disability or death, or in the event a Change in Control occurs, a final Tax Gross-Up Payment shall be made to the Recipient (or his beneficiary, as the case may be) in a dollar amount equal to forty (40%) percent of the fair market value (as determined for tax purposes) of the Restricted Shares distributed to the Recipient (or his beneficiary). Payment of the final Tax Gross-Up Payment shall be made on the date the Restricted Shares are distributed or as soon as administratively feasible thereafter.

(c) Effect of Termination for Any Other Reason. Unless otherwise provided in the Employment Agreement, if the Recipient's employment with the Company terminates prior to the end of the Vesting Period set forth in this Agreement for any reason other than those specified in Section 6(b) above, no further Tax Gross-Up Payments shall be made to such Recipient.

#### 7. Adjustments for Capital Changes.

In the event of any change in the outstanding share of Common Stock of the Company by reason of any Stock dividend or split, recapitalization, merger, consolidation, spin-off, reorganization, combination or exchange of shares, or other similar corporate change, or other increase or decrease in such shares effected without receipt or payment of consideration by the Company, a duly

authorized representative of the Company shall adjust the number of Restricted Shares granted pursuant to the Employment Agreement and this Agreement to prevent dilution or enlargement of the rights granted to the Recipient.

8. No Right to Continued Employment. Nothing in this Agreement shall confer on the Recipient any right to continue as an employee of the Company or in any way affect the Company's or any subsidiary's right to terminate the Recipient's employment at any time.

9. Notice.

-7-

Any notice to the Company hereunder shall be in writing addressed to:

Cali Realty Corporation  
11 Commerce Drive  
Cranford, New Jersey 07016

Attn: Thomas A. Rizk  
Chief Executive Officer.

Any notice to the Recipient hereunder shall be in writing addressed to:

Mr. John R. Cali  
203 Laurel Hill Road  
Mountain Lakes, New Jersey 07046

or such other address as the Recipient shall notify the Company in writing.

10. Entire Agreement; Effect of Employment Agreement.

(a) Entire Agreement. This Agreement contains the entire understanding of the parties and shall not be modified or amended except in writing and duly signed by each of the parties hereto. No waiver by either party of any default under this Agreement shall be deemed a waiver of any later default thereof.

(b) Effect of Employment Agreement. In the event the Employment Agreement contains additional rights, duties and/or obligations with respect to the Recipient, such terms and conditions shall govern the Recipient's Restricted Share Award as if such terms and conditions had been set forth herein; and in the event of any conflict or inconsistency between the terms of the Employment Agreement, this Agreement, the terms and conditions of the Employment Agreement shall control.

11. Construction. The various provisions of this Agreement are severable in their entirety. Any determination of invalidity or unenforceability of any one provision shall have no effect on the continuing force and effect of the remaining provisions.

-8-

12. Governing Law. This Agreement shall be governed by the laws of the State of New Jersey applicable to contracts made, and to be enforced, within the State of New Jersey.

13. Successors.

This Agreement shall be binding upon and inure to the benefits of the successors, assigns and heirs of the respective parties.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement to be effective on the date first above written.

Cali Realty Corporation

By: /s/ Thomas A. Rizk

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Thomas A. Rizk  
Chief Executive Officer

Recipient

/s/ John R. Cali

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John R. Cali

-9-





CALI REALTY CORPORATION

RESTRICTED SHARE AWARD AGREEMENT

BRANT CALI

AGREEMENT EVIDENCING THE GRANT OF A RESTRICTED SHARE  
AWARD PURSUANT TO THE AMENDED AND RESTATED EMPLOYMENT  
AGREEMENT FOR BRANT CALI ENTERED INTO AS OF JANUARY 21, 1997

AGREEMENT ("Agreement") effective as of January 21, 1997, ("Grant Date") by and between Cali Realty Corporation (the "Company") and Brant Cali ("Recipient").

WHEREAS, pursuant to the amended and restated employment agreement between Recipient and the Company entered into as of January 21, 1997 (the "Employment Agreement") the Company has awarded shares of the Company's common stock, par value \$.01 per share ("Common Stock") to the Recipient subject to such terms, conditions, and restrictions (hereinafter, "Restricted Share Award") as set forth in the Employment Agreement and this Agreement;

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. Award of Shares of Restricted Stock.

Pursuant to the Employment Agreement, the Company hereby awards to the Recipient, effective as of the Grant Date, a Restricted Share Award representing the right to earn 55,555 shares of Common Stock ("Restricted Shares") subject to the terms, conditions and restrictions set forth herein. Capitalized terms not otherwise defined in this Agreement shall be as defined in the Employment Agreement.

2. Award Restrictions.

(a) General Rules. Ownership of Restricted Shares shall not vest in the Recipient, and shall be subject to forfeiture until the conditions of Section 2(b) and (c) are fully satisfied. For purposes of this Agreement, the following concepts shall be defined as follows: (i) the lapse of restrictions on the Recipient's rights with respect to the Restricted Shares granted hereunder shall be referred to as "Vesting"; (ii) the period between the Grant Date and the date of Vesting shall be referred to as the "Vesting Period"; and (iii) the date Vesting occurs shall be referred to as the

"Vesting Date."

(b) Vesting. An aggregate of 55,555 Restricted Shares may be earned by the Recipient and vest on a cumulative basis over a five to seven year Vesting Period, with 11,111 Restricted Shares scheduled to be vested and earned on each Vesting Date provided the Performance Goals specified in Section 2(c) below are satisfied. The Vesting Date for this Agreement shall be January 21. In determining the number of Restricted Shares which are earned and vested, fractional shares shall be rounded down to the nearest whole number and shall be aggregated and earned, on the last Vesting Date.

(c) Performance Goals. (i) A total of 11,111 Restricted Shares shall vest on each Vesting Date provided one of the following financial tests ("Financial Tests") is met for the measurement period ending on the last day of the Company's fiscal year immediately preceding such Vesting Date: (A) the Company achieves an eight percent (8%) funds from operations per common share ("FFO") increase, or (B) shareholders receive a fifteen percent (15%) total return (dividends plus stock appreciation per share of Common Stock). For purposes of this Agreement, FFO shall mean (i) net income (loss) before minority interest of unit holders, computed in accordance with generally accepted accounting principles ("GAAP"), excluding gains (or losses) from debt restructuring and sale of property, plus real estate return, depreciation and amortization as calculated in accordance with the National Association of Real Estate Investment Trusts definition published in March 1995, as amended from time to time, and as applied in accordance with the accounting practices and policies of the Company in effect from time to time on a consistent basis to the entire Vesting Period, divided by (ii) the sum of (A) the primary weighted average number of outstanding shares of Common Stock as it appears in the Company's financial statement for the applicable period and (B) the primary weighted average number of outstanding limited partnership units of Cali Realty, L.P., a Delaware limited partnership

of which the Company is the sole general partner, for the applicable period.

(ii) In the event that neither of the Financial Tests above is

satisfied in the measurement period ending on the applicable Vesting Date ("Non-Achievement Year"), any Restricted Shares that failed to vest on such Date may vest on a subsequent Vesting Date provided the test described below is satisfied (the "Cumulative Test"). The Cumulative Test shall be applied at the end of any measurement period ("Catch-Up Year") with respect to any prior Non-Achievement Year provided both of the following conditions are satisfied: (I) a Financial Test is satisfied in the Catch-Up Year without respect to any prior period and (II) a Financial Test is satisfied in the Catch-Up Year on a cumulative basis beginning with the first measurement period occurring within the Vesting Period and ending with the Catch-Up Year. In the event that both of the conditions in the immediately preceding sentence are satisfied, the Restricted Shares that failed to vest in the Non-Achievement Year shall automatically vest on the Vesting Date applicable to the Catch-Up Year. For example, if vesting occurred in years one (1) and two (2), year three (3) is a Non-Achievement Year, and one of the Financial Tests is met in year four (4), the Cumulative Test may be used. Vesting in that portion of the Restricted Stock Award scheduled to vest in year three (3) will occur in year four (4) if either the aggregate FFO is thirty-two percent (32%) or the aggregate total return is sixty percent (60%) at the end of the fourth (4th) fiscal year. Rules for Application of the Cumulative Test: (a) it is not necessary for the Catch-Up Year to immediately succeed the Non-Achievement Year in order for the Cumulative Test to be applicable as long as the Catch-Up Year occurs during the Vesting Period and (b) it is not necessary for the same Financial Test to be satisfied in the Catch-Up Year, first on an independent and then on a cumulative basis, in order for conditions (I) and (II) above to be satisfied. Notwithstanding any contrary provisions contained in this Section 2(c), any Restricted Shares that have not been earned and vested by January 21, 2004 pursuant to the Cumulative Test shall

-3-

automatically be canceled and forfeited.

(d) Lapse of Restrictions. Upon the Vesting of Restricted Shares, the Recipient shall own the Shares free and clear of all restrictions imposed by this Agreement and the Recipient shall be free to hold or dispose of such Shares in his discretion, subject to applicable federal and state law or regulations.

(e) Prohibition Against Assignment. During the Vesting Period, the Restricted Shares may not be transferred or encumbered by the Recipient by means of sale, assignment, mortgage, transfer, exchange, pledge, or otherwise. The levy of any execution, attachment, or similar process upon the Restricted Shares shall be null and void.

### 3. Stock Certificates.

(a) Certificates. Restricted Shares shall be evidenced by one or more stock certificates registered in the name of the Recipient or a nominee or nominees therefor. Prior to Vesting, the Company shall prepare and issue a certificate for the Restricted Shares (the "Share Certificate"), which shall be registered in the name of the Recipient and which shall bear such restrictive legend or legends (if any) as the Company may deem necessary or desirable under any applicable law.

(b) Stock Powers. The Recipient shall execute and deliver to the designee of the Company ( the "Designee") a stock power designating the Company as the transferee of an unspecified number of Shares, which stock power may be completed by the Designee as specified herein. The Recipient and the Company each waive the requirement that the signature of the Recipient on the stock power be guaranteed. Upon receipt of a copy of this Agreement and the stock power, each signed by the Recipient, the Designee shall promptly notify the proper officers of the Company who shall cause the Share Certificate to be deposited with the Designee, to be held in accordance with the terms of the Employment Agreement and this

-4-

Agreement.

(c) Effect of Vesting. Upon Vesting, the Company shall cause to be delivered to the Recipient (i) a certificate for the Shares which have vested free and clear of restrictive legends and (ii) any stock powers signed hereunder by the Recipient remaining in its possession. In the event that the Recipient dies after Vesting and before delivery of the certificate, such certificate shall be delivered to, and registered in the name of, the Recipient's beneficiary or estate, as the case may be.

(d) Rights of Stockholder. Except as otherwise provided in Section 2 and this Section 3, during the Vesting Period and after the certificates for the Restricted Shares have been issued, the Recipient shall be entitled to all rights of a stockholder of the Company, including the right to vote and the right to receive dividends, with respect to the Restricted Shares subject to this Agreement. Subject to applicable withholding requirements, if any,

dividends on the Restricted Shares shall be paid to the Recipient when earned.

(e) Power of Designee. The Designee is hereby authorized by the Recipient to utilize the stock power delivered by the Recipient to transfer all forfeited Shares to the Company upon receipt of instructions from a duly authorized representative of the Company.

#### 4. Termination of Employment; Change in Control.

(a) Termination Without Cause, For Good Reason, Disability or Death; Change in Control. Unless otherwise provided in the Employment Agreement, if the Recipient's employment with the Company is terminated prior to the end of the Vesting Period set forth in this Agreement either by the Company without Cause, by the Recipient for Good Reason, or due to Disability or death, all Restricted Shares subject to this Agreement and held by, or on behalf of, the Recipient shall be deemed earned and vested as of the Recipient's last day of employment with the Company. In

-5-

addition, unless otherwise provided in the Employment Agreement, all Restricted Shares subject to this Agreement and held by the Recipient on the date a Change in Control occurs shall be deemed earned and vested as of such date.

(b) Termination for Any Other Reason. Unless otherwise provided in the Employment Agreement, if the Recipient's employment with the Company terminates prior to the end of the Vesting Period set forth in this Agreement for reasons other than those specified in Section 4(a) above, any Restricted Shares subject to this Agreement that have not been earned and vested prior to the Recipient's termination of employment shall be immediately forfeited on the last day of the Recipient's employment with the Company.

#### 5. Withholding.

In connection with the delivery of any stock certificates, or the making of any payment in accordance with the provisions of this Agreement, the Company shall withhold Shares or cash amounts (for fractional Shares) equal to the taxes then required by applicable federal, state and local law to be so withheld.

#### 6. Tax Gross-Up Payments.

(a) Entitlement to Tax Gross-Up Payments. The Recipient shall be entitled to receive a tax gross-up payment (the "Tax Gross-Up Payment") from the Company with respect to each tax year Restricted Shares covered by this Agreement are distributed to him. Each Tax Gross-Up Payment shall be a dollar amount equal to forty (40%) percent of the fair market value (as determined for tax purposes) of the Restricted Shares at time of distribution, exclusive of dividends.

(b) Termination of Employment Without Cause, for Good Reason, Disability or Death; Change in Control. Unless otherwise provided in the Employment Agreement, if the Recipient's employment with the Company is terminated prior to the end of the Vesting Period set forth in this Agreement either by the Company

-6-

without Cause, by the Recipient for Good Reason, or due to Disability or death, or in the event a Change in Control occurs, a final Tax Gross-Up Payment shall be made to the Recipient (or his beneficiary, as the case may be) in a dollar amount equal to forty (40%) percent of the fair market value (as determined for tax purposes) of the Restricted Shares distributed to the Recipient (or his beneficiary). Payment of the final Tax Gross-Up Payment shall be made on the date the Restricted Shares are distributed or as soon as administratively feasible thereafter.

(c) Effect of Termination for Any Other Reason. Unless otherwise provided in the Employment Agreement, if the Recipient's employment with the Company terminates prior to the end of the Vesting Period set forth in this Agreement for any reason other than those specified in Section 6(b) above, no further Tax Gross-Up Payments shall be made to such Recipient.

#### 7. Adjustments for Capital Changes.

In the event of any change in the outstanding share of Common Stock of the Company by reason of any Stock dividend or split, recapitalization, merger, consolidation, spin-off, reorganization, combination or exchange of shares, or other similar corporate change, or other increase or decrease in such shares effected without receipt or payment of consideration by the Company, a duly authorized representative of the Company shall adjust the number of Restricted Shares granted pursuant to the Employment Agreement and this Agreement to prevent dilution or enlargement of the rights granted to the Recipient.

8. No Right to Continued Employment.

Nothing in this Agreement shall confer on the Recipient any right to continue as an employee of the Company or in any way affect the Company's or any subsidiary's right to terminate the Recipient's employment at any time.

-7-

9. Notice.

Any notice to the Company hereunder shall be in writing addressed to:

Cali Realty Corporation  
11 Commerce Drive  
Cranford, New Jersey 07016

Attn: Thomas A. Rizk  
Chief Executive Officer.

Any notice to the Recipient hereunder shall be in writing addressed to:

Mr. Brant Cali  
175 Eagle Rock Way  
Montclair, New Jersey 07042

or such other address as the Recipient shall notify the Company in writing.

10. Entire Agreement; Effect of Employment Agreement.

(a) Entire Agreement. This Agreement contains the entire understanding of the parties and shall not be modified or amended except in writing and duly signed by each of the parties hereto. No waiver by either party of any default under this Agreement shall be deemed a waiver of any later default thereof.

(b) Effect of Employment Agreement. In the event the Employment Agreement contains additional rights, duties and/or obligations with respect to the Recipient, such terms and conditions shall govern the Recipient's Restricted Share Award as if such terms and conditions had been set forth herein; and in the event of any conflict or inconsistency between the terms of the Employment Agreement, this Agreement, the terms and conditions of the Employment Agreement shall control.

-8-

11. Construction.

The various provisions of this Agreement are severable in their entirety. Any determination of invalidity or unenforceability of any one provision shall have no effect on the continuing force and effect of the remaining provisions.

12. Governing Law.

This Agreement shall be governed by the laws of the State of New Jersey applicable to contracts made, and to be enforced, within the State of New Jersey.

13. Successors.

This Agreement shall be binding upon and inure to the benefits of the successors, assigns and heirs of the respective parties.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement to be effective on the date first above written.

Cali Realty Corporation

By: /s/ Thomas A. Rizk  
-----  
Name: Thomas A. Rizk  
Chief Executive Officer

Recipient

/s/ Brant Cali  
-----  
Brant Cali

-9-

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AMENDED AND RESTATED  
EMPLOYMENT AGREEMENT  
FOR  
THOMAS A. RIZK

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TABLE OF CONTENTS

	Page
	----
1. Employment.....	2
2. Services.....	2
3. Compensation and Benefits.....	3
4. Termination of Employment and Change in Control.....	8
5. Confidential Information.....	16
6. Return of Documents.....	17
7. Noncompete.....	17
8. Remedies.....	18
9. Successors and Assigns.....	19
10. Timing of and No Duplication of Payments/ Tax Withholding.....	20
11. Modification or Waiver.....	20
12. Notices.....	21
13. Governing Law.....	21
14. Severability.....	22
15. Counterparts.....	22
16. Headings.....	22
17. Entire Agreement.....	22
18. Survival of Agreements.....	23

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (the "Agreement") is entered into as of January 21, 1997, by and between Thomas A. Rizk, an individual residing at 87 Braemar Drive, Wayne, New Jersey 07470 ("Executive"), and Cali Realty Corporation, a Maryland corporation with offices at 11 Commerce Drive, Cranford, New Jersey 07016 (the "Company").

RECITALS

WHEREAS, the Executive held the positions of President and Chief Financial Officer and served as a member of the Board of Directors of the Company (the "Board") pursuant to his Employment Agreement with the Company dated August 31, 1994 ("Prior Agreement") and, through such service, has acquired special and unique knowledge, abilities and expertise; and

WHEREAS, the Executive now holds the positions of President and Chief Executive Officer and serves as a member of the Board; and

WHEREAS, the Company desires to extend Executive's Employment Period (as defined in the Prior Agreement) to January 21, 2002, and the Company and Executive desires to restructure certain terms of the Prior Agreement and otherwise to amend and restate the Prior Agreement in its entirety as set forth in this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements set forth herein, the parties hereby agree as follows:

1. Employment.

The Company hereby agrees to employ Executive, and Executive hereby agrees to be employed by the Company, for a term commencing on the date hereof and expiring on January 21, 2002; provided, however, that commencing on January 21, 2002 and each January 21 thereafter, the term of this Agreement shall be extended automatically for one (1) additional year unless at least ninety (90) days prior to the applicable expiration date either the Company or Executive shall have given written notice to the other party that such party does not wish to extend this Agreement. It being agreed and understood that the extension of this Agreement shall not create an obligation of the Company to issue new awards to Executive hereunder. The term of this Agreement, as it may be extended from time to time in accordance with this Paragraph 1, is referred to herein as the "Employment Period."

## 2. Services.

During the Employment Period, Executive shall hold the positions of President and Chief Executive Officer and shall serve as a member of the Board. Executive shall devote his best efforts and substantially all of his business time, skill and attention to the business of the Company, and shall perform such duties as are customarily performed by similar executive officers and as may be more specifically enumerated from time to time by the Board or the Executive Committee of the Board, if any; provided, however, that the foregoing is not intended to (a) preclude Executive from (i) owning and managing personal investments, including real estate investments, subject to the restrictions set forth in Paragraph 7 hereof or (ii) engaging in charitable activities

2

and community affairs, or (b) restrict or otherwise limit Executive from conducting real estate development, acquisition or management activities with respect to those properties described in Schedule A, attached hereto, (the "Excluded Properties"), provided that the performance of the activities referred to in clauses (a) and (b) does not prevent Executive from devoting substantially all of his business time to the Company.

## 3. Compensation and Benefits.

During the Employment Period, the Company shall pay Executive a minimum annual base salary in the amount of \$450,000 (the "Annual Base Salary"), payable in accordance with the Company's regular payroll practices. In addition, Executive also shall be eligible for incentive compensation payable each year in such amounts as may be determined by the Compensation Committee of the Board (the "Compensation Committee") based upon, among other factors, growth in Funds from Operations per Common Share (as hereinafter defined) for the year. Executive's Annual Base Salary shall be reviewed annually in accordance with the policy of the Company from time to time and may be subject to upward adjustment based on, among other things, Executive's performance, as determined in the sole discretion of the Compensation Committee. The Company shall have the right to deduct and withhold from all compensation all social security and other federal, state and local taxes and charges which currently are or which hereafter may be required by law to be so deducted and withheld. In addition to the compensation specified above and other benefits provided

3

pursuant to this Paragraph 3, Executive shall be entitled to the following benefits:

- (a) participation in the Employee Stock Option Plan of Cali Realty Corporation (the "Stock Option Plan") and other benefit plans (including without limitation the Cali Realty Corporation 401(k) Savings and Retirement Plan and any other stock option plans which may be adopted or maintained by the Company) made generally available to executives of the Company with such participation to be consistent with reasonable Company guidelines;
- (b) participation in any health insurance, disability insurance, group life insurance or other welfare benefit program made generally available to executives of the Company; and
- (c) reimbursement for reasonable business expenses incurred by Executive in furtherance of the interests of the Company.

In addition, Executive shall be entitled to receive such bonuses and options to purchase shares of common stock, par value \$0.01 per share, of the Company (the "Common Stock") as the Board shall approve, in its sole discretion, including, without limitation, options and bonuses contingent upon Executive's performance and the achievement of specified financial and operating objectives for Funds from Operations per Common Share. For purposes of this Agreement, "Funds from Operations per Common Share" for any period shall mean (i) net income (loss) before minority interest of unit holders, computed in accordance with generally accepted accounting principles ("GAAP"), excluding gains (or

losses) from debt restructuring and sale of property, plus real estate return, depreciation and amortization as calculated in accordance with the National Association of Real Estate Investment Trusts definition published in March 1995, as amended from time to time, and as applied in accordance with the accounting practices and policies of the Company in effect from time to time on a consistent basis to the entire Employment Period, divided

4

by (ii) the sum of (A) the primary weighted average number of outstanding shares of Common Stock as it appears in the Company's financial statement for the applicable period and (B) the primary weighted average number of outstanding limited partnership units of Cali Realty, L.P., a Delaware limited partnership of which the Company is the sole general partner, for the applicable period.

As further consideration for Executive agreeing to serve as an officer and entering into this Agreement upon the terms set forth herein, including, without limitation, the terms relating to noncompetition set forth in Paragraph 7 below, the Company shall, concurrently herewith or as soon as practicable after the execution of this Agreement:

- (a) grant to Executive 55,555 restricted shares of Common Stock ("Restricted Shares") pursuant to the terms and conditions of this Agreement, and the written agreement, issued pursuant to this Agreement, evidencing such award executed between the Company and Executive (the "Restricted Share Agreement"). In the event of a conflict between the Restricted Share Agreement and this Agreement, the terms of this Agreement shall control.

The Restricted Share Award (as defined in the Restricted Share Agreement) is scheduled to vest over five (5) years with twenty percent (20%) of the Restricted Shares vesting on each of the first anniversary of the date hereof (the "First Anniversary"), the second anniversary of the date hereof (the "Second Anniversary"), the third anniversary of the date hereof (the "Third Anniversary"), the fourth anniversary of the date hereof (the "Fourth Anniversary") and the fifth anniversary of the date hereof (the "Fifth Anniversary"), provided, that certain Performance Goals as defined and set forth in the Restricted Share Agreement are met. Vesting shall be cumulative in accordance with the provisions of the Restricted Share Agreement and the Performance Goals may be achieved as specified therein up until the seventh anniversary of the date hereof. Except as otherwise provided in Paragraph 4 hereof, Executive must be employed by the Company on the applicable anniversary date to vest in the Restricted Shares scheduled to vest in a particular year. The measurement date to determine such

5

vesting shall be the last day of the Company's fiscal year preceding the year in which the applicable anniversary date occurs.

In addition, upon vesting of the Restricted Shares on each applicable anniversary date, the Company shall make a cash payment to Executive on that anniversary date in an amount equal to forty percent (40%) of the Fair Market Value (determined as of such anniversary date) of the Restricted Shares that vest on such anniversary date (the "Restricted Share Tax Gross-Up Payment").

- (b) loan on a non-recourse basis to Executive \$3,000,000 (the "Stock Acquisition Loan"), with the loan proceeds to be used by Executive simultaneously to purchase newly issued Common Stock from the Company. Interest shall accrue on the Stock Acquisition Loan at the rate of 6.21% per year and shall be payable, on the entire outstanding balance, annually in arrears. The Stock Acquisition Loan is being granted and secured pursuant to the terms and conditions of this Agreement, and a Secured Non-Recourse Promissory Note and Stock Pledge Agreement evidencing and securing such Loan as executed between the Company and Executive. In the event of a conflict between the aforementioned documents and this Agreement, the terms of this Agreement shall control.

The Stock Acquisition Loan shall be forgiven over a period of five (5) years from the date hereof, with twenty percent (20%) of the principal and interest on the then outstanding balance of the principal to be forgiven on each applicable anniversary date (the "Forgiven Amount"). In addition, on each applicable anniversary date as the Stock Acquisition Loan and interest accrued thereon is forgiven, in order to enable Executive to meet his tax liability with respect to the forgiveness of the Stock Acquisition Loan, the Company shall make a cash payment to Executive on that anniversary date in an amount equal to forty percent (40%) of the respective Forgiven Amount (the "Acquisition Loan Tax Gross-Up Payment"). Since the Stock Acquisition

Loan will be forgiven over a five (5) year period, a total of five (5) Acquisition Loan Tax Gross-Up Payments will be made to Executive over the period of forgiveness. No additional payments will be made to Executive with respect to any Acquisition Loan Tax Gross-Up Payments made hereunder. Except as otherwise provided in Paragraph 4 hereof, the aforementioned forgiveness of the Stock Acquisition Loan inclusive of interest thereon and respective Acquisition Loan Tax Gross-Up Payment shall only occur if Executive is employed by the Company on the applicable anniversary date.

6

The Stock Acquisition Loan shall be initially secured by the shares of Common Stock purchased by Executive from the Company with the proceeds of the Stock Acquisition Loan. Beginning on the First Anniversary, the outstanding balance of the Stock Acquisition Loan shall be secured only by shares of Common Stock having a Fair Market Value of one hundred and ten percent (110%) of the outstanding principal amount of the Stock Acquisition Loan (together with interest accrued thereon). On the First Anniversary, and on each anniversary date, March 31, June 30 and September 30 through the Fifth Anniversary (each such date a "Determination Date"), the Company shall reasonably determine the aggregate Fair Market Value of the collateral (the "Market Value") being held. If on such Determination Date the Market Value exceeds one hundred ten percent (110%) of the outstanding balance of the Stock Acquisition Loan (together with interest accrued thereon) on such Determination Date (the "Base Value"), the Company shall, unless otherwise requested by Executive, automatically release to Executive such portion of the collateral the aggregate Fair Market Value of which equals the Market Value less 110% of the Base Value, free and clear of any and all encumbrances under the Stock Pledge Agreement.

Executive shall be required to execute the aforementioned Stock Pledge Agreement and Secured Non-Recourse Promissory Note. The Company shall then issue shares of Common Stock to Executive in exchange for the Stock Acquisition Loan. The Company shall, upon receipt from Executive of the Stock Pledge Agreement and Secured Non-Recourse Promissory Note for the purchase of the shares of Common Stock purchased with the proceeds of the Stock Acquisition Loan, make prompt delivery of the certificates evidencing the shares of Common Stock to Executive, subject to any requirements set forth in the Stock Pledge Agreement; provided, however, that if any law or regulation requires the Company to take any action with respect to such shares prior to the delivery thereof, then the date of the delivery of the shares shall be extended for the period necessary to complete such action. Certificates for shares of Common Stock when issued to Executive may have restrictive legends or statements of other applicable restrictions endorsed thereon and may not be immediately transferable.

7

As consideration for entering into the Prior Agreement upon the terms set forth therein, including without limitation, the terms relating to noncompetition set forth in Paragraph 7 thereof, the Company, concurrently therewith, pursuant to Paragraph 3 of the Prior Agreement granted to Executive options to purchase 200,000 shares of Common Stock at a purchase price of \$17.25 per share (the "1994 Options"). Such options were granted pursuant to the terms and conditions of the Stock Option Plan, having a ten (10) year term and vesting over a three (3) year period beginning on August 31, 1994, with one-third of such options vested on the August 31, 1995, and one-third vested on August 31, 1996, and one-third vesting on August 31, 1997, subject to acceleration in accordance with the terms of the Stock Option Plan.

The 1994 Options were and are intended to qualify as incentive stock options within the meaning of Section 422(b) of the Internal Revenue Code of 1986, as amended (the "Code"); provided, however, that to the extent that any of such options did not or do not satisfy the requirements of Section 422(b) of the Code, then they shall be treated as non-qualified options.

#### 4. Termination of Employment and Change in Control.

(a) Termination of Employment by the Company for Cause or By Executive without Good Reason. In the event (i) the Company terminates Executive's employment for Cause (as hereinafter defined) or (ii) Executive terminates his employment without Good Reason (as hereinafter defined), the Company shall pay Executive any unpaid salary accrued through and including the date of termination. In addition, in such event, Executive shall be entitled (i) to exercise any options which

8



have vested and are exercisable in accordance with the terms of the applicable option grant agreement or plan, (ii) to retain any Restricted Shares previously awarded to Executive pursuant to this Agreement and the Restricted Share Agreement and any Restricted Share Tax Gross-Up Payments which are fully vested on the date of termination, and (iii) to retain any shares of Common Stock purchased by Executive with the proceeds of the Stock Acquisition Loan which are no longer pledged as collateral for the outstanding balance of the Stock Acquisition Loan and any Acquisition Loan Tax Gross-Up Payments applicable to Forgiven Amounts and to retain the balance of the shares of Common Stock which are still pledged as collateral for the outstanding balance of the Stock Acquisition Loan, provided, that Executive immediately repays to the Company the outstanding balance of the Stock Acquisition Loan including interest accrued thereon through the date of termination. Except for any rights which Executive may have to unpaid salary amounts through and including the date of termination, vested options, vested Restricted Shares and related Restricted Share Tax Gross-Up Payments, and shares of Common Stock purchased with the proceeds of the Stock Acquisition Loan and related Acquisition Loan Tax Gross-Up Payments, all as set forth above, the Company shall have no further obligations hereunder following such termination.

(b) Termination of Employment Upon Death or Disability . In the event of termination of Executive's employment as a result of either (i) Executive's death or Disability (as hereinafter defined), the Company shall pay to Executive, his estate or his personal representative (A) the unpaid salary through the end of the Employment Period remaining (assuming no such termination occurred) and (B) a pro-rata portion,

9

based upon the number of days in the period beginning with January 1 of the calendar year in which such termination occurred and ending with the date the Employment Period ends (assuming such termination did not occur), of the average annual amount of incentive compensation payments paid to Executive during each previous year of Executive's employment hereunder (the "Pro-Rata Portion of Incentive Compensation"). The aforesaid amount shall be payable, at the option of Executive, his estate or his personal representative, either (i) in full immediately upon such termination or (ii) monthly over the remainder of the Employment Period. In addition, Executive shall be entitled (i) at the option of Executive, his estate or his personal representative, within one (1) year of the date of such termination, to exercise any options which have vested (including, without limitation, by acceleration in accordance with the terms of the applicable option grant agreement or plan) and are exercisable in accordance with the terms of the applicable option grant agreement or plan or to require the Company (upon written notice delivered within one hundred eighty (180) days following the date of Executive's termination) to repurchase all or any portion of Executive's vested options to purchase shares of Common Stock at a price equal to the difference between the Repurchase Fair Market Value (as hereinafter defined) of the shares of Common Stock for which the options to be repurchased are exercisable and the exercise price of such option as of the date of Executive's termination of employment, (ii) to retain all Restricted Shares awarded to Executive pursuant to this Agreement and the Restricted Share Agreement whether or not such Restricted Shares had previously vested as of the date of termination. In the event any Restricted Shares have not vested as of the date of termination, such Restricted Shares shall immediately vest and Executive, his

10

estate or his personal representative shall receive a cash payment from the Company on the date of termination in an amount equal to forty percent (40%) of the Fair Market Value (determined as of the date of termination) of the Restricted Shares that vest on the date of termination (the "Termination Restricted Share Tax Gross-Up Payment"), (iii) to retain all shares of Common Stock purchased by Executive with the proceeds of the Stock Acquisition Loan without regard to whether or not the Stock Acquisition Loan has been forgiven or repaid. In the event there is an outstanding balance on the Stock Acquisition Loan, such outstanding balance including interest accrued thereon shall on the first day of the calendar month next succeeding Executive's Disability or death be forgiven (and any shares pledged under the Stock Pledge Agreement shall be released to Executive, his estate or his personal representative) and Executive, his estate or his personal representative shall receive a cash payment from the Company on that date in an amount equal to forty percent (40%) of the outstanding balance of the Stock Acquisition Loan and interest accrued thereon that is forgiven on the date of termination (the "Termination Acquisition Loan Tax Gross-Up Payment"). Except for any rights which Executive may have to unpaid salary amounts through the end of the Employment Period, the Pro-Rata Portion of Incentive Compensation, vested options, Restricted Shares (and the full vesting thereof) and the Termination Restricted Share Tax Gross-Up Payment, and shares of Common Stock purchased with the proceeds of the Stock Acquisition Loan (and the forgiveness of the outstanding balance of the Stock Acquisition Loan inclusive of interest accrued thereon) and the Termination Acquisition Loan Tax Gross-Up Payment, all as set forth above, the Company shall have no further

obligations hereunder following such termination.

11

(c) Termination of Employment By the Company Without Cause or By the Executive for Good Reason. In the event (i) the Company terminates Executive's employment for any reason other than Cause or (ii) Executive terminates his employment for Good Reason, the Company shall pay to Executive and Executive shall be entitled to all the payments and rights Executive would have had if Executive's employment had been terminated due to Disability as set forth in sub-paragraph 4(b) (including all benefits under this Agreement and the Restricted Share Agreement), except that Executive must exercise any options which have vested within ninety (90) days of the date of termination. Except for any rights which Executive may have to unpaid salary amounts through the end of the Employment Period, the Pro-Rata Portion of Incentive Compensation, vested options, Restricted Shares (and full vesting thereof) and the Termination Restricted Share Tax Gross-Up Payment, and shares of Common Stock purchased with the proceeds of the Stock Acquisition Loan (and the forgiveness of the outstanding balance of the Stock Acquisition Loan inclusive of interest accrued thereon) and the Termination Acquisition Loan Tax Gross-Up Payment, all as set forth above, the Company shall have no further obligations hereunder following such termination.

(d) Upon a Change in Control. In the event of a Change in Control (as hereinafter defined), Executive shall be entitled (i) to all Restricted Shares awarded to Executive pursuant to this Agreement and the Restricted Share Agreement whether or not such Restricted Shares had previously vested as of the date of the Change in Control. In the event any Restricted Shares have not vested as of the date of the Change in Control, such Restricted Shares shall immediately vest and Executive shall

12

receive a cash payment from the Company on the date of the Change in Control in an amount equal to forty percent (40%) of the Fair Market Value (determined as of the date of the Change in Control) of the Restricted Shares that vest on the date of the Change in Control (the "Change in Control Restricted Share Tax Gross-Up Payment"), (ii) to all shares of Common Stock purchased by Executive with the proceeds of the Stock Acquisition Loan without regard to whether or not the Stock Acquisition Loan has been forgiven or repaid. In the event there is an outstanding balance on the Stock Acquisition Loan, such outstanding balance including interest accrued thereon through the date of the Change in Control shall be immediately forgiven (and any shares pledged under the Stock Pledge Agreement shall be released to Executive) and Executive shall receive a cash payment from the Company on the date of the Change in Control in an amount equal to forty percent (40%) of the outstanding balance of the Stock Acquisition Loan and interest accrued thereon that is forgiven on the date of the Change in Control (the "Change in Control Acquisition Loan Tax Gross-Up Payment") and (iii) an excise tax gross-up payment. If it is determined by an independent accountant mutually acceptable to the Company and Executive that as a result of compensation paid and other benefits provided to Executive by the Company pursuant to this Agreement or otherwise, a tax will be imposed on Executive pursuant to Section 4999 of the Code (or any successor provisions) the Company shall pay Executive in cash an amount equal to the excise tax for which the Executive is liable under Section 4999 of the Code. Any cash payments owed to Executive pursuant to this Paragraph 4(d) shall be paid to Executive in a single sum on or immediately prior to date of the Change in Control but prior to the consummation of the transaction with any successor.

In addition, other than the 1994 Options, any other options previously or hereafter granted to Executive that have not vested as of the date of the Change in Control shall immediately vest upon the occurrence of and on the date of a Change in Control irrespective of whether Executive's employment terminates in connection with such Change in Control.

13

(e) For purposes of this Agreement:

- (i) "Cause" shall mean (A) the willful and continued failure by Executive to substantially perform his duties hereunder (other than any such failure resulting from Executive's incapacity due to physical or mental illness) for a period of thirty (30) days after written demand for substantial performance is delivered by the Company specifically identifying the manner in which the Company believes Executive has not substantially performed his duties, or (B) willful misconduct by Executive which is materially injurious to the Company, monetarily or otherwise, or (C) the willful violation by Executive of the provisions of

Paragraph 5 or 7 hereof. For purposes of this Paragraph 4(e)(i), no act, or failure to act, on Executive's part shall be considered "willful" unless done, or omitted to be done, by him (I) not in good faith and (II) without reasonable belief that his action or omission was in furtherance of the interests of the Company.

- (ii) "Change in Control" shall mean that any of the following events has occurred: (a) any "person" or "group" of persons, as such terms are used in Sections 13 and 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), other than any employee benefit plan sponsored by the Company, becomes the "beneficial owner", as such term is used in Section 13 of the Exchange Act, of thirty percent (30%) or more of the Common Stock of the Company issued and outstanding immediately prior to such acquisition; (b) any Common Stock of the Company is purchased pursuant to a tender or exchange offer other than an offer by the Company; or (c) the dissolution or liquidation of the Company or the consummation of any merger or consolidation of the Company or any sale or other disposition of all or substantially all of its assets, if the shareholders of the Company immediately before such transaction own, immediately after consummation of such transaction, equity securities (other than options and other rights to acquire equity securities) possessing less than thirty percent (30%) of the voting power of the surviving or acquiring company.
- (iii) "Disability" shall mean the determination by the Company, upon the advice of an independent qualified physician, reasonably acceptable to Executive, that Executive has become physically or mentally incapable of performing his

14

duties under this Agreement and such disability has disabled Executive for a cumulative period of one hundred eighty (180) days within a twelve (12) month period.

- (iv) "Fair Market Value" shall mean the closing price of the Common Stock as quoted on the New York Stock Exchange at the end of the last business day preceding the Determination Date, the applicable anniversary or the date of termination, as the case may be, as reported in the New York edition of the Wall Street Journal.
- (v) "Good Reason" shall mean (A) any material and substantial breach of this Agreement by the Company, (B) a material reduction in the Executive's Annual Base Salary or other benefits (except for bonuses or similar discretionary payments) as in effect at the time in question, or any other failure by the Company to comply with Paragraph 3 hereof, or (C) the Company shall have given notice pursuant to Paragraph 1 hereof at any time prior to the sixth anniversary of the date hereof that it does not wish to extend this Agreement, except in connection with termination of Executive's employment for Cause or by reason of death or Disability.
- (vi) "Repurchase Fair Market Value" shall mean the average of the closing price on the New York Stock Exchange of the Common Stock on each of the trading days within the thirty (30) days immediately preceding the date of termination of Executive's employment;

(f) Any termination of Executive's employment by the Company or any such termination by Executive (other than on account of death) shall be communicated by written Notice of Termination to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated.

15

## 5. Confidential Information.

(a) Executive understands and acknowledges that during his employment with the Company, he will be exposed to Confidential Information (as defined below), all of which is proprietary and which will rightfully belong to the Company. The Executive shall hold in a fiduciary capacity for the benefit of the Company such

Confidential Information obtained by Executive during his employment with the Company and shall not, directly or indirectly, at any time, either during or after his employment with the Company, without the Company's prior written consent, use any of such Confidential Information or disclose any of such Confidential Information to any individual or entity other than the Company or its employees, except as required in the performance of his duties for the Company or as otherwise required by law. Executive shall take all reasonable steps to safeguard such Confidential Information and to protect such Confidential Information against disclosure, misuse, loss or theft.

(b) The term "Confidential Information" shall mean any information not generally known in the relevant trade or industry or otherwise not generally available to the public, which was obtained from the Company or its predecessors or which was learned, discovered, developed, conceived, originated or prepared during or as a result of the performance of any services by Executive on behalf of the Company or its predecessors. For purposes of this Paragraph 5, the Company shall be deemed to include any entity which is controlled, directly or indirectly, by the Company and any entity of which a majority of the economic interest is owned, directly or indirectly, by the Company.

16

#### 6. Return of Documents.

Except for such items which are of a personal nature to Executive (e.g., daily business planner), all writings, records, and other documents and things containing any Confidential Information shall be the exclusive property of the Company, shall not be copied, summarized, extracted from, or removed from the premises of the Company, except in pursuit of the business of the Company and at the direction of the Company, and shall be delivered to the Company, without retaining any copies, upon the termination of Executive's employment or at any time as requested by the Company.

#### 7. Noncompete.

Executive agrees that:

(a) During the Employment Period and, in the event (i) the Company terminates Executive's employment for Cause, or (ii) Executive terminates his employment without Good Reason, for a one (1) year period thereafter, Executive shall not, directly or indirectly, within the State of New York, the State of New Jersey, the State of Pennsylvania, and the State of Connecticut, engage in, or own, invest in, manage or control any venture or enterprise primarily engaged in any office-service, office, industrial, or flex property development, acquisition or management activities, without regard to whether or not such activities compete with the Company. Nothing herein shall prohibit Executive from being a passive owner of not more than five percent (5%) of the outstanding stock of any class of securities of a corporation or other entity engaged in such business which is publicly traded, so long as he has no active participation in the business of such corporation or other entity. Moreover, the

17

foregoing limitations shall not be deemed to restrict or otherwise limit Executive from conducting real estate development, acquisition or management activities with respect to the Excluded Properties, if any, provided that during the Employment Period the performance of such activities does not prevent Executive from devoting substantially all of his business time to the Company.

(b) If, at the time of enforcement of this Paragraph 7, a court shall hold that the duration, scope, area or other restrictions stated herein are unreasonable, the parties agree that reasonable maximum duration, scope, area or other restrictions may be substituted by such court for the stated duration, scope, area or other restrictions and upon substitution by such court, this Agreement shall be automatically modified without further action by the parties hereto.

(c) For purposes of this Paragraph 7, the Company shall be deemed to include any entity which is controlled, directly or indirectly, by the Company and any entity of which a majority of the economic interest is owned, directly or indirectly, by the Company.

#### 8. Remedies.

The parties hereto agree that the Company would suffer irreparable harm from a breach by Executive of any of the covenants or agreements contained in Paragraph 5, 6 or 7 of this Agreement. Therefore, in the event of the actual or threatened breach by Executive of any of the provisions of Paragraph 5, 6 or 7 of this Agreement, the Company may, in addition and supplementary to other rights and remedies existing in its favor, apply to any court of law or equity of competent jurisdiction for specific

performance and/or injunctive or other relief in order to enforce or prevent any violation of the provisions thereof.

#### 9. Successors and Assigns.

(a) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance satisfactory to Executive, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of an such succession shall be a breach of this Agreement and shall entitle Executive to compensation from the Company in the same amount and on the same terms as he would be entitled to hereunder if his employment terminated due to Disability, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the date of termination. In the event of such a breach of this Agreement, the Notice of Termination shall specify such date as the date of termination. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to all or substantially all of its business and/or its assets as aforesaid which executes and delivers the agreement provided for in this Paragraph 9 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law. Any cash payments owed to Executive pursuant to this Paragraph 9 shall be paid to Executive in a single sum immediately prior to the consummation of the transaction with such successor.

(b) This Agreement and all rights of Executive hereunder shall inure to the benefit of and be enforceable by Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If Executive should die while any amounts would still be payable to him hereunder if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Executive's beneficiary as determined under any applicable plan, Executive's devisee, legatee, or other designee or, if there be no such designee, to Executive's estate.

#### 10. Timing of and No Duplication of Payments/ Tax Withholding.

(a) All payments payable to Executive pursuant to this Agreement shall be paid as soon as practicable after such amounts have become fully vested and determinable. In addition, Executive shall not be entitled to receive duplicate payments under any of the provisions of this Agreement.

(b) The Company shall have the right to deduct and withhold from any amounts which become taxable to Executive hereunder all employment and other federal, state and local taxes and charges which are, or which may hereafter, be required by law to be so deducted or withheld.

#### 11. Modification or Waiver.

No amendment, modification, waiver, termination or cancellation of this Agreement shall be binding or effective for any purpose unless it is made in a writing signed by the party against whom enforcement of such amendment, modification,

waiver, termination or cancellation is sought. No course of dealing between or among the parties to this Agreement shall be deemed to affect or to modify, amend or discharge any provision or term of this Agreement. No delay on the part of the Company or Executive in the exercise of any of their respective rights or remedies shall operate as a waiver thereof, and no single or partial exercise by the Company or Executive of any such right or remedy shall preclude other or further exercise thereof. A waiver of right or remedy on any one occasion shall not be construed as a bar to or waiver of any such right or remedy on any other occasion.

#### 12. Notices.

All notices or other communications required or permitted hereunder shall be made in writing and shall be deemed to have been duly given if delivered by hand or delivered by a recognized delivery service or mailed, postage prepaid, by express, certified or registered mail, return receipt requested, and addressed to the Company or Executive, as applicable, at the address set forth above (or to such other address as shall have been previously provided in accordance with this Paragraph 12).

13. Governing Law.

THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW JERSEY, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS THEREUNDER.

21

14. Severability.

Whenever possible, each provision and term of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision or term of this Agreement shall be held to be prohibited by or invalid under such applicable law, then, subject to the provisions of Paragraph 7(b) above, such provision or term shall be ineffective only to the extent of such prohibition or invalidity, without invalidating or affecting in any manner whatsoever the remainder of such provisions or term or the remaining provisions or terms of this Agreement.

15. Counterparts.

This Agreement may be executed in separate counterparts, each of which is deemed to be an original and both of which taken together shall constitute one and the same agreement.

16. Headings.

The headings of the Paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute a part hereof and shall not affect the construction or interpretation of this Agreement.

17. Entire Agreement.

This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all other prior agreements and undertakings, both written and oral, among the parties with respect to the subject matter hereof.

22

18. Survival of Agreements.

The covenants made in Paragraphs 4, 5, 6, 7, 8 and 14 each shall survive the termination of this Agreement.

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23

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

CALI REALTY CORPORATION

By: /s/ John R. Cali  
-----  
Name: John R. Cali  
Title: Chief Administrative Officer

/s/ Thomas A. Rizk  
-----  
Thomas A. Rizk

25

SCHEDULE A

Those properties described in the Prospectus of Cali Realty Corporation for the sale of 10,500,000 Shares dated August 24, 1994, in the section entitled "Business and Properties -- Excluded Properties".

25

CALI REALTY CORPORATION

RESTRICTED SHARE AWARD AGREEMENT

THOMAS A. RIZK

AGREEMENT EVIDENCING THE GRANT OF A RESTRICTED SHARE  
AWARD PURSUANT TO THE AMENDED AND RESTATED EMPLOYMENT  
AGREEMENT FOR THOMAS A. RIZK ENTERED INTO AS OF JANUARY 21, 1997

AGREEMENT ("Agreement") effective as of January 21, 1997, ("Grant Date") by and between Cali Realty Corporation (the "Company") and Thomas A. Rizk ("Recipient").

WHEREAS, pursuant to the amended and restated employment agreement between Recipient and the Company entered into as of January 21, 1997 (the "Employment Agreement") the Company has awarded shares of the Company's common stock, par value \$.01 per share ("Common Stock") to the Recipient subject to such terms, conditions, and restrictions (hereinafter, "Restricted Share Award") as set forth in the Employment Agreement and this Agreement;

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. Award of Shares of Restricted Stock.

Pursuant to the Employment Agreement, the Company hereby awards to the Recipient, effective as of the Grant Date, a Restricted Share Award representing the right to earn 55,555 shares of Common Stock ("Restricted Shares") subject to the terms, conditions and restrictions set forth herein. Capitalized terms not otherwise defined in this Agreement shall be as defined in the Employment Agreement.

2. Award Restrictions.

(a) General Rules. Ownership of Restricted Shares shall not vest in the Recipient, and shall be subject to forfeiture until the conditions of Section 2(b) and (c) are fully satisfied. For purposes of this Agreement, the following concepts shall be defined as follows: (i) the lapse of restrictions on the Recipient's rights with respect to the Restricted Shares granted hereunder shall be referred to as "Vesting"; (ii) the period between the Grant Date and the date of Vesting shall be referred to as the "Vesting Period"; and (iii) the date Vesting occurs shall be referred to as the "Vesting Date."

(b) Vesting. An aggregate of 55,555 Restricted Shares may be earned by the Recipient and vest on a cumulative basis over a five to seven year Vesting Period, with 11,111 Restricted Shares scheduled to be vested and earned on each Vesting Date provided the Performance Goals specified in Section 2(c) below are satisfied. The Vesting Date for this Agreement shall be January 21. In determining the number of Restricted Shares which are earned and vested, fractional shares shall be rounded down to the nearest whole number and shall be aggregated and earned, on the last Vesting Date.

(c) Performance Goals. (i) A total of 11,111 Restricted Shares shall vest on each Vesting Date provided one of the following financial tests ("Financial Tests") is met for the measurement period ending on the last day of the Company's fiscal year immediately preceding such Vesting Date: (A) the Company achieves an eight percent (8%) funds from operations per common share ("FFO") increase, or (B) shareholders receive a fifteen percent (15%) total return (dividends plus stock appreciation per share of Common Stock). For purposes of this Agreement, FFO shall mean (i) net income (loss) before minority interest of unit holders, computed in accordance with generally accepted accounting principles ("GAAP"), excluding gains (or losses) from debt restructuring and sale of property, plus real estate return, depreciation and amortization as calculated in accordance with the National Association of Real Estate Investment Trusts definition published in March 1995, as amended from time to time, and as applied in accordance with the accounting practices and policies of the Company in effect from time to time on a consistent basis to the entire Vesting Period, divided by (ii) the sum of (A) the primary weighted average number of outstanding shares of Common Stock as it appears in the Company's financial statement for the applicable period and (B) the primary weighted average number of outstanding limited partnership units of Cali Realty, L.P., a Delaware limited partnership of which the Company is the sole general partner, for the applicable period.

(ii) In the event that neither of the Financial Tests above is satisfied in the measurement period ending on the applicable Vesting Date ("Non-Achievement Year"), any Restricted Shares that failed to vest on such Date may vest on a subsequent Vesting Date provided the test described below is satisfied (the "Cumulative Test"). The Cumulative Test shall be applied at the

end of any measurement period ("Catch-Up Year") with respect to any prior Non-Achievement Year provided both of the following conditions are satisfied: (I) a Financial Test is satisfied in the Catch-Up Year without respect to any prior period and (II) a Financial Test is satisfied in the Catch-Up Year on a cumulative basis beginning with the first measurement period occurring within the Vesting Period and ending with the Catch-Up Year. In the event that both of the conditions in the immediately preceding sentence are satisfied, the Restricted Shares that failed to vest in the Non-Achievement Year shall automatically vest on the Vesting Date applicable to the Catch-Up Year. For example, if vesting occurred in years one (1) and two (2), year three (3) is a Non-Achievement Year, and one of the Financial Tests is met in year four (4), the Cumulative Test may be used. Vesting in that portion of the Restricted Stock Award scheduled to vest in year three (3) will occur in year four (4) if either the aggregate FFO is thirty-two percent (32%) or the aggregate total return is sixty percent (60%) at the end of the fourth (4th) fiscal year. Rules for Application of the Cumulative Test: (a) it is not necessary for the Catch-Up Year to immediately succeed the Non-Achievement Year in order for the Cumulative Test to be applicable as long as the Catch-Up Year occurs during the Vesting Period and (b) it is not necessary for the same Financial Test to be satisfied in the Catch-Up Year, first on an independent and then on a cumulative basis, in order for conditions (I) and (II) above to be satisfied. Notwithstanding any contrary provisions contained in this Section 2(c), any Restricted Shares that have not been earned and vested by January 21, 2004 pursuant to the Cumulative Test shall automatically be canceled and forfeited.

-3-

(d) Lapse of Restrictions. Upon the Vesting of Restricted Shares, the Recipient shall own the Shares free and clear of all restrictions imposed by this Agreement and the Recipient shall be free to hold or dispose of such Shares in his discretion, subject to applicable federal and state law or regulations.

(e) Prohibition Against Assignment. During the Vesting Period, the Restricted Shares may not be transferred or encumbered by the Recipient by means of sale, assignment, mortgage, transfer, exchange, pledge, or otherwise. The levy of any execution, attachment, or similar process upon the Restricted Shares shall be null and void.

### 3. Stock Certificates.

(a) Certificates. Restricted Shares shall be evidenced by one or more stock certificates registered in the name of the Recipient or a nominee or nominees therefor. Prior to Vesting, the Company shall prepare and issue a certificate for the Restricted Shares (the "Share Certificate"), which shall be registered in the name of the Recipient and which shall bear such restrictive legend or legends (if any) as the Company may deem necessary or desirable under any applicable law.

(b) Stock Powers. The Recipient shall execute and deliver to the designee of the Company (the "Designee") a stock power designating the Company as the transferee of an unspecified number of Shares, which stock power may be completed by the Designee as specified herein. The Recipient and the Company each waive the requirement that the signature of the Recipient on the stock power be guaranteed. Upon receipt of a copy of this Agreement and the stock power, each signed by the Recipient, the Designee shall promptly notify the proper officers of the Company who shall cause the Share Certificate to be deposited with the Designee, to be held in accordance with the terms of the Employment Agreement and this Agreement.

-4-

(c) Effect of Vesting. Upon Vesting, the Company shall cause to be delivered to the Recipient (i) a certificate for the Shares which have vested free and clear of restrictive legends and (ii) any stock powers signed hereunder by the Recipient remaining in its possession. In the event that the Recipient dies after Vesting and before delivery of the certificate, such certificate shall be delivered to, and registered in the name of, the Recipient's beneficiary or estate, as the case may be.

(d) Rights of Stockholder. Except as otherwise provided in Section 2 and this Section 3, during the Vesting Period and after the certificates for the Restricted Shares have been issued, the Recipient shall be entitled to all rights of a stockholder of the Company, including the right to vote and the right to receive dividends, with respect to the Restricted Shares subject to this Agreement. Subject to applicable withholding requirements, if any, dividends on the Restricted Shares shall be paid to the Recipient when earned.

(e) Power of Designee. The Designee is hereby authorized by the Recipient to utilize the stock power delivered by the Recipient to transfer all forfeited Shares to the Company upon receipt of instructions from a duly authorized representative of the Company.



#### 4. Termination of Employment; Change in Control.

(a) Termination Without Cause, For Good Reason, Disability or Death; Change in Control. Unless otherwise provided in the Employment Agreement, if the Recipient's employment with the Company is terminated prior to the end of the Vesting Period set forth in this Agreement either by the Company without Cause, by the Recipient for Good Reason, or due to Disability or death, all Restricted Shares subject to this Agreement and held by, or on behalf of, the Recipient shall be deemed earned and vested as of the Recipient's last day of employment with the Company. In addition, unless otherwise provided in the Employment Agreement, all Restricted

-5-

Shares subject to this Agreement and held by the Recipient on the date a Change in Control occurs shall be deemed earned and vested as of such date.

(b) Termination for Any Other Reason. Unless otherwise provided in the Employment Agreement, if the Recipient's employment with the Company terminates prior to the end of the Vesting Period set forth in this Agreement for reasons other than those specified in Section 4(a) above, any Restricted Shares subject to this Agreement that have not been earned and vested prior to the Recipient's termination of employment shall be immediately forfeited on the last day of the Recipient's employment with the Company.

-6-

#### 5. Withholding.

In connection with the delivery of any stock certificates, or the making of any payment in accordance with the provisions of this Agreement, the Company shall withhold Shares or cash amounts (for fractional Shares) equal to the taxes then required by applicable federal, state and local law to be so withheld.

#### 6. Tax Gross-Up Payments.

(a) Entitlement to Tax Gross-Up Payments. The Recipient shall be entitled to receive a tax gross-up payment (the "Tax Gross-Up Payment") from the Company with respect to each tax year Restricted Shares covered by this Agreement are distributed to him. Each Tax Gross-Up Payment shall be a dollar amount equal to forty (40%) percent of the fair market value (as determined for tax purposes) of the Restricted Shares at time of distribution, exclusive of dividends.

(b) Termination of Employment Without Cause, for Good Reason, Disability or Death; Change in Control. Unless otherwise provided in the Employment Agreement, if the Recipient's employment with the Company is terminated prior to the end of the Vesting Period set forth in this Agreement either by the Company without Cause, by the Recipient for Good Reason, or due to Disability or death, or in the event a Change in Control occurs, a final Tax Gross-Up Payment shall be made to the Recipient (or his beneficiary, as the case may be) in a dollar amount equal to forty (40%) percent of the fair market value (as determined for tax purposes) of the Restricted Shares distributed to the Recipient (or his beneficiary). Payment of the final Tax Gross-Up Payment shall be made on the date the Restricted Shares are distributed or as soon as administratively feasible thereafter.

(c) Effect of Termination for Any Other Reason. Unless otherwise provided in the Employment Agreement, if the Recipient's employment with the Company terminates prior to the end of the Vesting Period set forth in this

-7-

Agreement for any reason other than those specified in Section 6(b) above, no further Tax Gross-Up Payments shall be made to such Recipient.

#### 7. Adjustments for Capital Changes.

In the event of any change in the outstanding share of Common Stock of the Company by reason of any Stock dividend or split, recapitalization, merger, consolidation, spin-off, reorganization, combination or exchange of shares, or other similar corporate change, or other increase or decrease in such shares effected without receipt or payment of consideration by the Company, a duly authorized representative of the Company shall adjust the number of Restricted Shares granted pursuant to the Employment Agreement and this Agreement to prevent dilution or enlargement of the rights granted to the Recipient.

#### 8. No Right to Continued Employment.

Nothing in this Agreement shall confer on the Recipient any right to continue as an employee of the Company or in any way affect the Company's or any

subsidiary's right to terminate the Recipient's employment at any time.

9. Notice.

Any notice to the Company hereunder shall be in writing addressed to:

Cali Realty Corporation  
11 Commerce Drive  
Cranford, New Jersey 07016

Attn: John R. Cali  
Chief Administrative Officer.

Any notice to the Recipient hereunder shall be in writing addressed to:

Mr. Thomas A. Rizk  
87 Braemer Drive  
Wayne, New Jersey 07470

or such other address as the Recipient shall notify the Company in writing.

10. Entire Agreement; Effect of Employment Agreement.

-8-

(a) Entire Agreement. This Agreement contains the entire understanding of the parties and shall not be modified or amended except in writing and duly signed by each of the parties hereto. No waiver by either party of any default under this Agreement shall be deemed a waiver of any later default thereof.

(b) Effect of Employment Agreement. In the event the Employment Agreement contains additional rights, duties and/or obligations with respect to the Recipient, such terms and conditions shall govern the Recipient's Restricted Share Award as if such terms and conditions had been set forth herein; and in the event of any conflict or inconsistency between the terms of the Employment Agreement, this Agreement, the terms and conditions of the Employment Agreement shall control.

11. Construction.

The various provisions of this Agreement are severable in their entirety. Any determination of invalidity or unenforceability of any one provision shall have no effect on the continuing force and effect of the remaining provisions.

12. Governing Law.

This Agreement shall be governed by the laws of the State of New Jersey applicable to contracts made, and to be enforced, within the State of New Jersey.

13. Successors.

This Agreement shall be binding upon and inure to the benefits of the successors, assigns and heirs of the respective parties.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement to be effective on the date first above written.

Cali Realty Corporation

-9-

By: /s/ John R. Cali  
-----  
Name: John R. Cali  
Title: Chief Administrative Officer

/s/ Thomas A. Rizk  
-----  
Thomas A. Rizk

-10-

STOCK PLEDGE AGREEMENT

STOCK PLEDGE AGREEMENT, dated as of January 21, 1997, made by Thomas A. Rizk, an individual residing at 87 Braemer Drive, Wayne, New Jersey 07470 (the "Pledgor"), to Cali Realty Corporation, a Maryland corporation, (the "Pledgee" or the "Company").

W I T N E S S E T H:

WHEREAS, the Pledgor is the record and beneficial owner of 96,000 shares of the issued and outstanding shares of common stock, \$.01 par value (the "Common Stock"), of the Company (such Common Stock being the "Pledged Shares"), acquired in connection with the Pledgor's amended and restated employment agreement with the Pledgee entered into as of January 21, 1997 (the "Employment Agreement");

WHEREAS, pursuant to the Employment Agreement, the Pledgor has agreed to secure, to the extent hereinafter set forth, the payment in full and the performance of the obligations of the Pledgor to the Pledgee under a non-recourse promissory note, dated as of the date hereof, in the amount of \$3,000,000 (such promissory note as it may hereafter be amended or otherwise modified from time to time, the "Note"); and the capitalized terms used herein, and not otherwise defined herein, are used with the meanings ascribed to them in the Note); and

WHEREAS, the Pledgor hereby pledges and grants a lien and security interest to Pledgee in the Pledged Shares to secure the Pledgor's obligations under the Note.

NOW, THEREFORE, in consideration of the premises and in order to induce the Pledgee to make the loan under the Note, the Pledgor hereby agrees as follows:

SECTION 1. Pledge. The Pledgor hereby pledges to the Pledgee, and grants to the Pledgee a security interest in the Pledged Shares and certificates representing the Pledged Shares, and all dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Pledged Shares, and all proceeds thereof, additions thereto and changes therein (the "Pledged Collateral").

SECTION 2. Security for Obligations; Non-Recourse Obligations. (a) This Agreement secures the payment of all liabilities, obligations and indebtedness of any and every kind and nature heretofore, now or hereafter owing, arising, due or payable from the Pledgor to the Pledgee pursuant to the Note, however evidenced, created, incurred, acquired or owing, whether primary or secondary, direct or indirect, joint or several, contingent or fixed, or otherwise, including without limitation, obligations of performance, and whether arising under any other agreements, documents or instruments entered into in connection with the Note, now or hereafter given by the Pledgor to the Pledgee and whether arising by book entry, agreement or operation of law and whether or not evidenced by promissory notes or other evidences of indebtedness (all such obligations of the Pledgor being the "Obligations").

(b) It is expressly understood and agreed that it is the intention of the parties that the Obligations of the Pledgor under the Note are non-recourse obligations of the Pledgor and

that the Pledgee's right to recover against the Pledgor hereunder in respect of such Obligations shall be limited solely to the Pledged Collateral.

SECTION 3. Delivery and Release of Pledged Collateral. (a) All certificates or instruments representing or evidencing the Pledged Collateral shall be delivered to and held by or on behalf of the Pledgee pursuant hereto and shall be in suitable form for transfer by delivery, or shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to the Pledgee. The Pledgee shall hold the Pledged Collateral in the form in which it is delivered to the Pledgee unless and until the occurrence and continuation of an Event of Default under the Note (unless such Event of Default is waived by the Pledgee) or as otherwise provided in paragraph 3(b) below. Upon the occurrence and continuance of an Event of Default under the Note, the Pledgee shall have the right, at any time in its discretion and without notice to the Pledgor, to transfer to or to register in the name of the Pledgee or any of its nominees any or all of the Pledged Collateral, subject only to the revocable rights specified in Section 6(a) below. In addition, the Pledgee shall have the right at any time to exchange certificates or instruments representing or evidencing Pledged Collateral for certificates or instruments of smaller or larger denominations.

(b) On the first anniversary date of this Agreement, and on each anniversary date and each March 31, June 30 and September 30 thereafter for the term of this Agreement (each such date a "Determination Date"), the Pledgee shall reasonably determine the aggregate fair market value of the Pledged Collateral (the "Market Value"). If on such Determination Date the Market Value exceeds one hundred ten percent (110%) of the aggregate principal amount of the

Note (together with interest accrued thereon) on such Determination Date (the "Base Value"), Pledgee shall, unless otherwise requested by Pledgor, automatically release to the Pledgor such portion of the Pledged Collateral the aggregate fair market value of which equals the Market Value less 110% of the Base Value, free and clear of any and all encumbrances hereunder. For purposes of this paragraph 3(b), "fair market value" shall mean the closing price of the Common Stock as quoted on the New York Stock Exchange at the end of the last business day preceding the Determination Date as reported in the New York edition of The Wall Street Journal.

SECTION 4. Representations and Warranties. The Pledgor represents and warrants as follows:

(a) The Pledgor is the legal and beneficial owner of the Pledged Collateral free and clear of any lien, adverse claim, security interest, option or other charge or encumbrance, except for the security interest created by this Agreement.

(b) The pledge of the Pledged Collateral pursuant to this Agreement creates a valid and perfected first priority security interest in the Pledged Collateral, securing the payment of the Obligations.

(c) Neither the execution or delivery of this Agreement, nor the consummation of the transactions contemplated hereby, nor the compliance with or performance of the terms and conditions of this Agreement by the Pledgor is prevented by, limited by, conflicts with or will result in the breach or violation of or a default under the terms, conditions or provisions of (i) any mortgage, security agreement, indenture, evidence of indebtedness, loan or financing agreement, trust agreement, stockholder agreement, or other agreement or instrument to which the Pledgor is a party or by which he is bound or (ii) any provision of law, any order of any court or administrative agency or any rule or regulation applicable to the Pledgor, subject to applicable state and federal securities laws.

2

(d) This Agreement constitutes the legal, valid and binding obligation of the Pledgor, enforceable in accordance with its terms.

(e) There are no actions, suits or proceedings (whether or not purportedly on behalf of the Pledgor) pending or, to the best knowledge of the Pledgor, threatened affecting the Pledgor that involve the Pledged Collateral.

(f) All consents or approvals, if any, required as a condition precedent to or in connection with the due and valid execution, delivery and performance by the Pledgor of this Agreement have been obtained, subject to applicable state and federal securities laws.

SECTION 5. Further Assurances. The Pledgor agrees that at any time and from time to time, at the expense of the Pledgor, the Pledgor will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that the Pledgee may reasonably request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable the Pledgee to exercise and enforce its rights and remedies hereunder, subject to applicable state and federal securities laws, with respect to any Pledged Collateral.

SECTION 6. Voting Rights; Dividends, Etc. (a) So long as no Event of Default under the Note shall have occurred and be continuing:

(i) The Pledgor shall be entitled to exercise any and all voting and other consensual rights pertaining to the Pledged Collateral or any part thereof for any purpose not inconsistent with the terms of this Agreement or the Note.

(ii) The Pledgor shall be entitled to receive and retain any and all dividends and interest paid in respect of the Pledged Collateral; provided, however, that any and all:

(A) dividends and interest paid or payable other than in cash in respect of, and instruments and other property received, receivable or otherwise distributed in respect of, or in exchange for, any Pledged Collateral (whether resulting from a subdivision, combination or reclassification of the outstanding capital stock of the Company, or any merger, consolidation, acquisition or other exchange of assets or securities to which the Company may be a party, or any conversion, call or redemption, or otherwise);

(B) dividends and other distributions paid or payable in cash in respect of any Pledged Collateral in connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid-in-surplus; and

(C) cash paid, payable or otherwise distributed in respect of principal of, or in redemption of, or in exchange for, any Pledged Collateral,

shall be, at the option and request of the Pledgee, forthwith delivered to the Pledgee to hold as Pledged Collateral and shall, if received by the Pledgor, be received in trust for the benefit of the Pledgee, be segregated from the other property or funds of the Pledgor, and be forthwith delivered to the Pledgee as Pledged Collateral in the same form as so received (with any necessary endorsement).

3

(iii) The Pledgee shall execute and deliver (or cause to be executed and delivered) to the Pledgor all such proxies and other instruments as the Pledgor may reasonably request for the purpose of enabling the Pledgor to exercise the voting and other rights which he is entitled to exercise pursuant to paragraph (i) above and to receive the dividends or interest payments which he is authorized to receive and retain pursuant to paragraph (ii) above.

(b) Upon the occurrence and during the continuance of an Event of Default under the Note, and at the election of Pledgee:

(i) All rights of the Pledgor to exercise the voting and other consensual rights which he would otherwise be entitled to exercise pursuant to Section 6(a)(i) and to receive the dividends and interest payments which he would otherwise be authorized to receive and retain pursuant to Section 6(a)(ii) shall cease for the period subsequent to the Event of Default, and all such rights shall thereupon become vested in the Pledgee who shall thereupon have the sole right to exercise such voting and other consensual rights and to receive and hold as Pledged Collateral such dividends and interest payments.

(ii) All dividends and interest payments which are received by the Pledgor contrary to the provisions of paragraph (i) of this Section 6(b) shall be received in trust for the benefit of the Pledgee, shall be segregated from other funds of the Pledgor and shall be forthwith paid over to the Pledgee as Pledged Collateral in the same form as so received (with any necessary endorsement).

(c) In the event that during the term of this Agreement subscription warrants or other rights or options shall be issued in connection with the Pledged Collateral, all such stock warrants, rights and options shall forthwith be assigned by the Pledgor to the Pledgee and said stock warrants, rights and options shall be, and, to the extent exercised by Pledgor, all new stock issued pursuant thereto shall be pledged by Pledgor to Pledgee to be held as, and shall be deemed to be part of, the "Pledged Collateral" under the terms of this Agreement in the same manner as the shares of stock originally pledged hereunder.

SECTION 7. Transfers and Other Liens; Additional Shares. The Pledgor agrees that he will not (i) sell or otherwise dispose of, or grant any option with respect to, any of the Pledged Collateral, or (ii) create or permit to exist any lien, security interest, or other charge or encumbrance upon or with respect to any of the Pledged Collateral, except for the security interest under this Agreement.

SECTION 8. Litigation Respecting Pledged Shares. In the event any action, suit or other proceeding at law, in equity, in arbitration or before any other authority involving or affecting the Pledged Collateral becomes known to or is contemplated by the Pledgor, the Pledgor shall give the Pledgee immediate notice thereof and if the Pledgor is contemplating such action, suit or other proceeding, the Pledgor shall receive the written consent of the Pledgee prior to commencing any such action, suit or other proceeding.

SECTION 9. Pledgee Appointed Attorney-in-Fact. (a) If an Event of Default shall occur and be continuing under the Note (unless such Event of Default is waived by the Pledgee), Pledgor hereby appoints the Pledgee (and any officer or agent of the Pledgee with full power of substitution and revocation) the Pledgor's true and lawful attorney-in-fact, with full authority in the place and stead of the Pledgor and in the name of the Pledgor or otherwise, from time to time in the Pledgee's discretion to take any action and to execute any instrument which the Pledgee may deem necessary or advisable to accomplish the purposes of this Agreement, including,

4

without limitation, (i) to receive, endorse and collect all instruments made payable to the Pledgor representing any dividend, interest payment or other distribution in respect of the Pledged Collateral or any part thereof and to give full discharge for the same; and (ii) to transfer the Pledged Collateral on

the books of the Company, in whole or in part, to the name of the Pledgee or such other person or persons as the Pledgee may designate; take possession of and endorse any one or more checks, drafts, bills of exchange, money orders or any other documents received on account of the Pledged Collateral; collect, sue for and give acquittances for moneys due on account of the foregoing; withdraw any claims, suits, or proceedings pertaining to or arising out of the foregoing; execute and record or file on behalf of the Pledgor any evidence of a security interest contemplated by this Agreement or any refiling, continuation or extension thereof; take any other action contemplated by this Agreement; and sign, execute, acknowledge, swear to, verify, deliver, file, record and publish any one or more of the foregoing.

(b) The powers of attorney which shall be granted pursuant to Section 9(a) and all authority thereby conferred shall be granted and conferred solely to protect the Pledgee's interests in the Pledged Collateral and shall not impose any duty upon the attorney-in-fact to exercise such powers. Such powers of attorney shall be irrevocable prior to the performance in full of the Obligations and shall not be terminated prior thereto or affected by any act of the Pledgor or other person or by operation of law, including, but not limited to, the dissolution, death, disability or incompetency of any person, the termination of any trust, or the occurrence of any other event, and if the Pledgor or any other person should be dissolved or die or become disabled or incompetent or any other event should occur before the performance in full of the Obligations and termination of this Agreement, such attorney-in-fact shall nevertheless be fully authorized to act under such powers of attorney as if such dissolution, death, disability or incompetency or other event had not occurred and regardless of notice thereof.

(c) Each person who shall be a transferee of the beneficial ownership of the Pledged Collateral, by the acceptance of such a transfer, shall be deemed to have irrevocably appointed the Pledgee, with full power of substitution and revocation, such person's true and lawful attorney-in-fact in such person's name and otherwise to do any and all acts permitted to, and to exercise any and all powers herein conferred upon, such attorney-in-fact.

SECTION 10. Reasonable Care. The Pledgee shall be deemed to have exercised reasonable care in the custody and preservation of the Pledged Collateral in its possession if the Pledged Collateral is accorded treatment substantially equal to that which the Pledgee accords its own property, it being understood that the Pledgee shall not have any responsibility for (i) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Pledged Collateral, whether or not the Pledgee has or is deemed to have knowledge of such matters, or (ii) taking any necessary steps to preserve rights against any parties with respect to any Pledged Collateral.

#### SECTION 11. Remedies Upon Event of Default.

(a) Subject to Section 2(b) hereof, if any Event of Default under the Note shall have occurred and be continuing (unless such Event of Default is waived by the Pledgee), for the period subsequent to the Event of Default:

(i) The Pledgee may receive and retain all payments of any kind with respect to the Pledged Collateral and may notify the obligors or other parties, if any, interested in any items of Pledged Collateral of the interest of the Pledgee therein and of any action proposed to be taken with respect thereto, and inform any of those parties that all payments otherwise payable to the Pledgor with

5

respect thereto shall be made to the Pledgee until all amounts due under the Note have been paid in full;

(ii) The Pledgee may exercise in respect of the Pledged Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the Uniform Commercial Code (the "Code") in effect in the State of New Jersey at that time, and the Pledgee may also, without notice except as specified below, sell the Pledged Collateral or any part thereof in one or more parcels at public or private sale, at any exchange, broker's board or at any of the Pledgee's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Pledgee may deem commercially reasonable. The Pledgor agrees that, to the extent notice of sale shall be required by law, at least ten days' notice to the Pledgor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Pledgee shall not be obligated to make any sale of Pledged Collateral regardless of notice of sale having been given. The Pledgee may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned;

(iii) Any cash held by the Pledgee as Pledged Collateral and all cash proceeds received by the Pledgee in respect of any sale of, collection from, or other realization upon all or any part of the Pledged Collateral may, in the discretion of the Pledgee, be held by the Pledgee as collateral for, and/or then or at any time thereafter applied in whole or in part by the Pledgee against, all or any part of the Obligations in such order as the Pledgee shall elect. Any surplus of such cash or cash proceeds held by the Pledgee and remaining after payment in full of all the Obligations shall be paid over to the Pledgor or to whomsoever may be lawfully entitled to receive such surplus; and

(iv) The Pledgee may otherwise use or deal from time to time with the Pledged Collateral, in whole or in part, in all respects as if the Pledgee were the outright owner thereof.

(b) Except as set forth in Section 11(a)(iii), the Pledgee shall have the sole right to determine the order in which Obligations shall be deemed discharged by the application of the Pledged Collateral or any other property or money held hereunder or any amount realized thereon. Any requirement of reasonable notice imposed by law shall be deemed met if such notice is in writing and is mailed, telegraphed or hand delivered to the Pledgor at least three days prior to the sale, disposition or other event giving rise to such notice requirement.

(c) The Pledgee shall collect the cash proceeds received from any sale or other disposition or from any other source contemplated by subsection (a) above and shall apply the full proceeds in accordance with the provisions of this Agreement.

(d) Notwithstanding the foregoing, none of the provisions of this Section 11 shall confer on the Pledgee any rights or privileges that are not permissible under applicable law. The Pledgee may effect the provisions of this section 11 only in compliance with all applicable federal and state securities laws.

6

(e) In connection with the provisions of this Agreement, the Pledgor from time to time shall promptly execute and deliver, or cause to be executed and delivered, to the Pledgee such documents and instruments, shall join in such notices and shall take, or cause to be taken, such other lawful actions as the Pledgee shall deem reasonably necessary or desirable to enable it to exercise any of the rights with respect to the Pledged Collateral granted to it pursuant to this Agreement.

SECTION 12. Waivers and Amendments, Etc. The rights and remedies given hereby are in addition to all others however arising, but it is not intended that any right or remedy be exercised in any jurisdiction in which such exercise would be prohibited by law. No action, failure to act or knowledge of the Pledgee shall be deemed to constitute a waiver of any power, right or remedy hereunder, nor shall any single or partial exercise thereof preclude any further exercise thereof or the exercise of any other power, right or remedy. Any waiver or consent respecting any covenant, representation, warranty or other term or provision of this Agreement shall be effective only in the specified instance and for the specific purpose for which given and shall not be deemed, regardless of frequency given, to be a further or continuing waiver or consent. The failure or delay of the Pledgee at any time or times to require performance of, or to exercise its rights with respect to, any representation, warranty, covenant or other term or provision of this Agreement in no manner shall affect its right at a later time to enforce any such provision. No notice to or demand on a party in any case shall entitle such party to any other or further notice or demand in the same, similar or other circumstances. Any right or power of the Pledgee hereunder respecting the Pledged Collateral and any other property or money held hereunder may at the option of the Pledgee be exercised as to all or any part of the same and the term the "Pledged Collateral" wherever used herein, unless the context clearly requires otherwise, shall be deemed to mean (and shall be read as) the "Pledged Collateral and any other property or money held hereunder or any part thereof". This Agreement shall not be amended nor shall any right hereunder be deemed waived except by a written agreement expressly setting forth the amendment or waiver and signed by the party against whom or which such amendment or waiver is sought to be charged.

SECTION 13. Notices. All notices hereunder shall be given and deemed received as set forth in the Note.

SECTION 14. Continuing Security Interest and Reinstatement. (a) This Agreement shall create a continuing security interest in the Pledged Collateral and shall (i) be binding upon the Pledgor, his heirs, successors and assigns, and (ii) inure to the benefit of the Pledgee and its successors, transferees and assigns. Upon the payment in full or performance of the Obligations, the Pledgor shall be entitled to the return, upon his request and at his expense, of such of the Pledged Collateral as shall not have been released, sold or otherwise

applied pursuant to the terms of the Agreement.

(b) If at any time after payment in full by the Pledgor of all Obligations and termination of the pledge granted in this Agreement, any payments on Obligations theretofore made by the Pledgor must be disgorged by the Pledgee for any reason whatsoever, this Agreement and the pledge granted hereunder shall be reinstated as to all disgorged payments as though such payments had not been made, and the Pledgor shall sign and deliver to Pledgee all documents and things necessary to reperfect the terminated pledge.

SECTION 15. Severability. In the event that any provision of this Agreement shall be determined to be superseded, invalid or otherwise unenforceable pursuant to applicable law, such determination shall not affect the validity of the remaining provisions of this Agreement, and the remaining provisions of this Agreement shall be enforced as if the invalid provision were

deleted.

SECTION 16. Survival of Representations, etc. All representations, warranties, covenants and other agreements made herein shall survive the execution and delivery of this Agreement and shall continue in full force and effect until all amounts due under the Note have been paid in full. This Agreement shall remain and continue in full force and effect without regard to any modification, execution, renewal, amendment or waiver of any provision of the Note.

SECTION 17. Termination and Return of Pledged Stock. This Agreement shall continue in full force and effect until all of the Obligations shall have been paid and satisfied or until the release, discharge or termination of the Note, whichever last occurs. Upon the termination of this Agreement, the Pledgee shall cause to be transferred to Pledgor all of the Pledged Collateral and any money, property and rights received by Pledgor pursuant thereto, to the extent Pledgee has not released, taken, sold or otherwise realized upon the same pursuant to its rights and obligations hereunder.

SECTION 18. Transfer and Assignment. The Pledgee may transfer the Pledged Collateral and any other property or money held hereunder to any transferee of the Obligations or any part thereof. The transferee shall thereupon succeed to all of the Pledgee's rights hereunder with respect to the Pledged Collateral so transferred. Thereafter, the Pledgee shall have no obligation to Pledgor with respect to the Pledged Collateral so transferred. The Pledgee shall, however, retain all of its rights and powers with respect to any part of the Pledged Collateral not transferred. Every agent or nominee of the Pledgee shall have the benefit of this Agreement as if named herein and may exercise all of the rights and powers given to the Pledgee hereunder.

SECTION 19. Entire Agreement. This Agreement, the Secured Non-Recourse Promissory Note and the Employment Agreement contain the entire agreement of the parties and supersedes all other agreements, understandings and representations, oral or otherwise, between the parties with respect to the matters contained herein. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors, assigns, heirs, administrators, fiduciaries, next of kin and executors. Section headings used herein are for convenience only and shall not affect the meaning or construction of any of the provisions hereof. This Agreement may be executed in any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument. In the event of any conflict among any of the documents referred to above, the terms of the Employment Agreement shall prevail.

SECTION 20. Governing Law; Terms. This Agreement shall be governed by and construed in accordance with the substantive laws of the State of New Jersey without giving effect to its conflict of laws provisions. Unless otherwise defined herein or in the Note, terms defined in Article 9 of the Uniform Commercial Code in the State of New Jersey are used herein as therein defined.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the date first above written.

/s/ Thomas A. Rizk  
-----  
Thomas A. Rizk

CALI REALTY CORPORATION

By: /s/ John R. Cali  
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Name: John R. Cali  
Title: Chief Administrative Officer

SECURED NON-RECOURSE PROMISSORY NOTE

January 21, 1997

\$3,000,000

FOR VALUE RECEIVED, Thomas A. Rizk, an individual residing at 87 Braemer Drive, Wayne, New Jersey 07470 ("Payor"), hereby promises to pay to Cali Realty Corporation, a Maryland corporation ("Payee" or the "Company"), or its assigns, the principal amount of three million dollars exactly (\$3,000,000), together with all interest accrued thereon calculated from the date hereof in accordance with the provisions of Section 1 hereof. Certain capitalized terms used in this Secured Non-Recourse Promissory Note (the "Note") are defined in Section 6 below.

This Note is being made by Payor in order to finance the Payor's purchase of 96,000 shares of common stock, par value \$.01 per share, of the Company (the "Common Stock") from the Company pursuant to the Payor's amended and restated employment agreement with Payee entered into as of January 21, 1997 (the "Employment Agreement").

This Note is secured by the Pledged Collateral under the terms of the Stock Pledge Agreement and is entitled to the benefits thereof.

1. Accrual of Interest. Interest will accrue on the unpaid principal amount of this Note from and after the date hereof on a daily basis at the rate per annum equal to 6.21%, as set forth in the Employment Agreement, and such interest shall be compounded annually, calculated on the basis of a 365 day year. Unless forgiven as contemplated herein, interest shall be payable annually in arrears on each anniversary date hereof.

2. Payment of Note.

(a) Maturity Date. Except as provided in Sections 2(b) and (c) and Sections 3 and 4 below, the entire unpaid principal balance of this Note (together with interest accrued thereon) shall become due and payable on the fifth anniversary of the date of this Note.

(b) Forgiveness of Loan. The principal amount of this Note shall be automatically forgiven ratably over a five (5) year term in annual equal twenty percent (20%) increments commencing on the first anniversary of the date of this Note and each anniversary thereafter. All then accrued but unpaid interest on this Note shall also be automatically forgiven annually on each applicable anniversary date; provided, however, subject to the provisions of Sections 3 and 4 hereof, the forgiveness of each principal

portion of this Note plus interest shall be conditioned upon Payor being in the employ of the Company on the applicable anniversary date.

(c) Change in Control. Pursuant to the Employment Agreement, in the event of a Change in Control (as defined in the Employment Agreement) or in the absence thereof in the Cali Realty Corporation Employee Stock Option Plan) the entire unpaid principal amount of this Note (including any accrued but unpaid interest) shall automatically be accelerated and forgiven, and no portion of this Note shall become due or payable at any time thereafter.

(d) Non-Recourse Obligations. Notwithstanding anything to the contrary stated herein, Payee agrees that for payment of this Note it will look solely to the Pledged Collateral and such other collateral, if any, as may now or hereafter be given to secure the payment of this Note, and no other assets of Payor shall be subject to levy, execution or other enforcement procedure for the satisfaction of the remedies of Payee, or for any payment required to be made under this Note.

3. Effect of Termination of Employment Due to Disability or Death. In the event Payor terminates employment with the Company prior to the expiration of the term of this Note due to his disability (as determined pursuant to the terms of the Employment Agreement or in the absence thereof by the Committee in its discretion) or death, the entire unpaid balance of this Note plus interest shall automatically be accelerated and forgiven on the first day of the calendar month next succeeding Payor's disability or death, and no portion of this Note shall become due or payable at any time thereafter.

4. Effect of Termination of Employment For Any Other Reason. (a) Subject to paragraph (b) below, in the event Payor terminates employment with the Company or the Company terminates Payor's employment with the Company, in each case prior to the expiration of the term of this Note for any reason other than disability or death, there shall be no further forgiveness of the principal or the interest of this Note and the entire unpaid balance of this Note plus interest shall automatically be accelerated and become due and payable to the Company on the effective date of Payor's termination of employment with the Company.

(b) In the event Company terminates Payor's employment with the Company

without Cause or Payor terminates employment with the Company for Good Reason (as determined pursuant to the terms of the Employment Agreement), in each case prior to the expiration of the term of this Note, the entire unpaid balance of this Note plus interest shall automatically be forgiven on the effective date of such termination, and no portion of this Note nor any interest thereon shall become due or payable at any time thereafter.

2

#### 5. Events of Default.

(a) Definition. For purposes of this Note, an Event of Default shall be deemed to have occurred if:

(i) Payor fails to pay when due any amount (whether interest, principal or other amount) then due or payable on this Note for a period of ten (10) days after the holder of this Note notifies Payor of such failure;

(ii) Payor fails to perform or observe any other provision contained in this Note or the Stock Pledge Agreement and such failure continues unremedied for a period of thirty (30) days after the holder of this Note notifies Payor of such breach; or

(iii) If an event set forth in Section 4 hereof has occurred, Payor makes an assignment for the benefit of creditors or admits in writing his inability to pay his debts generally as they become due; or an order, judgment or decree is entered adjudicating Payor bankrupt or insolvent; or any order for relief with respect to Payor is entered under the Bankruptcy Code; or Payor petitions or applies to any tribunal for the appointment of a custodian, trustee, receiver or liquidator, or commences any proceeding relating to himself under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction; or any such petition or application is filed, or any such proceeding is commenced, against Payor and either (a) Payor in writing indicates his approval thereof, consents thereto or acquiesces therein or (b) such petition, application or proceeding is not dismissed within ninety (90) days.

#### (b) Consequences of Events of Default.

(i) If any Event of Default (other than the type described in paragraph 3(a)(iii) hereof has occurred, the holder of this Note may demand (by written notice delivered to Payor) immediate payment of all or any portion of the outstanding principal amount of this Note together with any and all accrued interest thereon, which amount shall become due and payable upon such demand. If an Event of Default of the type described in paragraph 3(a)(iii) has occurred, then all of the outstanding principal amount of this Note together with any and all accrued interest thereon shall automatically be immediately due and payable without any action on the part of the holder of this Note.

(ii) Each holder of this Note shall also have any other rights which such holder may have been afforded under this Note or the Stock Pledge Agreement at any time and any other rights which such holder may have pursuant to applicable law.

3

6. Certain Defined Terms. As used in this Note, the following terms shall have the following meanings:

"Bankruptcy Code" means the Bankruptcy Code of 1978, as amended.

"Committee" means the Compensation Committee of the Board of Directors of the Company.

"Pledged Collateral" means the Common Stock pledged by Payor under the Stock Pledge Agreement as security for Payor's performance of his obligations under this Note.

"Stock Pledge Agreement" means the Stock Pledge Agreement dated the date hereof between Payor and the Company.

7. Amendment and Waiver. Except as otherwise expressly provided herein, the provisions of this Note may not be amended and Payor may not take any action prohibited herein, or omit to perform any act required to be performed by him herein, unless Payor has obtained the prior written consent of the holder of this Note.

8. Cancellation. After all obligations for the payment of money arising under this Note have been paid in full, this Note will be surrendered to Payor for cancellation.

9. Tax Withholding. The Company shall have the right to deduct and withhold from any amounts which become taxable to Payor hereunder all employment and other federal, state and local taxes and charges which are, or which may hereafter, be required by law to be so deducted or withheld.

10. Notices; Place of Payment. Any notice hereunder shall be in writing and shall be delivered by recognized courier, facsimile or certified mail, return receipt requested, and shall be conclusively deemed to have been received by a party hereto and to be effective on the day on which delivered or facsimiled to such party at its address set forth below (or at such other address as such party shall specify in writing):

If to Payor: Thomas A. Rizk  
87 Braemer Drive  
Wayne, New Jersey 07470

If to Payee: Cali Realty Corporation  
11 Commerce Drive  
Cranford, New Jersey 07016  
Attn: John R. Cali  
Chief Administrative Officer

4

All payments to be made under this Note are to be delivered to the holder at such address or to the attention of such person as the holder may designate by prior written notice to Payor. At the request of the holder of this Note, all payments shall be made by wire transfer of immediately available funds to an account which the holder may designate from time to time.

11. Waiver of Presentment, Demand, Dishonor.

(a) Payor hereby waives presentment for payment, protest, demand, notice of protest, notice of nonpayment and diligence with respect to this Note, and waives and renounces all rights to the benefits of any statute of limitations or any moratorium, appraisal, exemption, or homestead now provided or that hereafter may be provided by any federal or applicable state statute, including but not limited to exemptions provided or allowed under the Bankruptcy Code, both as to himself and as to all of his property, whether real or personal, against the enforcement and collection of the obligations evidenced by this Note and any and all extensions, renewals and modifications hereof.

(b) No failure on the part of any holder of this Note to exercise any right or remedy hereunder with respect to Payor, whether before or after the happening of an Event of Default, shall constitute waiver of any such Event of Default or of any other Event of Default by such holder or on behalf of any other holder. No failure to accelerate the debt of Payor evidenced hereby by reason of an Event of Default or indulgence granted from time to time shall be construed to be a waiver of the right to insist upon prompt payment thereafter, or shall be deemed to be a novation of this Note or a reinstatement of such debt evidenced hereby or a waiver of such right of acceleration or any other right, or be construed so as to preclude the exercise of any right any holder of this Note may have, whether by the laws of the state governing this Note, by agreement or otherwise, and Payor hereby expressly waives the benefit of any statute or rule of law or equity that would produce a result contrary to or in conflict with the foregoing.

12. Governing Law. The validity, construction and interpretation of this Note shall be governed by and construed in accordance with the internal laws of the State of New Jersey.

13. Transfer; Assignment. This Note may not be negotiated, assigned or transferred by Payor at any time, except with Payee's prior written consent. This Note may not be negotiated, assigned or transferred by Payee except in connection with the sale of all or substantially all of Payee's assets if the transferee expressly assumes Payee's obligations under the Employment Agreement.

14. Entire Agreement. This Secured Non-Recourse Promissory Note, the Stock Pledge Agreement and the Employment Agreement contain the entire agreement of the parties and supersedes all other agreements, understandings and representations, oral or otherwise, between the parties with respect to

5

the matters contained herein. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors, assigns, heirs, administrators, fiduciaries, next of kin and executors. Section headings used herein are for convenience only and shall not affect the meaning or construction of any of the provisions hereof. This Agreement may be executed in any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument. In the event of any conflict among any of the documents referred to above, the terms of the Employment Agreement shall prevail.

IN WITNESS WHEREOF, Payor has executed and delivered this Secured  
Non-Recourse Promissory Note on the date first written above.

/s/ Thomas A. Rizk

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Thomas A. Rizk

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EMPLOYMENT AGREEMENT

FOR

ROGER W. THOMAS

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TABLE OF CONTENTS

	Page
	----
1. Employment.....	1
2. Services.....	2
3. Compensation and Benefits.....	3
4. Termination of Employment and Change in Control.....	7
5. Confidential Information.....	15
6. Return of Documents.....	16
7. Noncompete.....	17
8. Remedies.....	18
9. Successors and Assigns.....	19
10. Timing of and No Duplication of Payments/ Tax Withholding.....	20
11. Modification or Waiver.....	20
12. Notices.....	21
13. Governing Law.....	21
14. Severability.....	21
15. Counterparts.....	22
16. Headings.....	22
17. Entire Agreement.....	22
18. Survival of Agreements.....	22

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is entered into as of January 21, 1997, by and between Roger W. Thomas, an individual residing at #PHA, 30 West 90th Street, New York, New York 10024 ("Executive"), and Cali Realty Corporation, a Maryland corporation with offices at 11 Commerce Drive, Cranford, New Jersey 07016 (the "Company").

RECITALS

WHEREAS, the Executive has served as Vice President, General Counsel and Assistant Secretary of the Company and, through such service, has acquired special and unique knowledge, abilities and expertise; and

WHEREAS, the Company desires to continue to employ the Executive, and the Executive desires to continue to be employed by the Company, pursuant to the terms set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements set forth herein, the parties hereby agree as follows:

1. Employment.

The Company hereby agrees to employ Executive, and Executive hereby agrees to be employed by the Company, for a term commencing on the date hereof and expiring on January 21, 2002; provided, however, that commencing on January 21, 2002 and each January 21 thereafter, the term of this Agreement shall be extended automatically for one (1) additional year unless at least ninety (90) days prior to the

applicable expiration date either the Company or Executive shall have given written notice to the other party that such party does not wish to extend this Agreement. It being agreed and understood that the extension of this Agreement shall not create an obligation of the Company to issue new awards to Executive hereunder. The term of this Agreement, as it may be extended from time to time in accordance with this Paragraph 1, is referred to herein as the "Employment Period."

2. Services.

During the Employment Period, Executive shall hold the positions of Vice President, General Counsel and Assistant Secretary of the Company and shall devote his best efforts and substantially all of his business time, skill and attention to the business of the Company, and shall perform such duties as are customarily performed by similar executive officers and as may be more specifically enumerated from time to time by the Board of Directors of the Company (the "Board") or the Executive Committee of the Board, if any; provided,

however, that the foregoing is not intended to (a) preclude Executive from (i) owning and managing personal investments, including real estate investments, subject to the restrictions set forth in Paragraph 7 hereof or (ii) engaging in charitable activities and community affairs, or (b) restrict or otherwise limit Executive from conducting real estate development, acquisition or management activities with respect to those properties described in Schedule A, attached hereto, (the "Excluded Properties"), provided that the performance of the activities referred to in clauses (a) and (b) does not prevent Executive from devoting substantially all of his business time to the Company.

2

### 3. Compensation and Benefits.

During the Employment Period, the Company shall pay Executive a minimum annual base salary in the amount of \$185,000, ( the "Annual Base Salary"), payable in accordance with the Company's regular payroll practices. In addition, Executive also shall be eligible for incentive compensation payable each year in such amounts as may be determined by the Compensation Committee of the Board (the "Compensation Committee") based upon, among other factors, growth in Funds from Operations per Common Share (as hereinafter defined) for the year. Executive's Annual Base Salary shall be reviewed annually in accordance with the policy of the Company from time to time and may be subject to upward adjustment based on, among other things, Executive's performance, as determined in the sole discretion of the Compensation Committee. The Company shall have the right to deduct and withhold from all compensation all social security and other federal, state and local taxes and charges which currently are or which hereafter may be required by law to be so deducted and withheld. In addition to the compensation specified above and other benefits provided pursuant to this Paragraph 3, Executive shall be entitled to the following benefits:

- (a) participation in the Employee Stock Option Plan of Cali Realty Corporation (the "Stock Option Plan") and other benefit plans (including without limitation the Cali Realty Corporation 401(k) Savings and Retirement Plan and any other stock option plans which may be adopted or maintained by the Company) made generally available to executives of the Company with such participation to be consistent with reasonable Company guidelines;
- (b) participation in any health insurance, disability insurance, group life insurance or other welfare benefit program made generally available to executives of the Company; and

3

- (c) reimbursement for reasonable business expenses incurred by Executive in furtherance of the interests of the Company.

In addition, Executive shall be entitled to receive such bonuses and options to purchase shares of common stock, par value \$0.01 per share, of the Company (the "Common Stock") as the Board shall approve, in its sole discretion, including, without limitation, options and bonuses contingent upon Executive's performance and the achievement of specified financial and operating objectives for Funds from Operations per Common Share. For purposes of this Agreement, "Funds from Operations per Common Share" for any period shall mean (i) net income (loss) before minority interest of unit holders, computed in accordance with generally accepted accounting principles ("GAAP"), excluding gains (or losses) from debt restructuring and sale of property, plus real estate return, depreciation and amortization as calculated in accordance with the National Association of Real Estate Investment Trusts definition published in March 1995, as amended from time to time, and as applied in accordance with the accounting practices and policies of the Company in effect from time to time on a consistent basis to the entire Employment Period, divided by (ii) the sum of (A) the primary weighted average number of outstanding shares of Common Stock as it appears in the Company's financial statement for the applicable period and (B) the primary weighted average number of outstanding limited partnership units of Cali Realty, L.P., a Delaware limited partnership of which the Company is the sole general partner, for the applicable period.

As further consideration for Executive agreeing to serve as an officer and entering into this Agreement upon the terms set forth herein, including, without

4

limitation, the terms relating to noncompetition set forth in Paragraph 7 below, the Company shall, concurrently herewith or as soon as practicable after the execution of this Agreement:

- (a) grant to Executive 9,260 restricted shares of Common Stock

("Restricted Shares") pursuant to the terms and conditions of this Agreement and the written agreement issued pursuant to this Agreement, evidencing such award executed between the Company and Executive (the "Restricted Share Agreement"). In the event of a conflict between the Restricted Share Agreement and this Agreement, the terms of this Agreement shall control.

The Restricted Share Award (as defined in the Restricted Share Agreement) is scheduled to vest over five (5) years with twenty percent (20%) of the Restricted Shares vesting on each of the first anniversary of the date hereof (the "First Anniversary"), the second anniversary of the date hereof (the "Second Anniversary"), the third anniversary of the date hereof (the "Third Anniversary"), the fourth anniversary of the date hereof (the "Fourth Anniversary") and the fifth anniversary of the date hereof (the "Fifth Anniversary"), provided, that certain Performance Goals as defined and set forth in the Restricted Share Agreement are met. Vesting shall be cumulative in accordance with the provisions of the Restricted Share Agreement and the Performance Goals may be achieved as specified therein up until the seventh anniversary of the date hereof. Except as otherwise provided in Paragraph 4 hereof, Executive must be employed by the Company on the applicable anniversary date to vest in the Restricted Shares scheduled to vest in a particular year. The measurement date to determine such vesting shall be the last day of the Company's fiscal year preceding the year in which the applicable anniversary date occurs.

In addition, upon vesting of the Restricted Shares on each applicable anniversary date, the Company shall make a cash payment to Executive on that anniversary date in an amount equal to forty percent (40%) of the Fair Market Value (determined as of such anniversary date) of the Restricted Shares that vest on such anniversary date (the "Restricted Share Tax Gross-Up Payment").

- (b) loan on a non-recourse basis to Executive \$500,000 (the "Stock Acquisition Loan"), with the loan proceeds to be used by Executive simultaneously to purchase newly issued Common Stock from the Company. Interest shall accrue on the Stock Acquisition Loan at

5

the rate of 6.21% per year and shall be payable, on the entire outstanding balance, annually in arrears. The Stock Acquisition Loan is being granted and secured pursuant to the terms and conditions of this Agreement, and a Secured Non-Recourse Promissory Note and Stock Pledge Agreement evidencing and securing such Loan as executed between the Company and Executive. In the event of a conflict between the aforementioned documents and this Agreement, the terms of this Agreement shall control.

The Stock Acquisition Loan shall be forgiven over a period of five (5) years from the date hereof, with twenty percent (20%) of the principal and interest on the then outstanding balance of the principal to be forgiven on each applicable anniversary date (the "Forgiven Amount"). In addition, on each applicable anniversary date as the Stock Acquisition Loan and interest accrued thereon is forgiven, in order to enable Executive to meet his tax liability with respect to the forgiveness of the Stock Acquisition Loan, the Company shall make a cash payment to Executive on that anniversary date in an amount equal to forty percent (40%) of the respective Forgiven Amount (the "Acquisition Loan Tax Gross-Up Payment"). Since the Stock Acquisition Loan will be forgiven over a five (5) year period, a total of five (5) Acquisition Loan Tax Gross-Up Payments will be made to Executive over the period of forgiveness. No additional payments will be made to Executive with respect to any Acquisition Loan Tax Gross-Up Payments made hereunder. Except as otherwise provided in Paragraph 4 hereof, the aforementioned forgiveness of the Stock Acquisition Loan inclusive of interest thereon and respective Acquisition Loan Tax Gross-Up Payment shall only occur if Executive is employed by the Company on the applicable anniversary date.

The Stock Acquisition Loan shall be initially secured by the shares of Common Stock purchased by Executive from the Company with the proceeds of the Stock Acquisition Loan. Beginning on the First Anniversary, the outstanding balance of the Stock Acquisition Loan shall be secured only by shares of Common Stock having a Fair Market Value of one hundred and ten percent (110%) of the outstanding principal amount of the Stock Acquisition Loan (together with interest accrued thereon). On the First Anniversary, and on each anniversary date, March 31, June 30 and



September 30 through the Fifth Anniversary (each such date a "Determination Date"), the Company shall reasonably determine the aggregate Fair Market Value of the collateral (the "Market Value") being held. If on such Determination Date the Market Value exceeds one

6

hundred ten percent (110%) of the outstanding balance of the Stock Acquisition Loan (together with interest accrued thereon) on such Determination Date (the "Base Value"), the Company shall, unless otherwise requested by Executive, automatically release to Executive such portion of the collateral the aggregate Fair Market Value of which equals the Market Value less 110% of the Base Value, free and clear of any and all encumbrances under the Stock Pledge Agreement.

Executive shall be required to execute the aforementioned Stock Pledge Agreement and Secured Non-Recourse Promissory Note. The Company shall then issue shares of Common Stock to Executive in exchange for the Stock Acquisition Loan. The Company shall, upon receipt from Executive of the Stock Pledge Agreement and Secured Non-Recourse Promissory Note for the purchase of the shares of Common Stock purchased with the proceeds of the Stock Acquisition Loan, make prompt delivery of the certificates evidencing the shares of Common Stock to Executive, subject to any requirements set forth in the Stock Pledge Agreement; provided, however, that if any law or regulation requires the Company to take any action with respect to such shares prior to the delivery thereof, then the date of the delivery of the shares shall be extended for the period necessary to complete such action. Certificates for shares of Common Stock when issued to Executive may have restrictive legends or statements of other applicable restrictions endorsed thereon and may not be immediately transferable.

#### 4. Termination of Employment and Change in Control.

(a) Termination of Employment by the Company for Cause or By Executive without Good Reason. In the event (i) the Company terminates Executive's employment for Cause (as hereinafter defined) or (ii) Executive terminates his employment without Good Reason (as hereinafter defined), the Company shall pay Executive any unpaid salary accrued through and including the date of termination. In addition, in such event, Executive shall be entitled (i) to exercise any options which have vested and are exercisable in accordance with the terms of the applicable option

7

grant agreement or plan, (ii) to retain any Restricted Shares previously awarded to Executive pursuant to this Agreement and the Restricted Share Agreement and any Restricted Share Tax Gross-Up Payments which are fully vested on the date of termination, and (iii) to retain any shares of Common Stock purchased by Executive with the proceeds of the Stock Acquisition Loan which are no longer pledged as collateral for the outstanding balance of the Stock Acquisition Loan and any Acquisition Loan Tax Gross-Up Payments applicable to Forgiven Amounts and to retain the balance of the shares of Common Stock which are still pledged as collateral for the outstanding balance of the Stock Acquisition Loan, provided, that Executive immediately repays to the Company the outstanding balance of the Stock Acquisition Loan including interest accrued thereon through the date of termination. Except for any rights which Executive may have to unpaid salary amounts through and including the date of termination, vested options, vested Restricted Shares and related Restricted Share Tax Gross-Up Payments, and shares of Common Stock purchased with the proceeds of the Stock Acquisition Loan and related Acquisition Loan Tax Gross-Up Payments, all as set forth above, the Company shall have no further obligations hereunder following such termination.

(b) Termination of Employment Upon Death or Disability. In the event of termination of Executive's employment as a result of either (i) Executive's death or Disability (as hereinafter defined), the Company shall pay to Executive, his estate or his personal representative (A) the unpaid salary through the end of the Employment Period remaining (assuming no such termination occurred) and (B) a pro-rata portion, based upon the number of days in the period beginning with January 1 of the calendar

8

year in which such termination occurred and ending with the date the Employment Period ends (assuming such termination did not occur), of the average annual amount of incentive compensation payments paid to Executive during each previous year of Executive's employment hereunder (the "Pro-Rata Portion of Incentive Compensation"). The aforesaid amount shall be payable, at the option of Executive, his estate or his personal representative, either (i) in full

immediately upon such termination or (ii) monthly over the remainder of the Employment Period. In addition, Executive shall be entitled (i) at the option of Executive, his estate or his personal representative, within one (1) year of the date of such termination, to exercise any options which have vested (including, without limitation, by acceleration in accordance with the terms of the applicable option grant agreement or plan) and are exercisable in accordance with the terms of the applicable option grant agreement or plan or to require the Company (upon written notice delivered within one hundred eighty (180) days following the date of Executive's termination) to repurchase all or any portion of Executive's vested options to purchase shares of Common Stock at a price equal to the difference between the Repurchase Fair Market Value (as hereinafter defined) of the shares of Common Stock for which the options to be repurchased are exercisable and the exercise price of such option as of the date of Executive's termination of employment, (ii) to retain all Restricted Shares awarded to Executive pursuant to this Agreement and the Restricted Share Agreement whether or not such Restricted Shares had previously vested as of the date of termination. In the event any Restricted Shares have not vested as of the date of termination, such Restricted Shares shall immediately vest and Executive, his estate or his personal representative shall receive a cash payment from the Company

9

on the date of termination in an amount equal to forty percent (40%) of the Fair Market Value (determined as of the date of termination) of the Restricted Shares that vest on the date of termination (the "Termination Restricted Share Tax Gross-Up Payment"), (iii) to retain all shares of Common Stock purchased by Executive with the proceeds of the Stock Acquisition Loan without regard to whether or not the Stock Acquisition Loan has been forgiven or repaid. In the event there is an outstanding balance on the Stock Acquisition Loan, such outstanding balance including interest accrued thereon shall on the first day of the calendar month next succeeding Executive's Disability or death be forgiven (and any shares pledged under the Stock Pledge Agreement shall be released to Executive, his estate or his personal representative) and Executive, his estate or his personal representative shall receive a cash payment from the Company on that date in an amount equal to forty percent (40%) of the outstanding balance of the Stock Acquisition Loan and interest accrued thereon that is forgiven on the date of termination (the "Termination Acquisition Loan Tax Gross-Up Payment"). Except for any rights which Executive may have to unpaid salary amounts through the end of the Employment Period, the Pro-Rata Portion of Incentive Compensation, vested options, Restricted Shares (and the full vesting thereof) and the Termination Restricted Share Tax Gross-Up Payment, and shares of Common Stock purchased with the proceeds of the Stock Acquisition Loan (and the forgiveness of the outstanding balance of the Stock Acquisition Loan inclusive of interest accrued thereon) and the Termination Acquisition Loan Tax Gross-Up Payment, all as set forth above, the Company shall have no further obligations hereunder following such termination.

10

(c) Termination of Employment By the Company Without Cause or By the Executive for Good Reason. In the event (i) the Company terminates Executive's employment for any reason other than Cause or (ii) Executive terminates his employment for Good Reason, the Company shall pay to Executive (A) the unpaid salary through the end of the Employment Period remaining (assuming no such termination occurred) and (B) a pro-rata portion, based upon the number of days in the period beginning with January 1 of the calendar year in which such termination occurred and ending with the date the Employment Period ends (assuming such termination did not occur), of the average annual amount of incentive compensation payments paid to Executive during each previous year of Executive's employment hereunder. The aforesaid amount shall be payable, at the option of Executive, either (i) in full immediately upon such termination or (ii) monthly over the remainder of the Employment Period. In addition, Executive shall be entitled (i) at the option of Executive, within ninety (90) days of the date of such termination, to exercise any options which have vested (including, without limitation, by acceleration in accordance with the terms of the applicable option grant agreement or plan) and are exercisable in accordance with the terms of the applicable option grant agreement or plan, it being agreed and understood that this Agreement does not require the Company to issue options to Executive, (ii) to retain any Restricted Shares previously awarded to Executive pursuant to this Agreement and the Restricted Share Agreement and any Restricted Share Tax Gross-Up Payments which are fully vested on the date of termination, and (iii) to retain any shares of Common Stock purchased by Executive with the proceeds of the Stock Acquisition Loan which are no longer pledged as

11

collateral for the outstanding balance of the Stock Acquisition Loan and any Acquisition Loan Tax Gross-Up Payments applicable to Forgiven Amounts and to retain the balance of the shares of Common Stock which are still pledged as

collateral for the outstanding balance of the Stock Acquisition Loan, provided, that Executive immediately repays to the Company the outstanding balance of the Stock Acquisition Loan including interest accrued thereon through the date of termination. Except for any rights which Executive may have to unpaid salary amounts through the end of the Employment Period, the Pro-Rata Portion of Incentive Compensation, vested options, vested Restricted Shares and related Restricted Share Tax Gross-Up Payments, and shares of Common Stock purchased with the proceeds of the Stock Acquisition Loan and related Acquisition Loan Tax Gross-Up Payments, all as set forth above, the Company shall have no further obligations hereunder following such termination.

(d) Upon a Change in Control. In the event of a Change in Control (as hereinafter defined), Executive shall be entitled (i) to all Restricted Shares awarded to Executive pursuant to this Agreement and the Restricted Share Agreement whether or not such Restricted Shares had previously vested as of the date of the Change in Control. In the event any Restricted Shares have not vested as of the date of the Change in Control, such Restricted Shares shall immediately vest and Executive shall receive a cash payment from the Company on the date of the Change in Control in an amount equal to forty percent (40%) of the Fair Market Value (determined as of the date of the Change in Control) of the Restricted Shares that vest on the date of the Change in Control (the "Change in Control Restricted Share Tax Gross-Up Payment"), (ii) to all shares of Common Stock purchased by Executive with the proceeds of the

12

Stock Acquisition Loan without regard to whether or not the Stock Acquisition Loan has been forgiven or repaid. In the event there is an outstanding balance on the Stock Acquisition Loan, such outstanding balance including interest accrued thereon through the date of the Change in Control shall be immediately forgiven (and any shares pledged under the Stock Pledge Agreement shall be released to Executive) and Executive shall receive a cash payment from the Company on the date of the Change in Control in an amount equal to forty percent (40%) of the outstanding balance of the Stock Acquisition Loan and interest accrued thereon that is forgiven on the date of the Change in Control (the "Change in Control Acquisition Loan Tax Gross-Up Payment") and (iii) an excise tax gross-up payment. If it is determined by an independent accountant mutually acceptable to the Company and Executive that as a result of compensation paid and other benefits provided to Executive by the Company pursuant to this Agreement or otherwise, a tax will be imposed on Executive pursuant to Section 4999 of the Code (or any successor provisions) the Company shall pay Executive in cash an amount equal to the excise tax for which the Executive is liable under Section 4999 of the Code. Any cash payments owed to Executive pursuant to this Paragraph 4(d) shall be paid to Executive in a single sum on or immediately prior to date of the Change in Control but prior to the consummation of the transaction with any successor.

In addition, any other options previously or hereafter granted to Executive that have not vested as of the date of the Change in Control shall immediately vest upon the occurrence of and on the date of a Change in Control irrespective of whether Executive's employment terminates in connection with such Change in Control.

(e) For purposes of this Agreement:

- (i) "Cause" shall mean (A) the willful and continued failure by Executive to substantially perform his duties hereunder (other than any such failure resulting from Executive's incapacity due to physical or mental illness) for a period of thirty (30) days after written demand for substantial performance is delivered by the Company specifically identifying the manner in which the Company believes Executive has not substantially performed his duties, or (B) willful misconduct by Executive which is materially injurious to the Company, monetarily or otherwise, or (C) the willful violation by Executive of the provisions of Paragraph 5 or 7

13

hereof. For purposes of this Paragraph 4(e) (i), no act, or failure to act, on Executive's part shall be considered "willful" unless done, or omitted to be done, by him (I) not in good faith and (II) without reasonable belief that his action or omission was in furtherance of the interests of the Company.

- (ii) "Change in Control" shall mean that any of the following events has occurred: (a) any "person" or "group" of persons, as such terms are used in Sections 13 and 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), other than any employee benefit plan sponsored by the Company, becomes the "beneficial owner", as such term is

used in Section 13 of the Exchange Act, of thirty percent (30%) or more of the Common Stock of the Company issued and outstanding immediately prior to such acquisition; (b) any Common Stock of the Company is purchased pursuant to a tender or exchange offer other than an offer by the Company; or (c) the dissolution or liquidation of the Company or the consummation of any merger or consolidation of the Company or any sale or other disposition of all or substantially all of its assets, if the shareholders of the Company immediately before such transaction own, immediately after consummation of such transaction, equity securities (other than options and other rights to acquire equity securities) possessing less than thirty percent (30%) of the voting power of the surviving or acquiring company.

- (iii) "Disability" shall mean the determination by the Company, upon the advice of an independent qualified physician, reasonably acceptable to Executive, that Executive has become physically or mentally incapable of performing his duties under this Agreement and such disability has disabled Executive for a cumulative period of one hundred eighty (180) days within a twelve (12) month period.
- (iv) "Fair Market Value" shall mean the closing price of the Common Stock as quoted on the New York Stock Exchange at the end of the last business day preceding the Determination Date, the applicable anniversary or the date of termination, as the case may be, as reported in the New York edition of the Wall Street Journal.
- (v) "Good Reason" shall mean (A) any material and substantial breach of this Agreement by the Company, (B) a material

14

reduction in the Executive's Annual Base Salary or other benefits (except for bonuses or similar discretionary payments) as in effect at the time in question, or any other failure by the Company to comply with Paragraph 3 hereof, or (C) the Company shall have given notice pursuant to Paragraph 1 hereof at any time prior to the sixth anniversary of the date hereof that it does not wish to extend this Agreement, except in connection with termination of Executive's employment for Cause or by reason of death or Disability.

- (vi) "Repurchase Fair Market Value" shall mean the average of the closing price on the New York Stock Exchange of the Common Stock on each of the trading days within the thirty (30) days immediately preceding the date of termination of Executive's employment;

(f) Any termination of Executive's employment by the Company or any such termination by Executive (other than on account of death) shall be communicated by written Notice of Termination to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated.

#### 5. Confidential Information.

(a) Executive understands and acknowledges that during his employment with the Company, he will be exposed to Confidential Information (as defined below), all of which is proprietary and which will rightfully belong to the Company. The Executive shall hold in a fiduciary capacity for the benefit of the Company such Confidential Information obtained by Executive during his employment with the Company and shall

15

not, directly or indirectly, at any time, either during or after his employment with the Company, without the Company's prior written consent, use any of such Confidential Information or disclose any of such Confidential Information to any individual or entity other than the Company or its employees, except as required in the performance of his duties for the Company or as otherwise required by law. Executive shall take all reasonable steps to safeguard such Confidential Information and to protect such Confidential Information against disclosure, misuse, loss or theft.

(b) The term "Confidential Information" shall mean any information not generally known in the relevant trade or industry or otherwise not generally

available to the public, which was obtained from the Company or its predecessors or which was learned, discovered, developed, conceived, originated or prepared during or as a result of the performance of any services by Executive on behalf of the Company or its predecessors. For purposes of this Paragraph 5, the Company shall be deemed to include any entity which is controlled, directly or indirectly, by the Company and any entity of which a majority of the economic interest is owned, directly or indirectly, by the Company.

#### 6. Return of Documents.

Except for such items which are of a personal nature to Executive (e.g., daily business planner), all writings, records, and other documents and things containing any Confidential Information shall be the exclusive property of the Company, shall not be copied, summarized, extracted from, or removed from the premises of the Company, except in pursuit of the business of the Company and at the direction of the Company,

16

and shall be delivered to the Company, without retaining any copies, upon the termination of Executive's employment or at any time as requested by the Company.

#### 7. Noncompete.

Executive agrees that:

(a) During the Employment Period and, in the event (i) the Company terminates Executive's employment for Cause, or (ii) Executive terminates his employment without Good Reason, for a one (1) year period thereafter, Executive shall not, directly or indirectly, within the State of New York, the State of New Jersey, the State of Pennsylvania, and the State of Connecticut, engage in, or own, invest in, manage or control any venture or enterprise primarily engaged in any office-service, office, industrial, or flex property development, acquisition or management activities, without regard to whether or not such activities compete with the Company. Nothing herein shall prohibit Executive from being a passive owner of not more than five percent (5%) of the outstanding stock of any class of securities of a corporation or other entity engaged in such business which is publicly traded, so long as he has no active participation in the business of such corporation or other entity. Moreover, the foregoing limitations shall not be deemed to restrict or otherwise limit Executive from conducting real estate development, acquisition or management activities with respect to the Excluded Properties, if any, provided that during the Employment Period the performance of such activities does not prevent Executive from devoting substantially all of his business time to the Company.

17

(b) If, at the time of enforcement of this Paragraph 7, a court shall hold that the duration, scope, area or other restrictions stated herein are unreasonable, the parties agree that reasonable maximum duration, scope, area or other restrictions may be substituted by such court for the stated duration, scope, area or other restrictions and upon substitution by such court, this Agreement shall be automatically modified without further action by the parties hereto.

(c) For purposes of this Paragraph 7, the Company shall be deemed to include any entity which is controlled, directly or indirectly, by the Company and any entity of which a majority of the economic interest is owned, directly or indirectly, by the Company.

#### 8. Remedies.

The parties hereto agree that the Company would suffer irreparable harm from a breach by Executive of any of the covenants or agreements contained in Paragraph 5, 6 or 7 of this Agreement. Therefore, in the event of the actual or threatened breach by Executive of any of the provisions of Paragraph 5, 6 or 7 of this Agreement, the Company may, in addition and supplementary to other rights and remedies existing in its favor, apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce or prevent any violation of the provisions thereof.

18

#### 9. Successors and Assigns.

(a) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance satisfactory to Executive, to expressly assume and agree to perform this

Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of an such succession shall be a breach of this Agreement and shall entitle Executive to compensation from the Company in the same amount and on the same terms as he would be entitled to hereunder if his employment terminated due to Disability, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the date of termination. In the event of such a breach of this Agreement, the Notice of Termination shall specify such date as the date of termination. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to all or substantially all of its business and/or its assets as aforesaid which executes and delivers the agreement provided for in this Paragraph 9 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law. Any cash payments owed to Executive pursuant to this Paragraph 9 shall be paid to Executive in a single sum immediately prior to the consummation of the transaction with such successor.

(b) This Agreement and all rights of Executive hereunder shall inure to the benefit of and be enforceable by Executive's personal or legal representatives,

19

executors, administrators, successors, heirs, distributees, devisees and legatees. If Executive should die while any amounts would still be payable to him hereunder if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Executive's beneficiary as determined under any applicable plan, Executive's devisee, legatee, or other designee or, if there be no such designee, to Executive's estate.

#### 10. Timing of and No Duplication of Payments/ Tax Withholding.

(a) All payments payable to Executive pursuant to this Agreement shall be paid as soon as practicable after such amounts have become fully vested and determinable. In addition, Executive shall not be entitled to receive duplicate payments under any of the provisions of this Agreement.

(b) The Company shall have the right to deduct and withhold from any amounts which become taxable to Executive hereunder all employment and other federal, state and local taxes and charges which are, or which may hereafter, be required by law to be so deducted or withheld.

#### 11. Modification or Waiver.

No amendment, modification, waiver, termination or cancellation of this Agreement shall be binding or effective for any purpose unless it is made in a writing signed by the party against whom enforcement of such amendment, modification, waiver, termination or cancellation is sought. No course of dealing between or among the parties to this Agreement shall be deemed to affect or to modify, amend or

20

discharge any provision or term of this Agreement. No delay on the part of the Company or Executive in the exercise of any of their respective rights or remedies shall operate as a waiver thereof, and no single or partial exercise by the Company or Executive of any such right or remedy shall preclude other or further exercise thereof. A waiver of right or remedy on any one occasion shall not be construed as a bar to or waiver of any such right or remedy on any other occasion.

#### 12. Notices.

All notices or other communications required or permitted hereunder shall be made in writing and shall be deemed to have been duly given if delivered by hand or delivered by a recognized delivery service or mailed, postage prepaid, by express, certified or registered mail, return receipt requested, and addressed to the Company or Executive, as applicable, at the address set forth above (or to such other address as shall have been previously provided in accordance with this Paragraph 12).

#### 13. Governing Law.

THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW JERSEY, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS THEREUNDER.

#### 14. Severability.

Whenever possible, each provision and term of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision or term of this Agreement shall be held to be prohibited by

such applicable law, then, subject to the provisions of Paragraph 7(b) above, such provision or term shall be ineffective only to the extent of such prohibition or invalidity, without invalidating or affecting in any manner whatsoever the remainder of such provisions or term or the remaining provisions or terms of this Agreement.

15. Counterparts.

This Agreement may be executed in separate counterparts, each of which is deemed to be an original and both of which taken together shall constitute one and the same agreement.

16. Headings.

The headings of the Paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute a part hereof and shall not affect the construction or interpretation of this Agreement.

17. Entire Agreement.

This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all other prior agreements and undertakings, both written and oral, among the parties with respect to the subject matter hereof.

18. Survival of Agreements.

The covenants made in Paragraphs 4, 5, 6, 7, 8 and 14 each shall survive the termination of this Agreement.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

CALI REALTY CORPORATION

By: /s/ Thomas A. Rizk  
-----  
Name: Thomas A. Rizk  
Title: President

/s/ Roger W. Thomas  
-----  
Roger W. Thomas

SCHEDULE A

CALI REALTY CORPORATION

RESTRICTED SHARE AWARD AGREEMENT

ROGER W. THOMAS

AGREEMENT EVIDENCING THE GRANT OF A RESTRICTED  
SHARE AWARD PURSUANT TO THE EMPLOYMENT AGREEMENT  
FOR ROGER W. THOMAS ENTERED INTO AS OF JANUARY 21, 1997

AGREEMENT ("Agreement") effective as of January 21, 1997, ("Grant Date") by and between Cali Realty Corporation (the "Company") and Roger W. Thomas ("Recipient").

WHEREAS, pursuant to the employment agreement between Recipient and the Company entered into as of January 21, 1997 (the "Employment Agreement"), the Company has awarded shares of the Company's common stock, par value \$.01 per share ("Common Stock") to the Recipient subject to such terms, conditions, and restrictions (hereinafter, "Restricted Share Award") as set forth in the Employment Agreement and this Agreement;

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. Award of Shares of Restricted Stock.

Pursuant to the Employment Agreement, the Company hereby awards to the Recipient, effective as of the Grant Date, a Restricted Share Award representing the right to earn 9,260 shares of Common Stock ("Restricted Shares") subject to the terms, conditions and restrictions set forth herein. Capitalized terms not otherwise defined in this Agreement shall be as defined in the Employment Agreement.

2. Award Restrictions.

(a) General Rules. Ownership of Restricted Shares shall not vest in the Recipient, and shall be subject to forfeiture until the conditions of Section 2(b) and (c) are fully satisfied. For purposes of this Agreement, the following concepts shall be defined as follows: (i) the lapse of restrictions on the Recipient's rights with respect to the Restricted Shares granted hereunder shall be referred to as "Vesting"; (ii) the period between the Grant Date and the date of Vesting shall be referred to as the "Vesting Period"; and (iii) the date Vesting occurs shall be referred to as the "Vesting Date."

(b) Vesting. An aggregate of 9,260 Restricted Shares may be earned by the Recipient and vest on a cumulative basis over a five to seven year Vesting Period, with 1,852 Restricted Shares scheduled to be vested and earned on each Vesting Date provided the Performance Goals specified in Section 2(c) below are satisfied. The Vesting Date for this Agreement shall be January 21. In determining the number of Restricted Shares which are earned and vested, fractional shares shall be rounded down to the nearest whole number and shall be aggregated and earned, on the last Vesting Date.

(c) Performance Goals. (i) A total of 1,852 Restricted Shares shall vest on each Vesting Date provided one of the following financial tests ("Financial Tests") is met for the measurement period ending on the last day of the Company's fiscal year immediately preceding such Vesting Date: (A) the Company achieves an eight percent (8%) funds from operations per common share ("FFO") increase, or (B) shareholders receive a fifteen percent (15%) total return (dividends plus stock appreciation per share of Common Stock). For purposes of this Agreement, FFO shall mean (i) net income (loss) before minority interest of unit holders, computed in accordance with generally accepted accounting principles ("GAAP"), excluding gains (or losses) from debt restructuring and sale of property, plus real estate return, depreciation and amortization as calculated in accordance with the National Association of Real Estate Investment Trusts definition published in March 1995, as amended from time to time, and as applied in accordance with the accounting practices and policies of the Company in effect from time to time on a consistent basis to the entire Vesting Period, divided by (ii) the sum of (A) the primary weighted average number of outstanding shares of Common Stock as it appears in the Company's financial statement for the applicable period and (B) the primary weighted average number of outstanding limited partnership units of Cali Realty, L.P., a Delaware limited partnership

-2-

of which the Company is the sole general partner, for the applicable period.

(ii) In the event that neither of the Financial Tests above is satisfied in the measurement period ending on the applicable Vesting Date ("Non-Achievement Year"), any Restricted Shares that failed to vest on such Date may vest on a subsequent Vesting Date provided the test described below is satisfied (the "Cumulative Test"). The Cumulative Test shall be applied at the



end of any measurement period ("Catch-Up Year") with respect to any prior Non-Achievement Year provided both of the following conditions are satisfied: (I) a Financial Test is satisfied in the Catch-Up Year without respect to any prior period and (II) a Financial Test is satisfied in the Catch-Up Year on a cumulative basis beginning with the first measurement period occurring within the Vesting Period and ending with the Catch-Up Year. In the event that both of the conditions in the immediately preceding sentence are satisfied, the Restricted Shares that failed to vest in the Non-Achievement Year shall automatically vest on the Vesting Date applicable to the Catch-Up Year. For example, if vesting occurred in years one (1) and two (2), year three (3) is a Non-Achievement Year, and one of the Financial Tests is met in year four (4), the Cumulative Test may be used. Vesting in that portion of the Restricted Stock Award scheduled to vest in year three (3) will occur in year four (4) if either the aggregate FFO is thirty-two percent (32%) or the aggregate total return is sixty percent (60%) at the end of the fourth (4th) fiscal year. Rules for Application of the Cumulative Test: (a) it is not necessary for the Catch-Up Year to immediately succeed the Non-Achievement Year in order for the Cumulative Test to be applicable as long as the Catch-Up Year occurs during the Vesting Period and (b) it is not necessary for the same Financial Test to be satisfied in the Catch-Up Year, first on an independent and then on a cumulative basis, in order for conditions (I) and (II) above to be satisfied. Notwithstanding any contrary provisions contained in this Section 2(c), any Restricted Shares that have not been

-3-

earned and vested by January 21, 2004 pursuant to the Cumulative Test shall automatically be canceled and forfeited.

(d) Lapse of Restrictions. Upon the Vesting of Restricted Shares, the Recipient shall own the Shares free and clear of all restrictions imposed by this Agreement and the Recipient shall be free to hold or dispose of such Shares in his discretion, subject to applicable federal and state law or regulations.

(e) Prohibition Against Assignment. During the Vesting Period, the Restricted Shares may not be transferred or encumbered by the Recipient by means of sale, assignment, mortgage, transfer, exchange, pledge, or otherwise. The levy of any execution, attachment, or similar process upon the Restricted Shares shall be null and void.

### 3. Stock Certificates.

(a) Certificates. Restricted Shares shall be evidenced by one or more stock certificates registered in the name of the Recipient or a nominee or nominees therefor. Prior to Vesting, the Company shall prepare and issue a certificate for the Restricted Shares (the "Share Certificate"), which shall be registered in the name of the Recipient and which shall bear such restrictive legend or legends (if any) as the Company may deem necessary or desirable under any applicable law.

(b) Stock Powers. The Recipient shall execute and deliver to the designee of the Company (the "Designee") a stock power designating the Company as the transferee of an unspecified number of Shares, which stock power may be completed by the Designee as specified herein. The Recipient and the Company each waive the requirement that the signature of the Recipient on the stock power be guaranteed. Upon receipt of a copy of this Agreement and the stock power, each signed by the Recipient, the Designee shall promptly notify the proper officers of the Company who shall cause the Share Certificate to be deposited with the Designee, to

-4-

be held in accordance with the terms of the Employment Agreement and this Agreement.

(c) Effect of Vesting. Upon Vesting, the Company shall cause to be delivered to the Recipient (i) a certificate for the Shares which have vested free and clear of restrictive legends and (ii) any stock powers signed hereunder by the Recipient remaining in its possession. In the event that the Recipient dies after Vesting and before delivery of the certificate, such certificate shall be delivered to, and registered in the name of, the Recipient's beneficiary or estate, as the case may be.

(d) Rights of Stockholder. Except as otherwise provided in Section 2 and this Section 3, during the Vesting Period and after the certificates for the Restricted Shares have been issued, the Recipient shall be entitled to all rights of a stockholder of the Company, including the right to vote and the right to receive dividends, with respect to the Restricted Shares subject to this Agreement. Subject to applicable withholding requirements, if any, dividends on the Restricted Shares shall be paid to the Recipient when earned.

(e) Power of Designee. The Designee is hereby authorized by the Recipient to utilize the stock power delivered by the Recipient to transfer all

forfeited Shares to the Company upon receipt of instructions from a duly authorized representative of the Company.

#### 4. Termination of Employment; Change in Control.

(a) Termination Due to Disability or Death; Change in Control. Unless otherwise provided in the Employment Agreement, if the Recipient terminates employment with the Company prior to the end of the Vesting Period set forth in this Agreement due to Disability or death, all Restricted Shares subject to this Agreement and held by, or on behalf of, the Recipient shall be deemed earned and vested as of the Recipient's last day of employment with the Company. In addition, unless

-5-

otherwise provided in the Employment Agreement, all Restricted Shares subject to this Agreement and held by the Recipient on the date a Change in Control occurs shall be deemed earned and vested as of such date.

(b) Termination for Any Other Reason. Unless otherwise provided in the Employment Agreement, if the Recipient's employment with the Company terminates prior to the end of the Vesting Period set forth in this Agreement for reasons other than Disability or death, any Restricted Shares subject to this Agreement that have not been earned and vested prior to the Recipient's termination of employment shall be immediately forfeited on the last day of the Recipient's employment with the Company.

#### 5. Withholding.

In connection with the delivery of any stock certificates, or the making of any payment in accordance with the provisions of this Agreement, the Company shall withhold Shares or cash amounts (for fractional Shares) equal to the taxes then required by applicable federal, state and local law to be so withheld.

#### 6. Tax Gross-Up Payments.

(a) Entitlement to Tax Gross-Up Payments. The Recipient shall be entitled to receive a tax gross-up payment (the "Tax Gross-Up Payment") from the Company with respect to each tax year Restricted Shares covered by this Agreement are distributed to him. Each Tax Gross-Up Payment shall be a dollar amount equal to forty (40%) percent of the Fair Market Value of the Restricted Shares at time of distribution, exclusive of dividends.

(b) Effect of Termination Due to Disability or Death; Change in Control. Unless otherwise provided in the Employment Agreement, if the Recipient terminates employment with the Company prior to the end of the Vesting Period set forth in this Agreement due to Disability or death, or in the event a Change in Control

-6-

occurs, a final Tax Gross-Up Payment shall be made to the Recipient (or his Beneficiary, as the case may be) in a dollar amount equal to forty (40%) percent of the Fair Market Value of the Restricted Shares distributed to the Recipient (or his beneficiary), exclusive of dividends. Payment of the final Tax Gross-Up Payment shall be made on the date the Restricted Shares are distributed or as soon as administratively feasible thereafter.

(c) Effect of Termination for Any Other Reason. Unless otherwise provided in the Employment Agreement, if the Recipient's employment with the Company terminates prior to the end of the Vesting Period set forth in this Agreement for any reason other than Disability or death, no further Tax Gross-Up Payments shall be made to such Recipient.

#### 7. Adjustments for Capital Changes.

In the event of any change in the outstanding shares of Common Stock of the Company by reason of any stock dividend or split, recapitalization, merger, consolidation, spin-off, reorganization, combination or exchange of shares, or other similar corporate change, or other increase or decrease in such shares effected without receipt or payment of consideration by the Company, a duly authorized representative of the Company shall adjust the number of Restricted Shares granted pursuant to the Employment Agreement and this Agreement to prevent dilution or enlargement of the rights granted to the Recipient.

#### 8. No Right to Continued Employment.

Nothing in this Agreement shall confer on the Recipient any right to continue as an employee of the Company or in any way affect the Company's or any subsidiary's right to terminate the Recipient's employment at any time.

-7-

9. Notice.

Any notice to the Company hereunder shall be in writing addressed to:

Cali Realty Corporation  
11 Commerce Drive  
Cranford, New Jersey 07016

Attn: John R. Cali  
Chief Administrative Officer

Any notice to the Recipient hereunder shall be in writing addressed to:

Mr. Roger W. Thomas  
#PHA  
30 West 90th Street  
New York, New York 10024

or such other address as the Recipient shall notify the Company in writing.

10. Entire Agreement; Effect of Employment Agreement.

(a) Entire Agreement. This Agreement contains the entire understanding of the parties and shall not be modified or amended except in writing and duly signed by each of the parties hereto. No waiver by either party of any default under this Agreement shall be deemed a waiver of any later default thereof.

(b) Effect of Employment Agreement. In the event the Employment Agreement with the Company contains additional rights, duties and/or obligations with respect to the Recipient, such terms and conditions shall govern the Recipient's Restricted Share Award as if such terms and conditions had been set forth herein; and in the event of any conflict or inconsistency between the terms of the Employment Agreement or this Agreement, the terms and conditions of the Employment Agreement shall control.

11. Construction.

The various provisions of this Agreement are severable in their entirety. Any determination of invalidity or unenforceability of any one provision shall have no effect on the continuing force and effect of the remaining provisions.

-8-

12. Governing Law.

This Agreement shall be governed by the laws of the State of New Jersey applicable to contracts made, and to be enforced, within the State of New Jersey.

13. Successors.

This Agreement shall be binding upon and inure to the benefits of the successors, assigns and heirs of the respective parties.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement to be effective on the date first above written.

Cali Realty Corporation

By: /s/ John R. Cali

-----  
John R. Cali  
Chief Administrative Officer

Recipient

/s/ Roger W. Thomas

-----  
Roger W. Thomas

-9-

STOCK PLEDGE AGREEMENT

STOCK PLEDGE AGREEMENT, dated as of January 21, 1997, made by Roger W. Thomas, an individual residing at #PHA, 30 West 90th Street, New York, New York 10024 (the "Pledgor"), to Cali Realty Corporation, a Maryland corporation, (the "Pledgee" or the "Company").

W I T N E S S E T H:

WHEREAS, the Pledgor is the record and beneficial owner of 16,000 shares of the issued and outstanding shares of common stock, \$.01 par value (the "Common Stock"), of the Company (such Common Stock being the "Pledged Shares"), acquired in connection with the Pledgor's employment agreement with the Pledgee entered into as of January 21, 1997 (the "Employment Agreement");

WHEREAS, pursuant to the Employment Agreement, the Pledgor has agreed to secure, to the extent hereinafter set forth, the payment in full and the performance of the obligations of the Pledgor to the Pledgee under a non-recourse promissory note, dated as of the date hereof, in the amount of \$500,000 (such promissory note as it may hereafter be amended or otherwise modified from time to time, the "Note"); and the capitalized terms used herein, and not otherwise defined herein, are used with the meanings ascribed to them in the Note); and

WHEREAS, the Pledgor hereby pledges and grants a lien and security interest to Pledgee in the Pledged Shares to secure the Pledgor's obligations under the Note.

NOW, THEREFORE, in consideration of the premises and in order to induce the Pledgee to make the loan under the Note, the Pledgor hereby agrees as follows:

SECTION 1. Pledge. The Pledgor hereby pledges to the Pledgee, and grants to the Pledgee a security interest in the Pledged Shares and certificates representing the Pledged Shares, and all dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Pledged Shares, and all proceeds thereof, additions thereto and changes therein (the "Pledged Collateral").

SECTION 2. Security for Obligations; Non-Recourse Obligations. (a) This Agreement secures the payment of all liabilities, obligations and indebtedness of any and every kind and nature heretofore, now or hereafter owing, arising, due or payable from the Pledgor to the Pledgee pursuant to the Note, however evidenced, created, incurred, acquired or owing, whether primary or secondary, direct or indirect, joint or several, contingent or fixed, or otherwise, including without limitation, obligations of performance, and whether arising under any other agreements, documents or instruments entered into in connection with the Note, now or hereafter given by the Pledgor to the Pledgee and whether arising by book entry, agreement or operation of law and whether or not evidenced by promissory notes or other evidences of indebtedness (all such obligations of the Pledgor being the "Obligations").

(b) It is expressly understood and agreed that it is the intention of the parties that the Obligations of the Pledgor under the Note are non-recourse obligations of the Pledgor and

that the Pledgee's right to recover against the Pledgor hereunder in respect of such Obligations shall be limited solely to the Pledged Collateral.

SECTION 3. Delivery and Release of Pledged Collateral. (a) All certificates or instruments representing or evidencing the Pledged Collateral shall be delivered to and held by or on behalf of the Pledgee pursuant hereto and shall be in suitable form for transfer by delivery, or shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to the Pledgee. The Pledgee shall hold the Pledged Collateral in the form in which it is delivered to the Pledgee unless and until the occurrence and continuation of an Event of Default under the Note (unless such Event of Default is waived by the Pledgee) or as otherwise provided in paragraph 3(b) below. Upon the occurrence and continuance of an Event of Default under the Note, the Pledgee shall have the right, at any time in its discretion and without notice to the Pledgor, to transfer to or to register in the name of the Pledgee or any of its nominees any or all of the Pledged Collateral, subject only to the revocable rights specified in Section 6(a) below. In addition, the Pledgee shall have the right at any time to exchange certificates or instruments representing or evidencing Pledged Collateral for certificates or instruments of smaller or larger denominations.

(b) On the first anniversary date of this Agreement, and on each anniversary date and each March 31, June 30 and September 30 thereafter for the term of this Agreement (each such date a "Determination Date"), the Pledgee shall reasonably determine the aggregate fair market value of the Pledged Collateral (the "Market Value"). If on such Determination Date the Market Value exceeds one hundred ten percent (110%) of the aggregate principal amount of the

Note (together with interest accrued thereon) on such Determination Date (the "Base Value"), Pledgee shall, unless otherwise requested by Pledgor, automatically release to the Pledgor such portion of the Pledged Collateral the aggregate fair market value of which equals the Market Value less 110% of the Base Value, free and clear of any and all encumbrances hereunder. For purposes of this paragraph 3(b), "fair market value" shall mean the closing price of the Common Stock as quoted on the New York Stock Exchange at the end of the last business day preceding the Determination Date as reported in the New York edition of The Wall Street Journal.

SECTION 4. Representations and Warranties. The Pledgor represents and warrants as follows:

(a) The Pledgor is the legal and beneficial owner of the Pledged Collateral free and clear of any lien, adverse claim, security interest, option or other charge or encumbrance, except for the security interest created by this Agreement.

(b) The pledge of the Pledged Collateral pursuant to this Agreement creates a valid and perfected first priority security interest in the Pledged Collateral, securing the payment of the Obligations.

(c) Neither the execution or delivery of this Agreement, nor the consummation of the transactions contemplated hereby, nor the compliance with or performance of the terms and conditions of this Agreement by the Pledgor is prevented by, limited by, conflicts with or will result in the breach or violation of or a default under the terms, conditions or provisions of (i) any mortgage, security agreement, indenture, evidence of indebtedness, loan or financing agreement, trust agreement, stockholder agreement, or other agreement or instrument to which the Pledgor is a party or by which he is bound or (ii) any provision of law, any order of any court or administrative agency or any rule or regulation applicable to the Pledgor, subject to applicable state and federal securities laws.

2

(d) This Agreement constitutes the legal, valid and binding obligation of the Pledgor, enforceable in accordance with its terms.

(e) There are no actions, suits or proceedings (whether or not purportedly on behalf of the Pledgor) pending or, to the best knowledge of the Pledgor, threatened affecting the Pledgor that involve the Pledged Collateral.

(f) All consents or approvals, if any, required as a condition precedent to or in connection with the due and valid execution, delivery and performance by the Pledgor of this Agreement have been obtained, subject to applicable state and federal securities laws.

SECTION 5. Further Assurances. The Pledgor agrees that at any time and from time to time, at the expense of the Pledgor, the Pledgor will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that the Pledgee may reasonably request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable the Pledgee to exercise and enforce its rights and remedies hereunder, subject to applicable state and federal securities laws, with respect to any Pledged Collateral.

SECTION 6. Voting Rights; Dividends, Etc. (a) So long as no Event of Default under the Note shall have occurred and be continuing:

(i) The Pledgor shall be entitled to exercise any and all voting and other consensual rights pertaining to the Pledged Collateral or any part thereof for any purpose not inconsistent with the terms of this Agreement or the Note.

(ii) The Pledgor shall be entitled to receive and retain any and all dividends and interest paid in respect of the Pledged Collateral; provided, however, that any and all:

(A) dividends and interest paid or payable other than in cash in respect of, and instruments and other property received, receivable or otherwise distributed in respect of, or in exchange for, any Pledged Collateral (whether resulting from a subdivision, combination or reclassification of the outstanding capital stock of the Company, or any merger, consolidation, acquisition or other exchange of assets or securities to which the Company may be a party, or any conversion, call or redemption, or otherwise);

(B) dividends and other distributions paid or payable in cash in respect of any Pledged Collateral in connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid-in-surplus; and

(C) cash paid, payable or otherwise distributed in respect of

principal of, or in redemption of, or in exchange for, any Pledged Collateral,

shall be, at the option and request of the Pledgee, forthwith delivered to the Pledgee to hold as Pledged Collateral and shall, if received by the Pledgor, be received in trust for the benefit of the Pledgee, be segregated from the other property or funds of the Pledgor, and be forthwith delivered to the Pledgee as Pledged Collateral in the same form as so received (with any necessary endorsement).

3

(iii) The Pledgee shall execute and deliver (or cause to be executed and delivered) to the Pledgor all such proxies and other instruments as the Pledgor may reasonably request for the purpose of enabling the Pledgor to exercise the voting and other rights which he is entitled to exercise pursuant to paragraph (i) above and to receive the dividends or interest payments which he is authorized to receive and retain pursuant to paragraph (ii) above.

(b) Upon the occurrence and during the continuance of an Event of Default under the Note, and at the election of Pledgee:

(i) All rights of the Pledgor to exercise the voting and other consensual rights which he would otherwise be entitled to exercise pursuant to Section 6(a) (i) and to receive the dividends and interest payments which he would otherwise be authorized to receive and retain pursuant to Section 6(a) (ii) shall cease for the period subsequent to the Event of Default, and all such rights shall thereupon become vested in the Pledgee who shall thereupon have the sole right to exercise such voting and other consensual rights and to receive and hold as Pledged Collateral such dividends and interest payments.

(ii) All dividends and interest payments which are received by the Pledgor contrary to the provisions of paragraph (i) of this Section 6(b) shall be received in trust for the benefit of the Pledgee, shall be segregated from other funds of the Pledgor and shall be forthwith paid over to the Pledgee as Pledged Collateral in the same form as so received (with any necessary endorsement).

(c) In the event that during the term of this Agreement subscription warrants or other rights or options shall be issued in connection with the Pledged Collateral, all such stock warrants, rights and options shall forthwith be assigned by the Pledgor to the Pledgee and said stock warrants, rights and options shall be, and, to the extent exercised by Pledgor, all new stock issued pursuant thereto shall be pledged by Pledgor to Pledgee to be held as, and shall be deemed to be part of, the "Pledged Collateral" under the terms of this Agreement in the same manner as the shares of stock originally pledged hereunder.

SECTION 7. Transfers and Other Liens; Additional Shares. The Pledgor agrees that he will not (i) sell or otherwise dispose of, or grant any option with respect to, any of the Pledged Collateral, or (ii) create or permit to exist any lien, security interest, or other charge or encumbrance upon or with respect to any of the Pledged Collateral, except for the security interest under this Agreement.

SECTION 8. Litigation Respecting Pledged Shares. In the event any action, suit or other proceeding at law, in equity, in arbitration or before any other authority involving or affecting the Pledged Collateral becomes known to or is contemplated by the Pledgor, the Pledgor shall give the Pledgee immediate notice thereof and if the Pledgor is contemplating such action, suit or other proceeding, the Pledgor shall receive the written consent of the Pledgee prior to commencing any such action, suit or other proceeding.

SECTION 9. Pledgee Appointed Attorney-in-Fact. (a) If an Event of Default shall occur and be continuing under the Note (unless such Event of Default is waived by the Pledgee), Pledgor hereby appoints the Pledgee (and any officer or agent of the Pledgee with full power of substitution and revocation) the Pledgor's true and lawful attorney-in-fact, with full authority in the place and stead of the Pledgor and in the name of the Pledgor or otherwise, from time to time in the Pledgee's discretion to take any action and to execute any instrument which the Pledgee may deem necessary or advisable to accomplish the purposes of this Agreement, including,

4

without limitation, (i) to receive, endorse and collect all instruments made payable to the Pledgor representing any dividend, interest payment or other distribution in respect of the Pledged Collateral or any part thereof and to give full discharge for the same; and (ii) to transfer the Pledged Collateral on the books of the Company, in whole or in part, to the name of the Pledgee or

such other person or persons as the Pledgee may designate; take possession of and endorse any one or more checks, drafts, bills of exchange, money orders or any other documents received on account of the Pledged Collateral; collect, sue for and give acquittances for moneys due on account of the foregoing; withdraw any claims, suits, or proceedings pertaining to or arising out of the foregoing; execute and record or file on behalf of the Pledgor any evidence of a security interest contemplated by this Agreement or any refiling, continuation or extension thereof; take any other action contemplated by this Agreement; and sign, execute, acknowledge, swear to, verify, deliver, file, record and publish any one or more of the foregoing.

(b) The powers of attorney which shall be granted pursuant to Section 9(a) and all authority thereby conferred shall be granted and conferred solely to protect the Pledgee's interests in the Pledged Collateral and shall not impose any duty upon the attorney-in-fact to exercise such powers. Such powers of attorney shall be irrevocable prior to the performance in full of the Obligations and shall not be terminated prior thereto or affected by any act of the Pledgor or other person or by operation of law, including, but not limited to, the dissolution, death, disability or incompetency of any person, the termination of any trust, or the occurrence of any other event, and if the Pledgor or any other person should be dissolved or die or become disabled or incompetent or any other event should occur before the performance in full of the Obligations and termination of this Agreement, such attorney-in-fact shall nevertheless be fully authorized to act under such powers of attorney as if such dissolution, death, disability or incompetency or other event had not occurred and regardless of notice thereof.

(c) Each person who shall be a transferee of the beneficial ownership of the Pledged Collateral, by the acceptance of such a transfer, shall be deemed to have irrevocably appointed the Pledgee, with full power of substitution and revocation, such person's true and lawful attorney-in-fact in such person's name and otherwise to do any and all acts permitted to, and to exercise any and all powers herein conferred upon, such attorney-in-fact.

SECTION 10. Reasonable Care. The Pledgee shall be deemed to have exercised reasonable care in the custody and preservation of the Pledged Collateral in its possession if the Pledged Collateral is accorded treatment substantially equal to that which the Pledgee accords its own property, it being understood that the Pledgee shall not have any responsibility for (i) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Pledged Collateral, whether or not the Pledgee has or is deemed to have knowledge of such matters, or (ii) taking any necessary steps to preserve rights against any parties with respect to any Pledged Collateral.

#### SECTION 11. Remedies Upon Event of Default.

(a) Subject to Section 2(b) hereof, if any Event of Default under the Note shall have occurred and be continuing (unless such Event of Default is waived by the Pledgee), for the period subsequent to the Event of Default:

(i) The Pledgee may receive and retain all payments of any kind with respect to the Pledged Collateral and may notify the obligors or other parties, if any, interested in any items of Pledged Collateral of the interest of the Pledgee therein and of any action proposed to be taken with respect thereto, and inform any of those parties that all payments otherwise payable to the Pledgor with

5

respect thereto shall be made to the Pledgee until all amounts due under the Note have been paid in full;

(ii) The Pledgee may exercise in respect of the Pledged Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the Uniform Commercial Code (the "Code") in effect in the State of New Jersey at that time, and the Pledgee may also, without notice except as specified below, sell the Pledged Collateral or any part thereof in one or more parcels at public or private sale, at any exchange, broker's board or at any of the Pledgee's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Pledgee may deem commercially reasonable. The Pledgor agrees that, to the extent notice of sale shall be required by law, at least ten days' notice to the Pledgor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Pledgee shall not be obligated to make any sale of Pledged Collateral regardless of notice of sale having been given. The Pledgee may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned;

(iii) Any cash held by the Pledgee as Pledged Collateral and all

cash proceeds received by the Pledgee in respect of any sale of, collection from, or other realization upon all or any part of the Pledged Collateral may, in the discretion of the Pledgee, be held by the Pledgee as collateral for, and/or then or at any time thereafter applied in whole or in part by the Pledgee against, all or any part of the Obligations in such order as the Pledgee shall elect. Any surplus of such cash or cash proceeds held by the Pledgee and remaining after payment in full of all the Obligations shall be paid over to the Pledgor or to whomsoever may be lawfully entitled to receive such surplus; and

(iv) The Pledgee may otherwise use or deal from time to time with the Pledged Collateral, in whole or in part, in all respects as if the Pledgee were the outright owner thereof.

(b) Except as set forth in Section 11(a)(iii), the Pledgee shall have the sole right to determine the order in which Obligations shall be deemed discharged by the application of the Pledged Collateral or any other property or money held hereunder or any amount realized thereon. Any requirement of reasonable notice imposed by law shall be deemed met if such notice is in writing and is mailed, telegraphed or hand delivered to the Pledgor at least three days prior to the sale, disposition or other event giving rise to such notice requirement.

(c) The Pledgee shall collect the cash proceeds received from any sale or other disposition or from any other source contemplated by subsection (a) above and shall apply the full proceeds in accordance with the provisions of this Agreement.

(d) Notwithstanding the foregoing, none of the provisions of this Section 11 shall confer on the Pledgee any rights or privileges that are not permissible under applicable law. The Pledgee may effect the provisions of this Section 11 only in compliance with all applicable federal and state securities laws.

6

(e) In connection with the provisions of this Agreement, the Pledgor from time to time shall promptly execute and deliver, or cause to be executed and delivered, to the Pledgee such documents and instruments, shall join in such notices and shall take, or cause to be taken, such other lawful actions as the Pledgee shall deem reasonably necessary or desirable to enable it to exercise any of the rights with respect to the Pledged Collateral granted to it pursuant to this Agreement.

SECTION 12. Waivers and Amendments, Etc. The rights and remedies given hereby are in addition to all others however arising, but it is not intended that any right or remedy be exercised in any jurisdiction in which such exercise would be prohibited by law. No action, failure to act or knowledge of the Pledgee shall be deemed to constitute a waiver of any power, right or remedy hereunder, nor shall any single or partial exercise thereof preclude any further exercise thereof or the exercise of any other power, right or remedy. Any waiver or consent respecting any covenant, representation, warranty or other term or provision of this Agreement shall be effective only in the specified instance and for the specific purpose for which given and shall not be deemed, regardless of frequency given, to be a further or continuing waiver or consent. The failure or delay of the Pledgee at any time or times to require performance of, or to exercise its rights with respect to, any representation, warranty, covenant or other term or provision of this Agreement in no manner shall affect its right at a later time to enforce any such provision. No notice to or demand on a party in any case shall entitle such party to any other or further notice or demand in the same, similar or other circumstances. Any right or power of the Pledgee hereunder respecting the Pledged Collateral and any other property or money held hereunder may at the option of the Pledgee be exercised as to all or any part of the same and the term the "Pledged Collateral" wherever used herein, unless the context clearly requires otherwise, shall be deemed to mean (and shall be read as) the "Pledged Collateral and any other property or money held hereunder or any part thereof". This Agreement shall not be amended nor shall any right hereunder be deemed waived except by a written agreement expressly setting forth the amendment or waiver and signed by the party against whom or which such amendment or waiver is sought to be charged.

SECTION 13. Notices. All notices hereunder shall be given and deemed received as set forth in the Note.

SECTION 14. Continuing Security Interest and Reinstatement. (a) This Agreement shall create a continuing security interest in the Pledged Collateral and shall (i) be binding upon the Pledgor, his heirs, successors and assigns, and (ii) inure to the benefit of the Pledgee and its successors, transferees and assigns. Upon the payment in full or performance of the Obligations, the Pledgor shall be entitled to the return, upon his request and at his expense, of such of the Pledged Collateral as shall not have been released, sold or otherwise applied pursuant to the terms of the Agreement.



(b) If at any time after payment in full by the Pledgor of all Obligations and termination of the pledge granted in this Agreement, any payments on Obligations theretofore made by the Pledgor must be disgorged by the Pledgee for any reason whatsoever, this Agreement and the pledge granted hereunder shall be reinstated as to all disgorged payments as though such payments had not been made, and the Pledgor shall sign and deliver to Pledgee all documents and things necessary to reperfect the terminated pledge.

SECTION 15. Severability. In the event that any provision of this Agreement shall be determined to be superseded, invalid or otherwise unenforceable pursuant to applicable law, such determination shall not affect the validity of the remaining provisions of this Agreement, and the remaining provisions of this Agreement shall be enforced as if the invalid provision were

7

deleted.

SECTION 16. Survival of Representations, etc. All representations, warranties, covenants and other agreements made herein shall survive the execution and delivery of this Agreement and shall continue in full force and effect until all amounts due under the Note have been paid in full. This Agreement shall remain and continue in full force and effect without regard to any modification, execution, renewal, amendment or waiver of any provision of the Note.

SECTION 17. Termination and Return of Pledged Stock. This Agreement shall continue in full force and effect until all of the Obligations shall have been paid and satisfied or until the release, discharge or termination of the Note, whichever last occurs. Upon the termination of this Agreement, the Pledgee shall cause to be transferred to Pledgor all of the Pledged Collateral and any money, property and rights received by Pledgor pursuant thereto, to the extent Pledgee has not released, taken, sold or otherwise realized upon the same pursuant to its rights and obligations hereunder.

SECTION 18. Transfer and Assignment. The Pledgee may transfer the Pledged Collateral and any other property or money held hereunder to any transferee of the Obligations or any part thereof. The transferee shall thereupon succeed to all of the Pledgee's rights hereunder with respect to the Pledged Collateral so transferred. Thereafter, the Pledgee shall have no obligation to Pledgor with respect to the Pledged Collateral so transferred. The Pledgee shall, however, retain all of its rights and powers with respect to any part of the Pledged Collateral not transferred. Every agent or nominee of the Pledgee shall have the benefit of this Agreement as if named herein and may exercise all of the rights and powers given to the Pledgee hereunder.

SECTION 19. Entire Agreement. This Agreement, the Secured Non-Recourse Promissory Note and the Employment Agreement contain the entire agreement of the parties and supersedes all other agreements, understandings and representations, oral or otherwise, between the parties with respect to the matters contained herein. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors, assigns, heirs, administrators, fiduciaries, next of kin and executors. Section headings used herein are for convenience only and shall not affect the meaning or construction of any of the provisions hereof. This Agreement may be executed in any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument. In the event of any conflict among any of the documents referred to above, the terms of the Employment Agreement shall prevail.

SECTION 20. Governing Law; Terms. This Agreement shall be governed by and construed in accordance with the substantive laws of the State of New Jersey without giving effect to its conflict of laws provisions. Unless otherwise defined herein or in the Note, terms defined in Article 9 of the Uniform Commercial Code in the State of New Jersey are used herein as therein defined.

8

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the date first above written.

/s/ Roger W. Thomas  
-----  
Roger W. Thomas

CALI REALTY CORPORATION

By: /s/ Thomas A. Rizk

-----  
Name: Thomas A. Rizk  
Title: President and  
Chief Executive Officer

SECURED NON-RECOURSE PROMISSORY NOTE

January 21, 1997

\$500,000

FOR VALUE RECEIVED, Roger W. Thomas, an individual residing at #PHA, 30 West 90th Street, New York, New York 10024 ("Payor"), hereby promises to pay to Cali Realty Corporation, a Maryland corporation ("Payee" or the "Company"), or its assigns, the principal amount of five hundred thousand dollars exactly (\$500,000), together with all interest accrued thereon calculated from the date hereof in accordance with the provisions of Section 1 hereof. Certain capitalized terms used in this Secured Non-Recourse Promissory Note (the "Note") are defined in Section 6 below.

This Note is being made by Payor in order to finance the Payor's purchase of 16,000 shares of common stock, par value \$.01 per share, of the Company (the "Common Stock") from the Company pursuant to the Payor's employment agreement with Payee entered into as of January 21, 1997 (the "Employment Agreement").

This Note is secured by the Pledged Collateral under the terms of the Stock Pledge Agreement and is entitled to the benefits thereof.

1. Accrual of Interest. Interest will accrue on the unpaid principal amount of this Note from and after the date hereof on a daily basis at the rate per annum equal to 6.21%, as set forth in the Employment Agreement, and such interest shall be compounded annually, calculated on the basis of a 365 day year. Unless forgiven as contemplated herein, interest shall be payable annually in arrears on each anniversary date hereof.

2. Payment of Note.

(a) Maturity Date. Except as provided in Sections 2(b) and (c) and Sections 3 and 4 below, the entire unpaid principal balance of this Note (together with interest accrued thereon) shall become due and payable on the fifth anniversary of the date of this Note.

(b) Forgiveness of Loan. The principal amount of this Note shall be automatically forgiven ratably over a five (5) year term in annual equal twenty percent (20%) increments commencing on the first anniversary of the date of this Note and each anniversary thereafter. All then accrued but unpaid interest on this Note shall also be automatically forgiven annually on each applicable anniversary date; provided, however,

subject to the provisions of Sections 3 and 4 hereof, the forgiveness of each principal portion of this Note plus interest shall be conditioned upon Payor being in the employ of the Company on the applicable anniversary date.

(c) Change in Control. Pursuant to the Employment Agreement, in the event of a Change in Control (as defined in the Employment Agreement) or in the absence thereof in the Cali Realty Corporation Employee Stock Option Plan) the entire unpaid principal amount of this Note (including any accrued but unpaid interest) shall automatically be accelerated and forgiven, and no portion of this Note shall become due or payable at any time thereafter.

(d) Non-Recourse Obligations. Notwithstanding anything to the contrary stated herein, Payee agrees that for payment of this Note it will look solely to the Pledged Collateral and such other collateral, if any, as may now or hereafter be given to secure the payment of this Note, and no other assets of Payor shall be subject to levy, execution or other enforcement procedure for the satisfaction of the remedies of Payee, or for any payment required to be made under this Note.

3. Effect of Termination of Employment Due to Disability or Death. In the event Payor terminates employment with the Company prior to the expiration of the term of this Note due to his disability (as determined pursuant to the terms of the Employment Agreement or in the absence thereof by the Committee in its discretion) or death, the entire unpaid balance of this Note plus interest shall automatically be accelerated and forgiven on the first day of the calendar month next succeeding Payor's disability or death, and no portion of this Note shall become due or payable at any time thereafter.

4. Effect of Termination of Employment For Any Other Reason. In the event Payor terminates employment with the Company or the Company terminates Payor's employment with the Company, in each case prior to the expiration of the term of this Note for any reason other than disability or death, there shall be no further forgiveness of the principal or the interest of this Note and the entire unpaid balance of this Note plus interest shall automatically be accelerated and become due and payable to the Company on the effective date of Payor's termination of employment with the Company.

5. Events of Default.

(a) Definition. For purposes of this Note, an Event of Default shall be deemed to have occurred if:

(i) Payor fails to pay when due any amount (whether interest, principal or other amount) then due or payable on this Note for a period of ten (10) days after the holder of this Note notifies Payor of such failure;

2

(ii) Payor fails to perform or observe any other provision contained in this Note or the Stock Pledge Agreement and such failure continues unremedied for a period of thirty (30) days after the holder of this Note notifies Payor of such breach; or

(iii) If an event set forth in Section 4 hereof has occurred, Payor makes an assignment for the benefit of creditors or admits in writing his inability to pay his debts generally as they become due; or an order, judgment or decree is entered adjudicating Payor bankrupt or insolvent; or any order for relief with respect to Payor is entered under the Bankruptcy Code; or Payor petitions or applies to any tribunal for the appointment of a custodian, trustee, receiver or liquidator, or commences any proceeding relating to himself under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction; or any such petition or application is filed, or any such proceeding is commenced, against Payor and either (a) Payor in writing indicates his approval thereof, consents thereto or acquiesces therein or (b) such petition, application or proceeding is not dismissed within ninety (90) days.

(b) Consequences of Events of Default.

(i) If any Event of Default (other than the type described in paragraph 3(a)(iii) hereof has occurred, the holder of this Note may demand (by written notice delivered to Payor) immediate payment of all or any portion of the outstanding principal amount of this Note together with any and all accrued interest thereon, which amount shall become due and payable upon such demand. If an Event of Default of the type described in paragraph 3(a)(iii) has occurred, then all of the outstanding principal amount of this Note together with any and all accrued interest thereon shall automatically be immediately due and payable without any action on the part of the holder of this Note.

(ii) Each holder of this Note shall also have any other rights which such holder may have been afforded under this Note or the Stock Pledge Agreement at any time and any other rights which such holder may have pursuant to applicable law.

6. Certain Defined Terms. As used in this Note, the following terms shall have the following meanings:

"Bankruptcy Code" means the Bankruptcy Code of 1978, as amended.

"Committee" means the Compensation Committee of the Board of Directors of the Company.

3

"Pledged Collateral" means the Common Stock pledged by Payor under the Stock Pledge Agreement as security for Payor's performance of his obligations under this Note.

"Stock Pledge Agreement" means the Stock Pledge Agreement dated the date hereof between Payor and the Company.

7. Amendment and Waiver. Except as otherwise expressly provided herein, the provisions of this Note may not be amended and Payor may not take any action prohibited herein, or omit to perform any act required to be performed by him herein, unless Payor has obtained the prior written consent of the holder of this Note.

8. Cancellation. After all obligations for the payment of money arising under this Note have been paid in full, this Note will be surrendered to Payor for cancellation.

9. Tax Withholding. The Company shall have the right to deduct and withhold from any amounts which become taxable to Payor hereunder all employment and other federal, state and local taxes and charges which are, or which may hereafter, be required by law to be so deducted or withheld.

10. Notices; Place of Payment. Any notice hereunder shall be in writing and shall be delivered by recognized courier, facsimile or certified mail, return receipt requested, and shall be conclusively deemed to have been received by a party hereto and to be effective on the day on which delivered or facsimiled to such party at its address set forth below (or at such other

address as such party shall specify in writing):

If to Payor: Roger W. Thomas  
30 West 90th Street, #PHA  
New York, New York 10024

If to Payee: Cali Realty Corporation  
11 Commerce Drive  
Cranford, New Jersey 07016  
Attn: John R. Cali  
Chief Administrative Officer

All payments to be made under this Note are to be delivered to the holder at such address or to the attention of such person as the holder may designate by prior written notice to Payor. At the request of the holder of this Note, all payments shall be made by wire transfer of immediately available funds to an account which the holder may designate from time to time.

4

11. Waiver of Presentment, Demand, Dishonor.

(a) Payor hereby waives presentment for payment, protest, demand, notice of protest, notice of nonpayment and diligence with respect to this Note, and waives and renounces all rights to the benefits of any statute of limitations or any moratorium, appraisement, exemption, or homestead now provided or that hereafter may be provided by any federal or applicable state statute, including but not limited to exemptions provided or allowed under the Bankruptcy Code, both as to himself and as to all of his property, whether real or personal, against the enforcement and collection of the obligations evidenced by this Note and any and all extensions, renewals and modifications hereof.

(b) No failure on the part of any holder of this Note to exercise any right or remedy hereunder with respect to Payor, whether before or after the happening of an Event of Default, shall constitute waiver of any such Event of Default or of any other Event of Default by such holder or on behalf of any other holder. No failure to accelerate the debt of Payor evidenced hereby by reason of an Event of Default or indulgence granted from time to time shall be construed to be a waiver of the right to insist upon prompt payment thereafter, or shall be deemed to be a novation of this Note or a reinstatement of such debt evidenced hereby or a waiver of such right of acceleration or any other right, or be construed so as to preclude the exercise of any right any holder of this Note may have, whether by the laws of the state governing this Note, by agreement or otherwise, and Payor hereby expressly waives the benefit of any statute or rule of law or equity that would produce a result contrary to or in conflict with the foregoing.

12. Governing Law. The validity, construction and interpretation of this Note shall be governed by and construed in accordance with the internal laws of the State of New Jersey.

13. Transfer; Assignment. This Note may not be negotiated, assigned or transferred by Payor at any time, except with Payee's prior written consent. This Note may not be negotiated, assigned or transferred by Payee except in connection with the sale of all or substantially all of Payee's assets if the transferee expressly assumes Payee's obligations under the Employment Agreement.

14. Entire Agreement. This Secured Non-Recourse Promissory Note, the Stock Pledge Agreement and the Employment Agreement contain the entire agreement of the parties and supersedes all other agreements, understandings and representations, oral or otherwise, between the parties with respect to the matters contained herein. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors, assigns, heirs, administrators, fiduciaries, next of kin and executors. Section headings used herein are for convenience only and shall not affect the meaning or construction of any of the provisions hereof. This Agreement may be executed in any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument. In the event of any

5

conflict among any of the documents referred to above, the terms of the Employment Agreement shall prevail.

IN WITNESS WHEREOF, Payor has executed and delivered this Secured Non-Recourse Promissory Note on the date first written above.

/s/ Roger W. Thomas  
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Roger W. Thomas

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EMPLOYMENT AGREEMENT

FOR

BARRY LEFKOWITZ

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TABLE OF CONTENTS

	Page
	----
1. Employment.....	1
2. Services.....	2
3. Compensation and Benefits.....	3
4. Termination of Employment and Change in Control.....	7
5. Confidential Information.....	15
6. Return of Documents.....	16
7. Noncompete.....	17
8. Remedies.....	18
9. Successors and Assigns.....	19
10. Timing of and No Duplication of Payments/ Tax Withholding.....	20
11. Modification or Waiver.....	20
12. Notices.....	21
13. Governing Law.....	21
14. Severability.....	21
15. Counterparts.....	22
16. Headings.....	22
17. Entire Agreement.....	22
18. Survival of Agreements.....	22

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is entered into as of January 21, 1997, by and between Barry Lefkowitz, an individual residing at 4 Borden Place, Livingston, New Jersey 07039 ("Executive"), and Cali Realty Corporation, a Maryland corporation with offices at 11 Commerce Drive, Cranford, New Jersey 07016 (the "Company").

RECITALS

WHEREAS, the Executive has served as Vice President - Finance and Chief Financial Officer and, through such service, has acquired special and unique knowledge, abilities and expertise; and

WHEREAS, the Company desires to continue to employ the Executive, and the Executive desires to continue to be employed by the Company, pursuant to the terms set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements set forth herein, the parties hereby agree as follows:

1. Employment.

The Company hereby agrees to employ Executive, and Executive hereby agrees to be employed by the Company, for a term commencing on the date hereof and expiring on January 21, 2002; provided, however, that commencing on January 21, 2002 and each January 21 thereafter, the term of this Agreement shall be extended automatically for one (1) additional year unless at least ninety (90) days prior to the

applicable expiration date either the Company or Executive shall have given written notice to the other party that such party does not wish to extend this Agreement. It being agreed and understood that the extension of this Agreement shall not create an obligation of the Company to issue new awards to Executive hereunder. The term of this Agreement, as it may be extended from time to time in accordance with this Paragraph 1, is referred to herein as the "Employment Period."

2. Services.

During the Employment Period, Executive shall hold the positions of Vice President - Finance and Chief Financial Officer and shall devote his best efforts and substantially all of his business time, skill and attention to the business of the Company, and shall perform such duties as are customarily performed by similar executive officers and as may be more specifically enumerated from time to time by the Board of Directors of the Company (the "Board") or the Executive Committee of the Board, if any; provided, however, that the foregoing is not intended to (a) preclude Executive from (i) owning and

managing personal investments, including real estate investments, subject to the restrictions set forth in Paragraph 7 hereof or (ii) engaging in charitable activities and community affairs, or (b) restrict or otherwise limit Executive from conducting real estate development, acquisition or management activities with respect to those properties described in Schedule A, attached hereto, (the "Excluded Properties"), provided that the performance of the activities referred to in clauses (a) and (b) does not prevent Executive from devoting substantially all of his business time to the Company.

2

### 3. Compensation and Benefits.

During the Employment Period, the Company shall pay Executive a minimum annual base salary in the amount of \$150,000 (the "Annual Base Salary"), payable in accordance with the Company's regular payroll practices. In addition, Executive also shall be eligible for incentive compensation payable each year in such amounts as may be determined by the Compensation Committee of the Board (the "Compensation Committee") based upon, among other factors, growth in Funds from Operations per Common Share (as hereinafter defined) for the year. Executive's Annual Base Salary shall be reviewed annually in accordance with the policy of the Company from time to time and may be subject to upward adjustment based on, among other things, Executive's performance, as determined in the sole discretion of the Compensation Committee. The Company shall have the right to deduct and withhold from all compensation all social security and other federal, state and local taxes and charges which currently are or which hereafter may be required by law to be so deducted and withheld. In addition to the compensation specified above and other benefits provided pursuant to this Paragraph 3, Executive shall be entitled to the following benefits:

- (a) participation in the Employee Stock Option Plan of Cali Realty Corporation (the "Stock Option Plan") and other benefit plans (including without limitation the Cali Realty Corporation 401(k) Savings and Retirement Plan and any other stock option plans which may be adopted or maintained by the Company) made generally available to executives of the Company with such participation to be consistent with reasonable Company guidelines;
- (b) participation in any health insurance, disability insurance, group life insurance or other welfare benefit program made generally available to executives of the Company; and

3

- (c) reimbursement for reasonable business expenses incurred by Executive in furtherance of the interests of the Company.

In addition, Executive shall be entitled to receive such bonuses and options to purchase shares of common stock, par value \$0.01 per share, of the Company (the "Common Stock") as the Board shall approve, in its sole discretion, including, without limitation, options and bonuses contingent upon Executive's performance and the achievement of specified financial and operating objectives for Funds from Operations per Common Share. For purposes of this Agreement, "Funds from Operations per Common Share" for any period shall mean (i) net income (loss) before minority interest of unit holders, computed in accordance with generally accepted accounting principles ("GAAP"), excluding gains (or losses) from debt restructuring and sale of property, plus real estate return, depreciation and amortization as calculated in accordance with the National Association of Real Estate Investment Trusts definition published in March 1995, as amended from time to time, and as applied in accordance with the accounting practices and policies of the Company in effect from time to time on a consistent basis to the entire Employment Period, divided by (ii) the sum of (A) the primary weighted average number of outstanding shares of Common Stock as it appears in the Company's financial statement for the applicable period and (B) the primary weighted average number of outstanding limited partnership units of Cali Realty, L.P., a Delaware limited partnership of which the Company is the sole general partner, for the applicable period.

As further consideration for Executive agreeing to serve as an officer and entering into this Agreement upon the terms set forth herein, including, without

4

limitation, the terms relating to noncompetition set forth in Paragraph 7 below, the Company shall, concurrently herewith or as soon as practicable after the execution of this Agreement:

- (a) grant to Executive 9,260 restricted shares of Common Stock ("Restricted Shares") pursuant to the terms and conditions of this Agreement and the written agreement issued pursuant to this Agreement, evidencing such award executed between the

Company and Executive (the "Restricted Share Agreement"). In the event of a conflict between the Restricted Share Agreement and this Agreement, the terms of this Agreement shall control.

The Restricted Share Award (as defined in the Restricted Share Agreement) is scheduled to vest over five (5) years with twenty percent (20%) of the Restricted Shares vesting on each of the first anniversary of the date hereof (the "First Anniversary"), the second anniversary of the date hereof (the "Second Anniversary"), the third anniversary of the date hereof (the "Third Anniversary"), the fourth anniversary of the date hereof (the "Fourth Anniversary") and the fifth anniversary of the date hereof (the "Fifth Anniversary"), provided, that certain Performance Goals as defined and set forth in the Restricted Share Agreement are met. Vesting shall be cumulative in accordance with the provisions of the Restricted Share Agreement and the Performance Goals may be achieved as specified therein up until the seventh anniversary of the date hereof. Except as otherwise provided in Paragraph 4 hereof, Executive must be employed by the Company on the applicable anniversary date to vest in the Restricted Shares scheduled to vest in a particular year. The measurement date to determine such vesting shall be the last day of the Company's fiscal year preceding the year in which the applicable anniversary date occurs.

In addition, upon vesting of the Restricted Shares on each applicable anniversary date, the Company shall make a cash payment to Executive on that anniversary date in an amount equal to forty percent (40%) of the Fair Market Value (determined as of such anniversary date) of the Restricted Shares that vest on such anniversary date (the "Restricted Share Tax Gross-Up Payment").

- (b) loan on a non-recourse basis to Executive \$500,000 (the "Stock Acquisition Loan"), with the loan proceeds to be used by Executive simultaneously to purchase newly issued Common Stock from the Company. Interest shall accrue on the Stock Acquisition Loan at

5

the rate of 6.21% per year and shall be payable, on the entire outstanding balance, annually in arrears. The Stock Acquisition Loan is being granted and secured pursuant to the terms and conditions of this Agreement, and a Secured Non-Recourse Promissory Note and Stock Pledge Agreement evidencing and securing such Loan as executed between the Company and Executive. In the event of a conflict between the aforementioned documents and this Agreement, the terms of this Agreement shall control.

The Stock Acquisition Loan shall be forgiven over a period of five (5) years from the date hereof, with twenty percent (20%) of the principal and interest on the then outstanding balance of the principal to be forgiven on each applicable anniversary date (the "Forgiven Amount"). In addition, on each applicable anniversary date as the Stock Acquisition Loan and interest accrued thereon is forgiven, in order to enable Executive to meet his tax liability with respect to the forgiveness of the Stock Acquisition Loan, the Company shall make a cash payment to Executive on that anniversary date in an amount equal to forty percent (40%) of the respective Forgiven Amount (the "Acquisition Loan Tax Gross-Up Payment"). Since the Stock Acquisition Loan will be forgiven over a five (5) year period, a total of five (5) Acquisition Loan Tax Gross-Up Payments will be made to Executive over the period of forgiveness. No additional payments will be made to Executive with respect to any Acquisition Loan Tax Gross-Up Payments made hereunder. Except as otherwise provided in Paragraph 4 hereof, the aforementioned forgiveness of the Stock Acquisition Loan inclusive of interest thereon and respective Acquisition Loan Tax Gross-Up Payment shall only occur if Executive is employed by the Company on the applicable anniversary date.

The Stock Acquisition Loan shall be initially secured by the shares of Common Stock purchased by Executive from the Company with the proceeds of the Stock Acquisition Loan. Beginning on the First Anniversary, the outstanding balance of the Stock Acquisition Loan shall be secured only by shares of Common Stock having a Fair Market Value of one hundred and ten percent (110%) of the outstanding principal amount of the Stock Acquisition Loan (together with interest accrued thereon). On the First Anniversary, and on each anniversary



date, March 31, June 30 and September 30 through the Fifth Anniversary (each such date a "Determination Date"), the Company shall reasonably determine the aggregate Fair Market Value of the collateral (the "Market Value") being held. If on such Determination Date the Market Value exceeds one

6

hundred ten percent (110%) of the outstanding balance of the Stock Acquisition Loan (together with interest accrued thereon) on such Determination Date (the "Base Value"), the Company shall, unless otherwise requested by Executive, automatically release to Executive such portion of the collateral the aggregate Fair Market Value of which equals the Market Value less 110% of the Base Value, free and clear of any and all encumbrances under the Stock Pledge Agreement.

Executive shall be required to execute the aforementioned Stock Pledge Agreement and Secured Non-Recourse Promissory Note. The Company shall then issue shares of Common Stock to Executive in exchange for the Stock Acquisition Loan. The Company shall, upon receipt from Executive of the Stock Pledge Agreement and Secured Non-Recourse Promissory Note for the purchase of the shares of Common Stock purchased with the proceeds of the Stock Acquisition Loan, make prompt delivery of the certificates evidencing the shares of Common Stock to Executive, subject to any requirements set forth in the Stock Pledge Agreement; provided, however, that if any law or regulation requires the Company to take any action with respect to such shares prior to the delivery thereof, then the date of the delivery of the shares shall be extended for the period necessary to complete such action. Certificates for shares of Common Stock when issued to Executive may have restrictive legends or statements of other applicable restrictions endorsed thereon and may not be immediately transferable.

#### 4. Termination of Employment and Change in Control.

(a) Termination of Employment by the Company for Cause or By Executive without Good Reason. In the event (i) the Company terminates Executive's employment for Cause (as hereinafter defined) or (ii) Executive terminates his employment without Good Reason (as hereinafter defined), the Company shall pay Executive any unpaid salary accrued through and including the date of termination. In addition, in such event, Executive shall be entitled (i) to exercise any options which have vested and are exercisable in accordance with the terms of the applicable option

7

grant agreement or plan, (ii) to retain any Restricted Shares previously awarded to Executive pursuant to this Agreement and the Restricted Share Agreement and any Restricted Share Tax Gross-Up Payments which are fully vested on the date of termination, and (iii) to retain any shares of Common Stock purchased by Executive with the proceeds of the Stock Acquisition Loan which are no longer pledged as collateral for the outstanding balance of the Stock Acquisition Loan and any Acquisition Loan Tax Gross-Up Payments applicable to Forgiven Amounts and to retain the balance of the shares of Common Stock which are still pledged as collateral for the outstanding balance of the Stock Acquisition Loan, provided, that Executive immediately repays to the Company the outstanding balance of the Stock Acquisition Loan including interest accrued thereon through the date of termination. Except for any rights which Executive may have to unpaid salary amounts through and including the date of termination, vested options, vested Restricted Shares and related Restricted Share Tax Gross-Up Payments, and shares of Common Stock purchased with the proceeds of the Stock Acquisition Loan and related Acquisition Loan Tax Gross-Up Payments, all as set forth above, the Company shall have no further obligations hereunder following such termination.

(b) Termination of Employment Upon Death or Disability . In the event of termination of Executive's employment as a result of either (i) Executive's death or Disability (as hereinafter defined), the Company shall pay to Executive, his estate or his personal representative (A) the unpaid salary through the end of the Employment Period remaining (assuming no such termination occurred) and (B) a pro-rata portion, based upon the number of days in the period beginning with January 1 of the calendar

8

year in which such termination occurred and ending with the date the Employment Period ends (assuming such termination did not occur), of the average annual amount of incentive compensation payments paid to Executive during each previous

year of Executive's employment hereunder (the "Pro-Rata Portion of Incentive Compensation"). The aforesaid amount shall be payable, at the option of Executive, his estate or his personal representative, either (i) in full immediately upon such termination or (ii) monthly over the remainder of the Employment Period. In addition, Executive shall be entitled (i) at the option of Executive, his estate or his personal representative, within one (1) year of the date of such termination, to exercise any options which have vested (including, without limitation, by acceleration in accordance with the terms of the applicable option grant agreement or plan) and are exercisable in accordance with the terms of the applicable option grant agreement or plan or to require the Company (upon written notice delivered within one hundred eighty (180) days following the date of Executive's termination) to repurchase all or any portion of Executive's vested options to purchase shares of Common Stock at a price equal to the difference between the Repurchase Fair Market Value (as hereinafter defined) of the shares of Common Stock for which the options to be repurchased are exercisable and the exercise price of such option as of the date of Executive's termination of employment, (ii) to retain all Restricted Shares awarded to Executive pursuant to this Agreement and the Restricted Share Agreement whether or not such Restricted Shares had previously vested as of the date of termination. In the event any Restricted Shares have not vested as of the date of termination, such Restricted Shares shall immediately vest and Executive, his estate or his personal representative shall receive a cash payment from the Company

9

on the date of termination in an amount equal to forty percent (40%) of the Fair Market Value (determined as of the date of termination) of the Restricted Shares that vest on the date of termination (the "Termination Restricted Share Tax Gross-Up Payment"), (iii) to retain all shares of Common Stock purchased by Executive with the proceeds of the Stock Acquisition Loan without regard to whether or not the Stock Acquisition Loan has been forgiven or repaid. In the event there is an outstanding balance on the Stock Acquisition Loan, such outstanding balance including interest accrued thereon shall on the first day of the calendar month next succeeding Executive's Disability or death be forgiven (and any shares pledged under the Stock Pledge Agreement shall be released to Executive, his estate or his personal representative) and Executive, his estate or his personal representative shall receive a cash payment from the Company on that date in an amount equal to forty percent (40%) of the outstanding balance of the Stock Acquisition Loan and interest accrued thereon that is forgiven on the date of termination (the "Termination Acquisition Loan Tax Gross-Up Payment"). Except for any rights which Executive may have to unpaid salary amounts through the end of the Employment Period, the Pro-Rata Portion of Incentive Compensation, vested options, Restricted Shares (and the full vesting thereof) and the Termination Restricted Share Tax Gross-Up Payment, and shares of Common Stock purchased with the proceeds of the Stock Acquisition Loan (and the forgiveness of the outstanding balance of the Stock Acquisition Loan inclusive of interest accrued thereon) and the Termination Acquisition Loan Tax Gross-Up Payment, all as set forth above, the Company shall have no further obligations hereunder following such termination.

10

(c) Termination of Employment By the Company Without Cause or By the Executive for Good Reason. In the event (i) the Company terminates Executive's employment for any reason other than Cause or (ii) Executive terminates his employment for Good Reason, the Company shall pay to Executive (A) the unpaid salary through the end of the Employment Period remaining (assuming no such termination occurred) and (B) a pro-rata portion, based upon the number of days in the period beginning with January 1 of the calendar year in which such termination occurred and ending with the date the Employment Period ends (assuming such termination did not occur), of the average annual amount of incentive compensation payments paid to Executive during each previous year of Executive's employment hereunder. The aforesaid amount shall be payable, at the option of Executive, either (i) in full immediately upon such termination or (ii) monthly over the remainder of the Employment Period. In addition, Executive shall be entitled (i) at the option of Executive, within ninety (90) days of the date of such termination, to exercise any options which have vested (including, without limitation, by acceleration in accordance with the terms of the applicable option grant agreement or plan) and are exercisable in accordance with the terms of the applicable option grant agreement or plan, it being agreed and understood that this Agreement does not require the Company to issue options to Executive, (ii) to retain any Restricted Shares previously awarded to Executive pursuant to this Agreement and the Restricted Share Agreement and any Restricted Share Tax Gross-Up Payments which are fully vested on the date of termination, and (iii) to retain any shares of Common Stock purchased by Executive with the proceeds of the Stock Acquisition Loan which are no longer pledged as

11

collateral for the outstanding balance of the Stock Acquisition Loan and any

Acquisition Loan Tax Gross-Up Payments applicable to Forgiven Amounts and to retain the balance of the shares of Common Stock which are still pledged as collateral for the outstanding balance of the Stock Acquisition Loan, provided, that Executive immediately repays to the Company the outstanding balance of the Stock Acquisition Loan including interest accrued thereon through the date of termination. Except for any rights which Executive may have to unpaid salary amounts through the end of the Employment Period, the Pro-Rata Portion of Incentive Compensation, vested options, vested Restricted Shares and related Restricted Share Tax Gross-Up Payments, and shares of Common Stock purchased with the proceeds of the Stock Acquisition Loan and related Acquisition Loan Tax Gross-Up Payments, all as set forth above, the Company shall have no further obligations hereunder following such termination.

(d) Upon a Change in Control. In the event of a Change in Control (as hereinafter defined), Executive shall be entitled (i) to all Restricted Shares awarded to Executive pursuant to this Agreement and the Restricted Share Agreement whether or not such Restricted Shares had previously vested as of the date of the Change in Control. In the event any Restricted Shares have not vested as of the date of the Change in Control, such Restricted Shares shall immediately vest and Executive shall receive a cash payment from the Company on the date of the Change in Control in an amount equal to forty percent (40%) of the Fair Market Value (determined as of the date of the Change in Control) of the Restricted Shares that vest on the date of the Change in Control (the "Change in Control Restricted Share Tax Gross-Up Payment"), (ii) to all shares of Common Stock purchased by Executive with the proceeds of the

12

Stock Acquisition Loan without regard to whether or not the Stock Acquisition Loan has been forgiven or repaid. In the event there is an outstanding balance on the Stock Acquisition Loan, such outstanding balance including interest accrued thereon through the date of the Change in Control shall be immediately forgiven (and any shares pledged under the Stock Pledge Agreement shall be released to Executive) and Executive shall receive a cash payment from the Company on the date of the Change in Control in an amount equal to forty percent (40%) of the outstanding balance of the Stock Acquisition Loan and interest accrued thereon that is forgiven on the date of the Change in Control (the "Change in Control Acquisition Loan Tax Gross-Up Payment") and (iii) an excise tax gross-up payment. If it is determined by an independent accountant mutually acceptable to the Company and Executive that as a result of compensation paid and other benefits provided to Executive by the Company pursuant to this Agreement or otherwise, a tax will be imposed on Executive pursuant to Section 4999 of the Code (or any successor provisions) the Company shall pay Executive in cash an amount equal to the excise tax for which the Executive is liable under Section 4999 of the Code. Any cash payments owed to Executive pursuant to this Paragraph 4(d) shall be paid to Executive in a single sum on or immediately prior to date of the Change in Control but prior to the consummation of the transaction with any successor.

In addition, any other options previously or hereafter granted to Executive that have not vested as of the date of the Change in Control shall immediately vest upon the occurrence of and on the date of a Change in Control irrespective of whether Executive's employment terminates in connection with such Change in Control.

(e) For purposes of this Agreement:

- (i) "Cause" shall mean (A) the willful and continued failure by Executive to substantially perform his duties hereunder (other than any such failure resulting from Executive's incapacity due to physical or mental illness) for a period of thirty (30) days after written demand for substantial performance is delivered by the Company specifically identifying the manner in which the Company believes Executive has not substantially performed his duties, or (B) willful misconduct by Executive which is materially injurious to the Company, monetarily or otherwise, or (C) the willful violation by Executive of the provisions of Paragraph 5 or 7

13

hereof. For purposes of this Paragraph 4(e) (i), no act, or failure to act, on Executive's part shall be considered "willful" unless done, or omitted to be done, by him (I) not in good faith and (II) without reasonable belief that his action or omission was in furtherance of the interests of the Company.

- (ii) "Change in Control" shall mean that any of the following events has occurred: (a) any "person" or "group" of persons, as such terms are used in Sections 13 and 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), other than any employee benefit plan sponsored by the Company,

becomes the "beneficial owner", as such term is used in Section 13 of the Exchange Act, of thirty percent (30%) or more of the Common Stock of the Company issued and outstanding immediately prior to such acquisition; (b) any Common Stock of the Company is purchased pursuant to a tender or exchange offer other than an offer by the Company; or (c) the dissolution or liquidation of the Company or the consummation of any merger or consolidation of the Company or any sale or other disposition of all or substantially all of its assets, if the shareholders of the Company immediately before such transaction own, immediately after consummation of such transaction, equity securities (other than options and other rights to acquire equity securities) possessing less than thirty percent (30%) of the voting power of the surviving or acquiring company.

- (iii) "Disability" shall mean the determination by the Company, upon the advice of an independent qualified physician, reasonably acceptable to Executive, that Executive has become physically or mentally incapable of performing his duties under this Agreement and such disability has disabled Executive for a cumulative period of one hundred eighty (180) days within a twelve (12) month period.
- (iv) "Fair Market Value" shall mean the closing price of the Common Stock as quoted on the New York Stock Exchange at the end of the last business day preceding the Determination Date, the applicable anniversary or the date of termination, as the case may be, as reported in the New York edition of the Wall Street Journal.
- (v) "Good Reason" shall mean (A) any material and substantial breach of this Agreement by the Company, (B) a material

14

reduction in the Executive's Annual Base Salary or other benefits (except for bonuses or similar discretionary payments) as in effect at the time in question, or any other failure by the Company to comply with Paragraph 3 hereof, or (C) the Company shall have given notice pursuant to Paragraph 1 hereof at any time prior to the sixth anniversary of the date hereof that it does not wish to extend this Agreement, except in connection with termination of Executive's employment for Cause or by reason of death or Disability.

- (vi) "Repurchase Fair Market Value" shall mean the average of the closing price on the New York Stock Exchange of the Common Stock on each of the trading days within the thirty (30) days immediately preceding the date of termination of Executive's employment;

(f) Any termination of Executive's employment by the Company or any such termination by Executive (other than on account of death) shall be communicated by written Notice of Termination to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated.

#### 5. Confidential Information.

(a) Executive understands and acknowledges that during his employment with the Company, he will be exposed to Confidential Information (as defined below), all of which is proprietary and which will rightfully belong to the Company. The Executive shall hold in a fiduciary capacity for the benefit of the Company such Confidential Information obtained by Executive during his employment with the Company and shall

15

not, directly or indirectly, at any time, either during or after his employment with the Company, without the Company's prior written consent, use any of such Confidential Information or disclose any of such Confidential Information to any individual or entity other than the Company or its employees, except as required in the performance of his duties for the Company or as otherwise required by law. Executive shall take all reasonable steps to safeguard such Confidential Information and to protect such Confidential Information against disclosure, misuse, loss or theft.

(b) The term "Confidential Information" shall mean any information not generally known in the relevant trade or industry or otherwise not generally

available to the public, which was obtained from the Company or its predecessors or which was learned, discovered, developed, conceived, originated or prepared during or as a result of the performance of any services by Executive on behalf of the Company or its predecessors. For purposes of this Paragraph 5, the Company shall be deemed to include any entity which is controlled, directly or indirectly, by the Company and any entity of which a majority of the economic interest is owned, directly or indirectly, by the Company.

#### 6. Return of Documents.

Except for such items which are of a personal nature to Executive (e.g., daily business planner), all writings, records, and other documents and things containing any Confidential Information shall be the exclusive property of the Company, shall not be copied, summarized, extracted from, or removed from the premises of the Company, except in pursuit of the business of the Company and at the direction of the Company,

16

and shall be delivered to the Company, without retaining any copies, upon the termination of Executive's employment or at any time as requested by the Company.

#### 7. Noncompete.

Executive agrees that:

(a) During the Employment Period and, in the event (i) the Company terminates Executive's employment for Cause, or (ii) Executive terminates his employment without Good Reason, for a one (1) year period thereafter, Executive shall not, directly or indirectly, within the State of New York, the State of New Jersey, the State of Pennsylvania, and the State of Connecticut, engage in, or own, invest in, manage or control any venture or enterprise primarily engaged in any office-service, office, industrial, or flex property development, acquisition or management activities, without regard to whether or not such activities compete with the Company. Nothing herein shall prohibit Executive from being a passive owner of not more than five percent (5%) of the outstanding stock of any class of securities of a corporation or other entity engaged in such business which is publicly traded, so long as he has no active participation in the business of such corporation or other entity. Moreover, the foregoing limitations shall not be deemed to restrict or otherwise limit Executive from conducting real estate development, acquisition or management activities with respect to the Excluded Properties, if any, provided that during the Employment Period the performance of such activities does not prevent Executive from devoting substantially all of his business time to the Company.

17

(b) If, at the time of enforcement of this Paragraph 7, a court shall hold that the duration, scope, area or other restrictions stated herein are unreasonable, the parties agree that reasonable maximum duration, scope, area or other restrictions may be substituted by such court for the stated duration, scope, area or other restrictions and upon substitution by such court, this Agreement shall be automatically modified without further action by the parties hereto.

(c) For purposes of this Paragraph 7, the Company shall be deemed to include any entity which is controlled, directly or indirectly, by the Company and any entity of which a majority of the economic interest is owned, directly or indirectly, by the Company.

#### 8. Remedies.

The parties hereto agree that the Company would suffer irreparable harm from a breach by Executive of any of the covenants or agreements contained in Paragraph 5, 6 or 7 of this Agreement. Therefore, in the event of the actual or threatened breach by Executive of any of the provisions of Paragraph 5, 6 or 7 of this Agreement, the Company may, in addition and supplementary to other rights and remedies existing in its favor, apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce or prevent any violation of the provisions thereof.

18

#### 9. Successors and Assigns.

(a) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance satisfactory to Executive, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the

Company to obtain such agreement prior to the effectiveness of an such succession shall be a breach of this Agreement and shall entitle Executive to compensation from the Company in the same amount and on the same terms as he would be entitled to hereunder if his employment terminated due to Disability, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the date of termination. In the event of such a breach of this Agreement, the Notice of Termination shall specify such date as the date of termination. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to all or substantially all of its business and/or its assets as aforesaid which executes and delivers the agreement provided for in this Paragraph 9 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law. Any cash payments owed to Executive pursuant to this Paragraph 9 shall be paid to Executive in a single sum immediately prior to the consummation of the transaction with such successor.

(b) This Agreement and all rights of Executive hereunder shall inure to the benefit of and be enforceable by Executive's personal or legal representatives,

19

executors, administrators, successors, heirs, distributees, devisees and legatees. If Executive should die while any amounts would still be payable to him hereunder if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Executive's beneficiary as determined under any applicable plan, Executive's devisee, legatee, or other designee or, if there be no such designee, to Executive's estate.

10. Timing of and No Duplication of Payments/ Tax Withholding.

(a) All payments payable to Executive pursuant to this Agreement shall be paid as soon as practicable after such amounts have become fully vested and determinable. In addition, Executive shall not be entitled to receive duplicate payments under any of the provisions of this Agreement.

(b) The Company shall have the right to deduct and withhold from any amounts which become taxable to Executive hereunder all employment and other federal, state and local taxes and charges which are, or which may hereafter, be required by law to be so deducted or withheld.

11. Modification or Waiver.

No amendment, modification, waiver, termination or cancellation of this Agreement shall be binding or effective for any purpose unless it is made in a writing signed by the party against whom enforcement of such amendment, modification, waiver, termination or cancellation is sought. No course of dealing between or among the parties to this Agreement shall be deemed to affect or to modify, amend or

20

discharge any provision or term of this Agreement. No delay on the part of the Company or Executive in the exercise of any of their respective rights or remedies shall operate as a waiver thereof, and no single or partial exercise by the Company or Executive of any such right or remedy shall preclude other or further exercise thereof. A waiver of right or remedy on any one occasion shall not be construed as a bar to or waiver of any such right or remedy on any other occasion.

12. Notices.

All notices or other communications required or permitted hereunder shall be made in writing and shall be deemed to have been duly given if delivered by hand or delivered by a recognized delivery service or mailed, postage prepaid, by express, certified or registered mail, return receipt requested, and addressed to the Company or Executive, as applicable, at the address set forth above (or to such other address as shall have been previously provided in accordance with this Paragraph 12).

13. Governing Law.

THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW JERSEY, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS THEREUNDER.

14. Severability.

Whenever possible, each provision and term of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision or term of this Agreement shall be held to be prohibited by or invalid under

such applicable law, then, subject to the provisions of Paragraph 7(b) above, such provision or term shall be ineffective only to the extent of such prohibition or invalidity, without invalidating or affecting in any manner whatsoever the remainder of such provisions or term or the remaining provisions or terms of this Agreement.

15. Counterparts.

This Agreement may be executed in separate counterparts, each of which is deemed to be an original and both of which taken together shall constitute one and the same agreement.

16. Headings.

The headings of the Paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute a part hereof and shall not affect the construction or interpretation of this Agreement.

17. Entire Agreement.

This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all other prior agreements and undertakings, both written and oral, among the parties with respect to the subject matter hereof.

18. Survival of Agreements.

The covenants made in Paragraphs 4, 5, 6, 7, 8 and 14 each shall survive the termination of this Agreement.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

CALI REALTY CORPORATION

By: /s/ Thomas A. Rizk  
-----  
Name: Thomas A. Rizk  
Title: President

/s/ Barry Lefkowitz  
-----  
Barry Lefkowitz

SCHEDULE A

CALI REALTY CORPORATION

RESTRICTED SHARE AWARD AGREEMENT

BARRY LEFKOWITZ

AGREEMENT EVIDENCING THE GRANT OF A RESTRICTED  
SHARE AWARD PURSUANT TO THE EMPLOYMENT AGREEMENT  
FOR BARRY LEFKOWITZ ENTERED INTO AS OF JANUARY 21, 1997

AGREEMENT ("Agreement") effective as of January 21, 1997, ("Grant Date") by and between Cali Realty Corporation (the "Company") and Barry Lefkowitz ("Recipient").

WHEREAS, pursuant to the employment agreement between Recipient and the Company entered into as of January 21, 1997 (the "Employment Agreement"), the Company has awarded shares of the Company's common stock, par value \$.01 per share ("Common Stock") to the Recipient subject to such terms, conditions, and restrictions (hereinafter, "Restricted Share Award") as set forth in the Employment Agreement and this Agreement;

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. Award of Shares of Restricted Stock.

Pursuant to the Employment Agreement, the Company hereby awards to the Recipient, effective as of the Grant Date, a Restricted Share Award representing the right to earn 9,260 shares of Common Stock ("Restricted Shares") subject to the terms, conditions and restrictions set forth herein. Capitalized terms not otherwise defined in this Agreement shall be as defined in the Employment Agreement.

2. Award Restrictions.

(a) General Rules. Ownership of Restricted Shares shall not vest in the Recipient, and shall be subject to forfeiture until the conditions of Section 2(b) and (c) are fully satisfied. For purposes of this Agreement, the following concepts shall be defined as follows: (i) the lapse of restrictions on the Recipient's rights with respect to the Restricted Shares granted hereunder shall be referred to as "Vesting"; (ii) the period between the Grant Date and the date of Vesting shall be referred to as the "Vesting Period"; and (iii) the date Vesting occurs shall be referred to as the

"Vesting Date."

(b) Vesting. An aggregate of 9,260 Restricted Shares may be earned by the Recipient and vest on a cumulative basis over a five to seven year Vesting Period, with 1,852 Restricted Shares scheduled to be vested and earned on each Vesting Date provided the Performance Goals specified in Section 2(c) below are satisfied. The Vesting Date for this Agreement shall be January 21. In determining the number of Restricted Shares which are earned and vested, fractional shares shall be rounded down to the nearest whole number and shall be aggregated and earned, on the last Vesting Date.

(c) Performance Goals. (i) A total of 1,852 Restricted Shares shall vest on each Vesting Date provided one of the following financial tests ("Financial Tests") is met for the measurement period ending on the last day of the Company's fiscal year immediately preceding such Vesting Date: (A) the Company achieves an eight percent (8%) funds from operations per common share ("FFO") increase, or (B) shareholders receive a fifteen percent (15%) total return (dividends plus stock appreciation per share of Common Stock). For purposes of this Agreement, FFO shall mean (i) net income (loss) before minority interest of unit holders, computed in accordance with generally accepted accounting principles ("GAAP"), excluding gains (or losses) from debt restructuring and sale of property, plus real estate return, depreciation and amortization as calculated in accordance with the National Association of Real Estate Investment Trusts definition published in March 1995, as amended from time to time, and as applied in accordance with the accounting practices and policies of the Company in effect from time to time on a consistent basis to the entire Vesting Period, divided by (ii) the sum of (A) the primary weighted average number of outstanding shares of Common Stock as it appears in the Company's financial statement for the applicable period and (B) the primary weighted average number of

-2-

outstanding limited partnership units of Cali Realty, L.P., a Delaware limited partnership of which the Company is the sole general partner, for the applicable period.

(ii) In the event that neither of the Financial Tests above is satisfied in the measurement period ending on the applicable Vesting Date



("Non-Achievement Year"), any Restricted Shares that failed to vest on such Date may vest on a subsequent Vesting Date provided the test described below is satisfied (the "Cumulative Test"). The Cumulative Test shall be applied at the end of any measurement period ("Catch-Up Year") with respect to any prior Non-Achievement Year provided both of the following conditions are satisfied: (I) a Financial Test is satisfied in the Catch-Up Year without respect to any prior period and (II) a Financial Test is satisfied in the Catch-Up Year on a cumulative basis beginning with the first measurement period occurring within the Vesting Period and ending with the Catch-Up Year. In the event that both of the conditions in the immediately preceding sentence are satisfied, the Restricted Shares that failed to vest in the Non-Achievement Year shall automatically vest on the Vesting Date applicable to the Catch-Up Year. For example, if vesting occurred in years one (1) and two (2), year three (3) is a Non-Achievement Year, and one of the Financial Tests is met in year four (4), the Cumulative Test may be used. Vesting in that portion of the Restricted Stock Award scheduled to vest in year three (3) will occur in year four (4) if either the aggregate FFO is thirty-two percent (32%) or the aggregate total return is sixty percent (60%) at the end of the fourth (4th) fiscal year. Rules for Application of the Cumulative Test: (a) it is not necessary for the Catch-Up Year to immediately succeed the Non-Achievement Year in order for the Cumulative Test to be applicable as long as the Catch-Up Year occurs during the Vesting Period and (b) it is not necessary for the same Financial Test to be satisfied in the Catch-Up Year, first on an independent and then on a cumulative basis, in order for conditions (I) and (II) above to be satisfied. Notwithstanding any contrary

-3-

provisions contained in this Section 2(c), any Restricted Shares that have not been earned and vested by January 21, 2004 pursuant to the Cumulative Test shall automatically be canceled and forfeited.

(d) Lapse of Restrictions. Upon the Vesting of Restricted Shares, the Recipient shall own the Shares free and clear of all restrictions imposed by this Agreement and the Recipient shall be free to hold or dispose of such Shares in his discretion, subject to applicable federal and state law or regulations.

(e) Prohibition Against Assignment. During the Vesting Period, the Restricted Shares may not be transferred or encumbered by the Recipient by means of sale, assignment, mortgage, transfer, exchange, pledge, or otherwise. The levy of any execution, attachment, or similar process upon the Restricted Shares shall be null and void.

-4-

### 3. Stock Certificates.

(a) Certificates. Restricted Shares shall be evidenced by one or more stock certificates registered in the name of the Recipient or a nominee or nominees therefor. Prior to Vesting, the Company shall prepare and issue a certificate for the Restricted Shares (the "Share Certificate"), which shall be registered in the name of the Recipient and which shall bear such restrictive legend or legends (if any) as the Company may deem necessary or desirable under any applicable law.

(b) Stock Powers. The Recipient shall execute and deliver to the designee of the Company (the "Designee") a stock power designating the Company as the transferee of an unspecified number of Shares, which stock power may be completed by the Designee as specified herein. The Recipient and the Company each waive the requirement that the signature of the Recipient on the stock power be guaranteed. Upon receipt of a copy of this Agreement and the stock power, each signed by the Recipient, the Designee shall promptly notify the proper officers of the Company who shall cause the Share Certificate to be deposited with the Designee, to be held in accordance with the terms of the Employment Agreement and this Agreement.

(c) Effect of Vesting. Upon Vesting, the Company shall cause to be delivered to the Recipient (i) a certificate for the Shares which have vested free and clear of restrictive legends and (ii) any stock powers signed hereunder by the Recipient remaining in its possession. In the event that the Recipient dies after Vesting and before delivery of the certificate, such certificate shall be delivered to, and registered in the name of, the Recipient's beneficiary or estate, as the case may be.

(d) Rights of Stockholder. Except as otherwise provided in Section 2 and this Section 3, during the Vesting Period and after the certificates for the Restricted Shares have been issued, the Recipient shall be entitled to all rights of a

-5-

stockholder of the Company, including the right to vote and the right to receive

dividends, with respect to the Restricted Shares subject to this Agreement. Subject to applicable withholding requirements, if any, dividends on the Restricted Shares shall be paid to the Recipient when earned.

(e) Power of Designee. The Designee is hereby authorized by the Recipient to utilize the stock power delivered by the Recipient to transfer all forfeited Shares to the Company upon receipt of instructions from a duly authorized representative of the Company.

#### 4. Termination of Employment; Change in Control.

(a) Termination Due to Disability or Death; Change in Control. Unless otherwise provided in the Employment Agreement, if the Recipient terminates employment with the Company prior to the end of the Vesting Period set forth in this Agreement due to Disability or death, all Restricted Shares subject to this Agreement and held by, or on behalf of, the Recipient shall be deemed earned and vested as of the Recipient's last day of employment with the Company. In addition, unless otherwise provided in the Employment Agreement, all Restricted Shares subject to this Agreement and held by the Recipient on the date a Change in Control occurs shall be deemed earned and vested as of such date.

(b) Termination for Any Other Reason. Unless otherwise provided in the Employment Agreement, if the Recipient's employment with the Company terminates prior to the end of the Vesting Period set forth in this Agreement for reasons other than Disability or death, any Restricted Shares subject to this Agreement that have not been earned and vested prior to the Recipient's termination of employment shall be immediately forfeited on the last day of the Recipient's employment with the Company.

#### 5. Withholding.

-6-

In connection with the delivery of any stock certificates, or the making of any payment in accordance with the provisions of this Agreement, the Company shall withhold Shares or cash amounts (for fractional Shares) equal to the taxes then required by applicable federal, state and local law to be so withheld.

#### 6. Tax Gross-Up Payments.

(a) Entitlement to Tax Gross-Up Payments. The Recipient shall be entitled to receive a tax gross-up payment (the "Tax Gross-Up Payment") from the Company with respect to each tax year Restricted Shares covered by this Agreement are distributed to him. Each Tax Gross-Up Payment shall be a dollar amount equal to forty (40%) percent of the Fair Market Value of the Restricted Shares at time of distribution, exclusive of dividends.

(b) Effect of Termination Due to Disability or Death; Change in Control. Unless otherwise provided in the Employment Agreement, if the Recipient terminates employment with the Company prior to the end of the Vesting Period set forth in this Agreement due to Disability or death, or in the event a Change in Control occurs, a final Tax Gross-Up Payment shall be made to the Recipient (or his Beneficiary, as the case may be) in a dollar amount equal to forty (40%) percent of the Fair Market Value of the Restricted Shares distributed to the Recipient (or his beneficiary), exclusive of dividends. Payment of the final Tax Gross-Up Payment shall be made on the date the Restricted Shares are distributed or as soon as administratively feasible thereafter.

(c) Effect of Termination for Any Other Reason. Unless otherwise provided in the Employment Agreement, if the Recipient's employment with the Company terminates prior to the end of the Vesting Period set forth in this Agreement for any reason other than Disability or death, no further Tax Gross-Up Payments shall be made to such Recipient.

-7-

#### 7. Adjustments for Capital Changes.

In the event of any change in the outstanding shares of Common Stock of the Company by reason of any stock dividend or split, recapitalization, merger, consolidation, spin-off, reorganization, combination or exchange of shares, or other similar corporate change, or other increase or decrease in such shares effected without receipt or payment of consideration by the Company, a duly authorized representative of the Company shall adjust the number of Restricted Shares granted pursuant to the Employment Agreement and this Agreement to prevent dilution or enlargement of the rights granted to the Recipient.

#### 8. No Right to Continued Employment.

Nothing in this Agreement shall confer on the Recipient any right to

continue as an employee of the Company or in any way affect the Company's or any subsidiary's right to terminate the Recipient's employment at any time.

9. Notice.

Any notice to the Company hereunder shall be in writing addressed to:

Cali Realty Corporation  
11 Commerce Drive  
Cranford, New Jersey 07016

Attn: John R. Cali  
Chief Administrative Officer

Any notice to the Recipient hereunder shall be in writing addressed to:

Mr. Barry Lefkowitz  
4 Borden Place  
Livingston, New Jersey 07039

or such other address as the Recipient shall notify the Company in writing.

10. Entire Agreement; Effect of Employment Agreement.

(a) Entire Agreement. This Agreement contains the entire understanding of the parties and shall not be modified or amended except in writing and duly signed by each of the parties hereto. No waiver by either party of any default under this Agreement shall be deemed a waiver of any later default thereof.

(b) Effect of Employment Agreement. In the event the Employment Agreement with the Company contains additional rights, duties and/or obligations with respect to the Recipient, such terms and conditions shall govern the Recipient's Restricted Share Award as if such terms and conditions had been set forth herein; and in the event of any conflict or inconsistency between the terms of the Employment Agreement or this Agreement, the terms and conditions of the Employment Agreement shall control.

11. Construction.

The various provisions of this Agreement are severable in their entirety. Any determination of invalidity or unenforceability of any one provision shall have no effect on the continuing force and effect of the remaining provisions.

12. Governing Law.

This Agreement shall be governed by the laws of the State of New Jersey applicable to contracts made, and to be enforced, within the State of New Jersey.

13. Successors.

This Agreement shall be binding upon and inure to the benefits of the successors, assigns and heirs of the respective parties.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement to be effective on the date first above written.

Cali Realty Corporation

By: /s/ John R. Cali

-----  
John R. Cali  
Chief Administrative Officer

Recipient

/s/ Barry Lefkowitz

-----  
Barry Lefkowitz

STOCK PLEDGE AGREEMENT

STOCK PLEDGE AGREEMENT, dated as of January 21, 1997, made by Barry Lefkowitz, an individual residing at 4 Borden Place, Livingston, New Jersey 07039 (the "Pledgor"), to Cali Realty Corporation, a Maryland corporation, (the "Pledgee" or the "Company").

W I T N E S S E T H:

WHEREAS, the Pledgor is the record and beneficial owner of 16,000 shares of the issued and outstanding shares of common stock, \$.01 par value (the "Common Stock"), of the Company (such Common Stock being the "Pledged Shares"), acquired in connection with the Pledgor's employment agreement with the Pledgee entered into as of January 21, 1997 (the "Employment Agreement");

WHEREAS, pursuant to the Employment Agreement, the Pledgor has agreed to secure, to the extent hereinafter set forth, the payment in full and the performance of the obligations of the Pledgor to the Pledgee under a non-recourse promissory note, dated as of the date hereof, in the amount of \$500,000 (such promissory note as it may hereafter be amended or otherwise modified from time to time, the "Note"); and the capitalized terms used herein, and not otherwise defined herein, are used with the meanings ascribed to them in the Note); and

WHEREAS, the Pledgor hereby pledges and grants a lien and security interest to Pledgee in the Pledged Shares to secure the Pledgor's obligations under the Note.

NOW, THEREFORE, in consideration of the premises and in order to induce the Pledgee to make the loan under the Note, the Pledgor hereby agrees as follows:

SECTION 1. Pledge. The Pledgor hereby pledges to the Pledgee, and grants to the Pledgee a security interest in the Pledged Shares and certificates representing the Pledged Shares, and all dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Pledged Shares, and all proceeds thereof, additions thereto and changes therein (the "Pledged Collateral").

SECTION 2. Security for Obligations; Non-Recourse Obligations. (a) This Agreement secures the payment of all liabilities, obligations and indebtedness of any and every kind and nature heretofore, now or hereafter owing, arising, due or payable from the Pledgor to the Pledgee pursuant to the Note, however evidenced, created, incurred, acquired or owing, whether primary or secondary, direct or indirect, joint or several, contingent or fixed, or otherwise, including without limitation, obligations of performance, and whether arising under any other agreements, documents or instruments entered into in connection with the Note, now or hereafter given by the Pledgor to the Pledgee and whether arising by book entry, agreement or operation of law and whether or not evidenced by promissory notes or other evidences of indebtedness (all such obligations of the Pledgor being the "Obligations").

(b) It is expressly understood and agreed that it is the intention of the parties that the Obligations of the Pledgor under the Note are non-recourse obligations of the Pledgor and that the Pledgee's right to recover against the Pledgor hereunder in respect of such Obligations

shall be limited solely to the Pledged Collateral.

SECTION 3. Delivery and Release of Pledged Collateral. (a) All certificates or instruments representing or evidencing the Pledged Collateral shall be delivered to and held by or on behalf of the Pledgee pursuant hereto and shall be in suitable form for transfer by delivery, or shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to the Pledgee. The Pledgee shall hold the Pledged Collateral in the form in which it is delivered to the Pledgee unless and until the occurrence and continuation of an Event of Default under the Note (unless such Event of Default is waived by the Pledgee) or as otherwise provided in paragraph 3(b) below. Upon the occurrence and continuance of an Event of Default under the Note, the Pledgee shall have the right, at any time in its discretion and without notice to the Pledgor, to transfer to or to register in the name of the Pledgee or any of its nominees any or all of the Pledged Collateral, subject only to the revocable rights specified in Section 6(a) below. In addition, the Pledgee shall have the right at any time to exchange certificates or instruments representing or evidencing Pledged Collateral for certificates or instruments of smaller or larger denominations.

(b) On the first anniversary date of this Agreement, and on each anniversary date and each March 31, June 30 and September 30 thereafter for the term of this Agreement (each such date a "Determination Date"), the Pledgee shall reasonably determine the aggregate fair market value of the Pledged Collateral (the "Market Value"). If on such Determination Date the Market Value exceeds one hundred ten percent (110%) of the aggregate principal amount of the

Note (together with interest accrued thereon) on such Determination Date (the "Base Value"), Pledgee shall, unless otherwise requested by Pledgor, automatically release to the Pledgor such portion of the Pledged Collateral the aggregate fair market value of which equals the Market Value less 110% of the Base Value, free and clear of any and all encumbrances hereunder. For purposes of this paragraph 3(b), "fair market value" shall mean the closing price of the Common Stock as quoted on the New York Stock Exchange at the end of the last business day preceding the Determination Date as reported in the New York edition of The Wall Street Journal.

SECTION 4. Representations and Warranties. The Pledgor represents and warrants as follows:

(a) The Pledgor is the legal and beneficial owner of the Pledged Collateral free and clear of any lien, adverse claim, security interest, option or other charge or encumbrance, except for the security interest created by this Agreement.

(b) The pledge of the Pledged Collateral pursuant to this Agreement creates a valid and perfected first priority security interest in the Pledged Collateral, securing the payment of the Obligations.

(c) Neither the execution or delivery of this Agreement, nor the consummation of the transactions contemplated hereby, nor the compliance with or performance of the terms and conditions of this Agreement by the Pledgor is prevented by, limited by, conflicts with or will result in the breach or violation of or a default under the terms, conditions or provisions of (i) any mortgage, security agreement, indenture, evidence of indebtedness, loan or financing agreement, trust agreement, stockholder agreement, or other agreement or instrument to which the Pledgor is a party or by which he is bound or (ii) any provision of law, any order of any court or administrative agency or any rule or regulation applicable to the Pledgor, subject to applicable state and federal securities laws.

(d) This Agreement constitutes the legal, valid and binding obligation of the

2

Pledgor, enforceable in accordance with its terms.

(e) There are no actions, suits or proceedings (whether or not purportedly on behalf of the Pledgor) pending or, to the best knowledge of the Pledgor, threatened affecting the Pledgor that involve the Pledged Collateral.

(f) All consents or approvals, if any, required as a condition precedent to or in connection with the due and valid execution, delivery and performance by the Pledgor of this Agreement have been obtained, subject to applicable state and federal securities laws.

SECTION 5. Further Assurances. The Pledgor agrees that at any time and from time to time, at the expense of the Pledgor, the Pledgor will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that the Pledgee may reasonably request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable the Pledgee to exercise and enforce its rights and remedies hereunder, subject to applicable state and federal securities laws, with respect to any Pledged Collateral.

SECTION 6. Voting Rights; Dividends, Etc. (a) So long as no Event of Default under the Note shall have occurred and be continuing:

(i) The Pledgor shall be entitled to exercise any and all voting and other consensual rights pertaining to the Pledged Collateral or any part thereof for any purpose not inconsistent with the terms of this Agreement or the Note.

(ii) The Pledgor shall be entitled to receive and retain any and all dividends and interest paid in respect of the Pledged Collateral; provided, however, that any and all:

(A) dividends and interest paid or payable other than in cash in respect of, and instruments and other property received, receivable or otherwise distributed in respect of, or in exchange for, any Pledged Collateral (whether resulting from a subdivision, combination or reclassification of the outstanding capital stock of the Company, or any merger, consolidation, acquisition or other exchange of assets or securities to which the Company may be a party, or any conversion, call or redemption, or otherwise);

(B) dividends and other distributions paid or payable in cash in respect of any Pledged Collateral in connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid-in-surplus; and

(C) cash paid, payable or otherwise distributed in respect of principal of, or in redemption of, or in exchange for, any Pledged Collateral,

shall be, at the option and request of the Pledgee, forthwith delivered to the Pledgee to hold as Pledged Collateral and shall, if received by the Pledgor, be received in trust for the benefit of the Pledgee, be segregated from the other property or funds of the Pledgor, and be forthwith delivered to the Pledgee as Pledged Collateral in the same form as so received (with any necessary endorsement).

(iii) The Pledgee shall execute and deliver (or cause to be executed and delivered)

3

to the Pledgor all such proxies and other instruments as the Pledgor may reasonably request for the purpose of enabling the Pledgor to exercise the voting and other rights which he is entitled to exercise pursuant to paragraph (i) above and to receive the dividends or interest payments which he is authorized to receive and retain pursuant to paragraph (ii) above.

(b) Upon the occurrence and during the continuance of an Event of Default under the Note, and at the election of Pledgee:

(i) All rights of the Pledgor to exercise the voting and other consensual rights which he would otherwise be entitled to exercise pursuant to Section 6(a) (i) and to receive the dividends and interest payments which he would otherwise be authorized to receive and retain pursuant to Section 6(a) (ii) shall cease for the period subsequent to the Event of Default, and all such rights shall thereupon become vested in the Pledgee who shall thereupon have the sole right to exercise such voting and other consensual rights and to receive and hold as Pledged Collateral such dividends and interest payments.

(ii) All dividends and interest payments which are received by the Pledgor contrary to the provisions of paragraph (i) of this Section 6(b) shall be received in trust for the benefit of the Pledgee, shall be segregated from other funds of the Pledgor and shall be forthwith paid over to the Pledgee as Pledged Collateral in the same form as so received (with any necessary endorsement).

(c) In the event that during the term of this Agreement subscription warrants or other rights or options shall be issued in connection with the Pledged Collateral, all such stock warrants, rights and options shall forthwith be assigned by the Pledgor to the Pledgee and said stock warrants, rights and options shall be, and, to the extent exercised by Pledgor, all new stock issued pursuant thereto shall be pledged by Pledgor to Pledgee to be held as, and shall be deemed to be part of, the "Pledged Collateral" under the terms of this Agreement in the same manner as the shares of stock originally pledged hereunder.

SECTION 7. Transfers and Other Liens; Additional Shares. The Pledgor agrees that he will not (i) sell or otherwise dispose of, or grant any option with respect to, any of the Pledged Collateral, or (ii) create or permit to exist any lien, security interest, or other charge or encumbrance upon or with respect to any of the Pledged Collateral, except for the security interest under this Agreement.

SECTION 8. Litigation Respecting Pledged Shares. In the event any action, suit or other proceeding at law, in equity, in arbitration or before any other authority involving or affecting the Pledged Collateral becomes known to or is contemplated by the Pledgor, the Pledgor shall give the Pledgee immediate notice thereof and if the Pledgor is contemplating such action, suit or other proceeding, the Pledgor shall receive the written consent of the Pledgee prior to commencing any such action, suit or other proceeding.

SECTION 9. Pledgee Appointed Attorney-in-Fact. (a) If an Event of Default shall occur and be continuing under the Note (unless such Event of Default is waived by the Pledgee), Pledgor hereby appoints the Pledgee (and any officer or agent of the Pledgee with full power of substitution and revocation) the Pledgor's true and lawful attorney-in-fact, with full authority in the place and stead of the Pledgor and in the name of the Pledgor or otherwise, from time to time in the Pledgee's discretion to take any action and to execute any instrument which the Pledgee may deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation, (i) to receive, endorse and collect all instruments made payable to the Pledgor

4

representing any dividend, interest payment or other distribution in respect of the Pledged Collateral or any part thereof and to give full discharge for the same; and (ii) to transfer the Pledged Collateral on the books of the Company, in whole or in part, to the name of the Pledgee or such other person or persons

as the Pledgee may designate; take possession of and endorse any one or more checks, drafts, bills of exchange, money orders or any other documents received on account of the Pledged Collateral; collect, sue for and give acquittances for moneys due on account of the foregoing; withdraw any claims, suits, or proceedings pertaining to or arising out of the foregoing; execute and record or file on behalf of the Pledgor any evidence of a security interest contemplated by this Agreement or any refiling, continuation or extension thereof; take any other action contemplated by this Agreement; and sign, execute, acknowledge, swear to, verify, deliver, file, record and publish any one or more of the foregoing.

(b) The powers of attorney which shall be granted pursuant to Section 9(a) and all authority thereby conferred shall be granted and conferred solely to protect the Pledgee's interests in the Pledged Collateral and shall not impose any duty upon the attorney-in-fact to exercise such powers. Such powers of attorney shall be irrevocable prior to the performance in full of the Obligations and shall not be terminated prior thereto or affected by any act of the Pledgor or other person or by operation of law, including, but not limited to, the dissolution, death, disability or incompetency of any person, the termination of any trust, or the occurrence of any other event, and if the Pledgor or any other person should be dissolved or die or become disabled or incompetent or any other event should occur before the performance in full of the Obligations and termination of this Agreement, such attorney-in-fact shall nevertheless be fully authorized to act under such powers of attorney as if such dissolution, death, disability or incompetency or other event had not occurred and regardless of notice thereof.

(c) Each person who shall be a transferee of the beneficial ownership of the Pledged Collateral, by the acceptance of such a transfer, shall be deemed to have irrevocably appointed the Pledgee, with full power of substitution and revocation, such person's true and lawful attorney-in-fact in such person's name and otherwise to do any and all acts permitted to, and to exercise any and all powers herein conferred upon, such attorney-in- fact.

SECTION 10. Reasonable Care. The Pledgee shall be deemed to have exercised reasonable care in the custody and preservation of the Pledged Collateral in its possession if the Pledged Collateral is accorded treatment substantially equal to that which the Pledgee accords its own property, it being understood that the Pledgee shall not have any responsibility for (i) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Pledged Collateral, whether or not the Pledgee has or is deemed to have knowledge of such matters, or (ii) taking any necessary steps to preserve rights against any parties with respect to any Pledged Collateral.

#### SECTION 11. Remedies Upon Event of Default.

(a) Subject to Section 2(b) hereof, if any Event of Default under the Note shall have occurred and be continuing (unless such Event of Default is waived by the Pledgee), for the period subsequent to the Event of Default:

(i) The Pledgee may receive and retain all payments of any kind with respect to the Pledged Collateral and may notify the obligors or other parties, if any, interested in any items of Pledged Collateral of the interest of the Pledgee therein and of any action proposed to be taken with respect thereto, and inform any of those parties that all payments otherwise payable to the Pledgor with respect thereto shall be made to the Pledgee until all amounts due under the

5

Note have been paid in full;

(ii) The Pledgee may exercise in respect of the Pledged Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the Uniform Commercial Code (the "Code") in effect in the State of New Jersey at that time, and the Pledgee may also, without notice except as specified below, sell the Pledged Collateral or any part thereof in one or more parcels at public or private sale, at any exchange, broker's board or at any of the Pledgee's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Pledgee may deem commercially reasonable. The Pledgor agrees that, to the extent notice of sale shall be required by law, at least ten days' notice to the Pledgor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Pledgee shall not be obligated to make any sale of Pledged Collateral regardless of notice of sale having been given. The Pledgee may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned;

(iii) Any cash held by the Pledgee as Pledged Collateral and all cash proceeds received by the Pledgee in respect of any sale of,

collection from, or other realization upon all or any part of the Pledged Collateral may, in the discretion of the Pledgee, be held by the Pledgee as collateral for, and/or then or at any time thereafter applied in whole or in part by the Pledgee against, all or any part of the Obligations in such order as the Pledgee shall elect. Any surplus of such cash or cash proceeds held by the Pledgee and remaining after payment in full of all the Obligations shall be paid over to the Pledgor or to whomsoever may be lawfully entitled to receive such surplus; and

(iv) The Pledgee may otherwise use or deal from time to time with the Pledged Collateral, in whole or in part, in all respects as if the Pledgee were the outright owner thereof.

(b) Except as set forth in Section 11(a)(iii), the Pledgee shall have the sole right to determine the order in which Obligations shall be deemed discharged by the application of the Pledged Collateral or any other property or money held hereunder or any amount realized thereon. Any requirement of reasonable notice imposed by law shall be deemed met if such notice is in writing and is mailed, telegraphed or hand delivered to the Pledgor at least three days prior to the sale, disposition or other event giving rise to such notice requirement.

(c) The Pledgee shall collect the cash proceeds received from any sale or other disposition or from any other source contemplated by subsection (a) above and shall apply the full proceeds in accordance with the provisions of this Agreement.

(d) Notwithstanding the foregoing, none of the provisions of this Section 11 shall confer on the Pledgee any rights or privileges that are not permissible under applicable law. The Pledgee may effect the provisions of this Section 11 only in compliance with all applicable federal and state securities laws.

(e) In connection with the provisions of this Agreement, the Pledgor from time to

6

time shall promptly execute and deliver, or cause to be executed and delivered, to the Pledgee such documents and instruments, shall join in such notices and shall take, or cause to be taken, such other lawful actions as the Pledgee shall deem reasonably necessary or desirable to enable it to exercise any of the rights with respect to the Pledged Collateral granted to it pursuant to this Agreement.

SECTION 12. Waivers and Amendments, Etc. The rights and remedies given hereby are in addition to all others however arising, but it is not intended that any right or remedy be exercised in any jurisdiction in which such exercise would be prohibited by law. No action, failure to act or knowledge of the Pledgee shall be deemed to constitute a waiver of any power, right or remedy hereunder, nor shall any single or partial exercise thereof preclude any further exercise thereof or the exercise of any other power, right or remedy. Any waiver or consent respecting any covenant, representation, warranty or other term or provision of this Agreement shall be effective only in the specified instance and for the specific purpose for which given and shall not be deemed, regardless of frequency given, to be a further or continuing waiver or consent. The failure or delay of the Pledgee at any time or times to require performance of, or to exercise its rights with respect to, any representation, warranty, covenant or other term or provision of this Agreement in no manner shall affect its right at a later time to enforce any such provision. No notice to or demand on a party in any case shall entitle such party to any other or further notice or demand in the same, similar or other circumstances. Any right or power of the Pledgee hereunder respecting the Pledged Collateral and any other property or money held hereunder may at the option of the Pledgee be exercised as to all or any part of the same and the term the "Pledged Collateral" wherever used herein, unless the context clearly requires otherwise, shall be deemed to mean (and shall be read as) the "Pledged Collateral and any other property or money held hereunder or any part thereof". This Agreement shall not be amended nor shall any right hereunder be deemed waived except by a written agreement expressly setting forth the amendment or waiver and signed by the party against whom or which such amendment or waiver is sought to be charged.

SECTION 13. Notices. All notices hereunder shall be given and deemed received as set forth in the Note.

SECTION 14. Continuing Security Interest and Reinstatement. (a) This Agreement shall create a continuing security interest in the Pledged Collateral and shall (i) be binding upon the Pledgor, his heirs, successors and assigns, and (ii) inure to the benefit of the Pledgee and its successors, transferees and assigns. Upon the payment in full or performance of the Obligations, the Pledgor shall be entitled to the return, upon his request and at his expense, of such of the Pledged Collateral as shall not have been released, sold or otherwise applied pursuant to the terms of the Agreement.



(b) If at any time after payment in full by the Pledgor of all Obligations and termination of the pledge granted in this Agreement, any payments on Obligations theretofore made by the Pledgor must be disgorged by the Pledgee for any reason whatsoever, this Agreement and the pledge granted hereunder shall be reinstated as to all disgorged payments as though such payments had not been made, and the Pledgor shall sign and deliver to Pledgee all documents and things necessary to reperfect the terminated pledge.

SECTION 15. Severability. In the event that any provision of this Agreement shall be determined to be superseded, invalid or otherwise unenforceable pursuant to applicable law, such determination shall not affect the validity of the remaining provisions of this Agreement, and the remaining provisions of this Agreement shall be enforced as if the invalid provision were deleted.

7

SECTION 16. Survival of Representations, etc. All representations, warranties, covenants and other agreements made herein shall survive the execution and delivery of this Agreement and shall continue in full force and effect until all amounts due under the Note have been paid in full. This Agreement shall remain and continue in full force and effect without regard to any modification, execution, renewal, amendment or waiver of any provision of the Note.

SECTION 17. Termination and Return of Pledged Stock. This Agreement shall continue in full force and effect until all of the Obligations shall have been paid and satisfied or until the release, discharge or termination of the Note, whichever last occurs. Upon the termination of this Agreement, the Pledgee shall cause to be transferred to Pledgor all of the Pledged Collateral and any money, property and rights received by Pledgor pursuant thereto, to the extent Pledgee has not released, taken, sold or otherwise realized upon the same pursuant to its rights and obligations hereunder.

SECTION 18. Transfer and Assignment. The Pledgee may transfer the Pledged Collateral and any other property or money held hereunder to any transferee of the Obligations or any part thereof. The transferee shall thereupon succeed to all of the Pledgee's rights hereunder with respect to the Pledged Collateral so transferred. Thereafter, the Pledgee shall have no obligation to Pledgor with respect to the Pledged Collateral so transferred. The Pledgee shall, however, retain all of its rights and powers with respect to any part of the Pledged Collateral not transferred. Every agent or nominee of the Pledgee shall have the benefit of this Agreement as if named herein and may exercise all of the rights and powers given to the Pledgee hereunder.

SECTION 19. Entire Agreement. This Agreement, the Secured Non-Recourse Promissory Note and the Employment Agreement contain the entire agreement of the parties and supersedes all other agreements, understandings and representations, oral or otherwise, between the parties with respect to the matters contained herein. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors, assigns, heirs, administrators, fiduciaries, next of kin and executors. Section headings used herein are for convenience only and shall not affect the meaning or construction of any of the provisions hereof. This Agreement may be executed in any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument. In the event of any conflict among any of the documents referred to above, the terms of the Employment Agreement shall prevail.

SECTION 20. Governing Law; Terms. This Agreement shall be governed by and construed in accordance with the substantive laws of the State of New Jersey without giving effect to its conflict of laws provisions. Unless otherwise defined herein or in the Note, terms defined in Article 9 of the Uniform Commercial Code in the State of New Jersey are used herein as therein defined.

8

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the date first above written.

/s/ Barry Lefkowitz  
-----  
Barry Lefkowitz

CALI REALTY CORPORATION

By: /s/ Thomas A. Rizk  
-----  
Name: Thomas A. Rizk  
Title: President and



SECURED NON-RECOURSE PROMISSORY NOTE

January 21, 1997

\$500,000

FOR VALUE RECEIVED, Barry Lefkowitz, an individual residing at 4 Borden Place, Livingston, New Jersey 07039 ("Payor"), hereby promises to pay to Cali Realty Corporation, a Maryland corporation ("Payee" or the "Company"), or its assigns, the principal amount of five hundred thousand dollars (\$500,000), together with all interest accrued thereon calculated from the date hereof in accordance with the provisions of Section 1 hereof. Certain capitalized terms used in this Secured Non-Recourse Promissory Note (the "Note") are defined in Section 6 below.

This Note is being made by Payor in order to finance the Payor's purchase of 16,000 shares of common stock, par value \$.01 per share, of the Company (the "Common Stock") from the Company pursuant to the Payor's employment agreement with Payee entered into as of January 21, 1997 (the "Employment Agreement").

This Note is secured by the Pledged Collateral under the terms of the Stock Pledge Agreement and is entitled to the benefits thereof.

1. Accrual of Interest. Interest will accrue on the unpaid principal amount of this Note from and after the date hereof on a daily basis at the rate per annum equal to 6.21%, as set forth in the Employment Agreement, and such interest shall be compounded annually, calculated on the basis of a 365 day year. Unless forgiven as contemplated herein, interest shall be payable annually in arrears on each anniversary date hereof.

2. Payment of Note.

(a) Maturity Date. Except as provided in Sections 2(b) and (c) and Sections 3 and 4 below, the entire unpaid principal balance of this Note (together with interest accrued thereon) shall become due and payable on the fifth anniversary of the date of this Note.

(b) Forgiveness of Loan. The principal amount of this Note shall be automatically forgiven ratably over a five (5) year term in annual equal twenty percent (20%) increments commencing on the first anniversary of the date of this Note and each anniversary thereafter. All then accrued but unpaid interest on this Note shall also be automatically forgiven annually on each applicable anniversary date; provided, however, subject to the provisions of Sections 3 and 4 hereof, the forgiveness of each principal

portion of this Note plus interest shall be conditioned upon Payor being in the employ of the Company on the applicable anniversary date.

(c) Change in Control. Pursuant to the Employment Agreement, in the event of a Change in Control (as defined in the Employment Agreement) or in the absence thereof in the Cali Realty Corporation Employee Stock Option Plan) the entire unpaid principal amount of this Note (including any accrued but unpaid interest) shall automatically be accelerated and forgiven, and no portion of this Note shall become due or payable at any time thereafter.

(d) Non-Recourse Obligations. Notwithstanding anything to the contrary stated herein, Payee agrees that for payment of this Note it will look solely to the Pledged Collateral and such other collateral, if any, as may now or hereafter be given to secure the payment of this Note, and no other assets of Payor shall be subject to levy, execution or other enforcement procedure for the satisfaction of the remedies of Payee, or for any payment required to be made under this Note.

3. Effect of Termination of Employment Due to Disability or Death. In the event Payor terminates employment with the Company prior to the expiration of the term of this Note due to his disability (as determined pursuant to the terms of the Employment Agreement or in the absence thereof by the Committee in its discretion) or death, the entire unpaid balance of this Note plus interest shall automatically be accelerated and forgiven on the first day of the calendar month next succeeding Payor's disability or death, and no portion of this Note shall become due or payable at any time thereafter.

4. Effect of Termination of Employment For Any Other Reason. In the event Payor terminates employment with the Company or the Company terminates Payor's employment with the Company, in each case prior to the expiration of the term of this Note for any reason other than disability or death, there shall be no further forgiveness of the principal or the interest of this Note and the entire unpaid balance of this Note plus interest shall automatically be accelerated and become due and payable to the Company on the effective date of Payor's termination of employment with the Company.

5. Events of Default.

(a) Definition. For purposes of this Note, an Event of Default shall be deemed to have occurred if:

(i) Payor fails to pay when due any amount (whether interest, principal or other amount) then due or payable on this Note for a period of ten (10) days after the holder of this Note notifies Payor of such failure;

2

(ii) Payor fails to perform or observe any other provision contained in this Note or the Stock Pledge Agreement and such failure continues unremedied for a period of thirty (30) days after the holder of this Note notifies Payor of such breach; or

(iii) If an event set forth in Section 4 hereof has occurred, Payor makes an assignment for the benefit of creditors or admits in writing his inability to pay his debts generally as they become due; or an order, judgment or decree is entered adjudicating Payor bankrupt or insolvent; or any order for relief with respect to Payor is entered under the Bankruptcy Code; or Payor petitions or applies to any tribunal for the appointment of a custodian, trustee, receiver or liquidator, or commences any proceeding relating to himself under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction; or any such petition or application is filed, or any such proceeding is commenced, against Payor and either (a) Payor in writing indicates his approval thereof, consents thereto or acquiesces therein or (b) such petition, application or proceeding is not dismissed within ninety (90) days.

(b) Consequences of Events of Default.

(i) If any Event of Default (other than the type described in paragraph 3(a)(iii) hereof has occurred, the holder of this Note may demand (by written notice delivered to Payor) immediate payment of all or any portion of the outstanding principal amount of this Note together with any and all accrued interest thereon, which amount shall become due and payable upon such demand. If an Event of Default of the type described in paragraph 3(a)(iii) has occurred, then all of the outstanding principal amount of this Note together with any and all accrued interest thereon shall automatically be immediately due and payable without any action on the part of the holder of this Note.

(ii) Each holder of this Note shall also have any other rights which such holder may have been afforded under this Note or the Stock Pledge Agreement at any time and any other rights which such holder may have pursuant to applicable law.

6. Certain Defined Terms. As used in this Note, the following terms shall have the following meanings:

"Bankruptcy Code" means the Bankruptcy Code of 1978, as amended.

"Committee" means the Compensation Committee of the Board of Directors of the Company.

3

"Pledged Collateral" means the Common Stock pledged by Payor under the Stock Pledge Agreement as security for Payor's performance of his obligations under this Note.

"Stock Pledge Agreement" means the Stock Pledge Agreement dated the date hereof between Payor and the Company.

7. Amendment and Waiver. Except as otherwise expressly provided herein, the provisions of this Note may not be amended and Payor may not take any action prohibited herein, or omit to perform any act required to be performed by him herein, unless Payor has obtained the prior written consent of the holder of this Note.

8. Cancellation. After all obligations for the payment of money arising under this Note have been paid in full, this Note will be surrendered to Payor for cancellation.

9. Tax Withholding. The Company shall have the right to deduct and withhold from any amounts which become taxable to Payor hereunder all employment and other federal, state and local taxes and charges which are, or which may hereafter, be required by law to be so deducted or withheld.

10. Notices; Place of Payment. Any notice hereunder shall be in writing and shall be delivered by recognized courier, facsimile or certified mail, return receipt requested, and shall be conclusively deemed to have been received by a party hereto and to be effective on the day on which delivered or facsimiled to such party at its address set forth below (or at such other

address as such party shall specify in writing):

If to Payor: Barry Lefkowitz  
4 Borden Place  
Livingston, New Jersey 07039

If to Payee: Cali Realty Corporation  
11 Commerce Drive  
Cranford, New Jersey 07016  
Attn: John R. Cali  
Chief Administrative Officer

All payments to be made under this Note are to be delivered to the holder at such address or to the attention of such person as the holder may designate by prior written notice to Payor. At the request of the holder of this Note, all payments shall be made by wire transfer of immediately available funds to an account which the holder may designate from time to time.

4

11. Waiver of Presentment, Demand, Dishonor.

(a) Payor hereby waives presentment for payment, protest, demand, notice of protest, notice of nonpayment and diligence with respect to this Note, and waives and renounces all rights to the benefits of any statute of limitations or any moratorium, appraisement, exemption, or homestead now provided or that hereafter may be provided by any federal or applicable state statute, including but not limited to exemptions provided or allowed under the Bankruptcy Code, both as to himself and as to all of his property, whether real or personal, against the enforcement and collection of the obligations evidenced by this Note and any and all extensions, renewals and modifications hereof.

(b) No failure on the part of any holder of this Note to exercise any right or remedy hereunder with respect to Payor, whether before or after the happening of an Event of Default, shall constitute waiver of any such Event of Default or of any other Event of Default by such holder or on behalf of any other holder. No failure to accelerate the debt of Payor evidenced hereby by reason of an Event of Default or indulgence granted from time to time shall be construed to be a waiver of the right to insist upon prompt payment thereafter, or shall be deemed to be a novation of this Note or a reinstatement of such debt evidenced hereby or a waiver of such right of acceleration or any other right, or be construed so as to preclude the exercise of any right any holder of this Note may have, whether by the laws of the state governing this Note, by agreement or otherwise, and Payor hereby expressly waives the benefit of any statute or rule of law or equity that would produce a result contrary to or in conflict with the foregoing.

12. Governing Law. The validity, construction and interpretation of this Note shall be governed by and construed in accordance with the internal laws of the State of New Jersey.

13. Transfer; Assignment. This Note may not be negotiated, assigned or transferred by Payor at any time, except with Payee's prior written consent. This Note may not be negotiated, assigned or transferred by Payee except in connection with the sale of all or substantially all of Payee's assets if the transferee expressly assumes Payee's obligations under the Employment Agreement.

14. Entire Agreement. This Secured Non-Recourse Promissory Note, the Stock Pledge Agreement and the Employment Agreement contain the entire agreement of the parties and supersedes all other agreements, understandings and representations, oral or otherwise, between the parties with respect to the matters contained herein. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors, assigns, heirs, administrators, fiduciaries, next of kin and executors. Section headings used herein are for convenience only and shall not affect the meaning or construction of any of the provisions hereof. This Agreement may be executed in any number of counterparts with the same effect as if

5

the signatures thereto and hereto were upon the same instrument. In the event of any conflict among any of the documents referred to above, the terms of the Employment Agreement shall prevail.

IN WITNESS WHEREOF, Payor has executed and delivered this Secured Non-Recourse Promissory Note on the date first written above.

/s/ Barry Lefkowitz  
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Barry Lefkowitz

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EMPLOYMENT AGREEMENT

FOR

JAMES NUGENT

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TABLE OF CONTENTS

	Page
1. Employment.....	1
2. Services.....	2
3. Compensation and Benefits.....	2
4. Termination of Employment and Change in Control.....	7
5. Confidential Information.....	15
6. Return of Documents.....	16
7. Remedies.....	17
8. Successors and Assigns.....	17
9. Timing of and No Duplication of Payments/Tax Withholding.....	18
10. Modification or Waiver.....	19
11. Notices.....	19
12. Governing Law.....	20
13. Severability.....	20
14. Counterparts.....	20
15. Headings.....	20
16. Entire Agreement.....	21
17. Survival of Agreements.....	21

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is entered into as of January 21, 1997, by and between James Nugent, an individual residing at 608 North Boulevard, Belmar, New Jersey 07719 ("Executive"), and Cali Realty Corporation, a Maryland corporation with offices at 11 Commerce Drive, Cranford, New Jersey 07016 (the "Company").

RECITALS

WHEREAS, the Executive has served as Vice President - Leasing of the Company and, through such service, has acquired special and unique knowledge, abilities and expertise; and

WHEREAS, the Company desires to continue to employ the Executive, and the Executive desires to continue to be employed by the Company, pursuant to the terms set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements set forth herein, the parties hereby agree as follows:

1. Employment.

The Company hereby agrees to employ Executive, and Executive hereby agrees to be employed by the Company, for a term commencing on the date hereof and expiring on January 21, 2002; provided, however, that commencing on January 21, 2002 and each January 21 thereafter, the term of this Agreement shall be extended automatically for one (1) additional year unless at least ninety (90) days prior to the

applicable expiration date either the Company or Executive shall have given written notice to the other party that such party does not wish to extend this Agreement. It being agreed and understood that the extension of this Agreement shall not create an obligation of the Company to issue new awards to Executive hereunder. The term of this Agreement, as it may be extended from time to time in accordance with this Paragraph 1, is referred to herein as the "Employment Period."

2. Services.

During the Employment Period, Executive shall hold the position of Vice President - Leasing and shall devote his best efforts and substantially all of his business time, skill and attention to the business of the Company, and shall perform such duties as are customarily performed by similar executive officers and as may be more specifically enumerated from time to time by the Board of Directors of the Company (the "Board") or the Executive Committee of the Board, if any; provided, however, that the foregoing is not intended to preclude

Executive from (i) owning and managing personal investments, including real estate investments or (ii) engaging in charitable activities and community affairs, provided that the performance of these activities does not prevent Executive from devoting substantially all of his business time to the Company.

### 3. Compensation and Benefits.

During the Employment Period, the Company shall pay Executive a minimum annual base salary in the amount of \$140,000 (the "Annual Base Salary"), payable in

2

accordance with the Company's regular payroll practices. In addition, Executive also shall be eligible for incentive compensation payable each year in such amounts as may be determined by the Compensation Committee of the Board (the "Compensation Committee") based upon, among other factors, growth in Funds from Operations per Common Share (as hereinafter defined) for the year. Executive's Annual Base Salary shall be reviewed annually in accordance with the policy of the Company from time to time and may be subject to upward adjustment based on, among other things, Executive's performance, as determined in the sole discretion of the Compensation Committee. The Company shall have the right to deduct and withhold from all compensation all social security and other federal, state and local taxes and charges which currently are or which hereafter may be required by law to be so deducted and withheld. In addition to the compensation specified above and other benefits provided pursuant to this Paragraph 3, Executive shall be entitled to the following benefits:

- (a) participation in the Employee Stock Option Plan of Cali Realty Corporation (the "Stock Option Plan") and other benefit plans (including without limitation the Cali Realty Corporation 401(k) Savings and Retirement Plan and any other stock option plans which may be adopted or maintained by the Company) made generally available to executives of the Company with such participation to be consistent with reasonable Company guidelines;
- (b) participation in any health insurance, disability insurance, group life insurance or other welfare benefit program made generally available to executives of the Company; and
- (c) reimbursement for reasonable business expenses incurred by Executive in furtherance of the interests of the Company.

In addition, Executive shall be entitled to receive such bonuses and options to purchase shares of common stock, par value \$0.01 per share, of the

3

Company (the "Common Stock") as the Board shall approve, in its sole discretion, including, without limitation, options and bonuses contingent upon Executive's performance and the achievement of specified financial and operating objectives for Funds from Operations per Common Share. For purposes of this Agreement, "Funds from Operations per Common Share" for any period shall mean (i) net income (loss) before minority interest of unit holders, computed in accordance with generally accepted accounting principles ("GAAP"), excluding gains (or losses) from debt restructuring and sale of property, plus real estate return, depreciation and amortization as calculated in accordance with the National Association of Real Estate Investment Trusts definition published in March 1995, as amended from time to time, and as applied in accordance with the accounting practices and policies of the Company in effect from time to time on a consistent basis to the entire Employment Period, divided by (ii) the sum of (A) the primary weighted average number of outstanding shares of Common Stock as it appears in the Company's financial statement for the applicable period and (B) the primary weighted average number of outstanding limited partnership units of Cali Realty, L.P., a Delaware limited partnership of which the Company is the sole general partner, for the applicable period.

As further consideration for Executive agreeing to serve as an officer and entering into this Agreement upon the terms set forth herein, the Company shall, concurrently herewith or as soon as practicable after the execution of this Agreement:

- (a) grant to Executive 7,405 restricted shares of Common Stock ("Restricted Shares") pursuant to the terms and conditions of this Agreement, and the written agreement, issued pursuant to this Agreement, evidencing such award executed between the Company and Executive (the "Restricted Share Agreement"). In

4

the event of a conflict between the Restricted Share Agreement

and this Agreement, the terms of this Agreement shall control.

The Restricted Share Award (as defined in the Restricted Share Agreement) is scheduled to vest over five (5) years with twenty percent (20%) of the Restricted Shares vesting on each of the first anniversary of the date hereof (the "First Anniversary"), the second anniversary of the date hereof (the "Second Anniversary"), the third anniversary of the date hereof (the "Third Anniversary"), the fourth anniversary of the date hereof (the "Fourth Anniversary") and the fifth anniversary of the date hereof (the "Fifth Anniversary"), provided, that certain Performance Goals as defined and set forth in the Restricted Share Agreement are met. Vesting shall be cumulative in accordance with the provisions of the Restricted Share Agreement and the Performance Goals may be achieved as specified therein up until the seventh anniversary of the date hereof. Except as otherwise provided in Paragraph 4 hereof, Executive must be employed by the Company on the applicable anniversary date to vest in the Restricted Shares scheduled to vest in a particular year. The measurement date to determine such vesting shall be the last day of the Company's fiscal year preceding the year in which the applicable anniversary date occurs.

In addition, upon vesting of the Restricted Shares on each applicable anniversary date, the Company shall make a cash payment to Executive on that anniversary date in an amount equal to forty percent (40%) of the Fair Market Value (determined as of such anniversary date) of the Restricted Shares that vest on such anniversary date (the "Restricted Share Tax Gross-Up Payment").

- (b) loan on a non-recourse basis to Executive \$400,000 (the "Stock Acquisition Loan"), with the loan proceeds to be used by Executive simultaneously to purchase newly issued Common Stock from the Company. Interest shall accrue on the Stock Acquisition Loan at the rate of 6.21% per year and shall be payable, on the entire outstanding balance, annually in arrears. The Stock Acquisition Loan is being granted and secured pursuant to the terms and conditions of this Agreement, and a Secured Non-Recourse Promissory Note and Stock Pledge Agreement evidencing and securing such Loan as executed between the Company and Executive. In the event of a conflict between the aforementioned documents and this Agreement, the terms of this Agreement shall control.

5

The Stock Acquisition Loan shall be forgiven over a period of five (5) years from the date hereof, with twenty percent (20%) of the principal and interest on the then outstanding balance of the principal to be forgiven on each applicable anniversary date (the "Forgiven Amount"). In addition, on each applicable anniversary date as the Stock Acquisition Loan and interest accrued thereon is forgiven, in order to enable Executive to meet his tax liability with respect to the forgiveness of the Stock Acquisition Loan, the Company shall make a cash payment to Executive on that anniversary date in an amount equal to forty percent (40%) of the respective Forgiven Amount (the "Acquisition Loan Tax Gross-Up Payment"). Since the Stock Acquisition Loan will be forgiven over a five (5) year period, a total of five (5) Acquisition Loan Tax Gross-Up Payments will be made to Executive over the period of forgiveness. No additional payments will be made to Executive with respect to any Acquisition Loan Tax Gross-Up Payments made hereunder. Except as otherwise provided in Paragraph 4 hereof, the aforementioned forgiveness of the Stock Acquisition Loan inclusive of interest thereon and respective Acquisition Loan Tax Gross-Up Payment shall only occur if Executive is employed by the Company on the applicable anniversary date.

The Stock Acquisition Loan shall be initially secured by the shares of Common Stock purchased by Executive from the Company with the proceeds of the Stock Acquisition Loan. Beginning on the First Anniversary, the outstanding balance of the Stock Acquisition Loan shall be secured only by shares of Common Stock having a Fair Market Value of one hundred and ten percent (110%) of the outstanding principal amount of the Stock Acquisition Loan (together with interest accrued thereon). On the First Anniversary, and on each anniversary date, March 31, June 30 and September 30 through the Fifth Anniversary (each such date a "Determination Date"), the Company shall reasonably determine the aggregate Fair Market Value of the collateral (the "Market Value") being held. If on



such Determination Date the Market Value exceeds one hundred ten percent (110%) of the outstanding balance of the Stock Acquisition Loan (together with interest accrued thereon) on such Determination Date (the "Base Value"), the Company shall, unless otherwise requested by Executive, automatically release to Executive such portion of the collateral the aggregate Fair Market Value of which equals the Market Value less 110% of the Base Value, free and clear of any and all encumbrances under the Stock Pledge Agreement.

6

Executive shall be required to execute the aforementioned Stock Pledge Agreement and Secured Non-Recourse Promissory Note. The Company shall then issue shares of Common Stock to Executive in exchange for the Stock Acquisition Loan. The Company shall, upon receipt from Executive of the Stock Pledge Agreement and Secured Non-Recourse Promissory Note for the purchase of the shares of Common Stock purchased with the proceeds of the Stock Acquisition Loan, make prompt delivery of the certificates evidencing the shares of Common Stock to Executive, subject to any requirements set forth in the Stock Pledge Agreement; provided, however, that if any law or regulation requires the Company to take any action with respect to such shares prior to the delivery thereof, then the date of the delivery of the shares shall be extended for the period necessary to complete such action. Certificates for shares of Common Stock when issued to Executive may have restrictive legends or statements of other applicable restrictions endorsed thereon and may not be immediately transferable.

#### 4. Termination of Employment and Change in Control.

(a) Termination of Employment by the Company for Cause or By Executive without Good Reason. In the event (i) the Company terminates Executive's employment for Cause (as hereinafter defined) or (ii) Executive terminates his employment without Good Reason (as hereinafter defined), the Company shall pay Executive any unpaid salary accrued through and including the date of termination. In addition, in such event, Executive shall be entitled (i) to exercise any options which have vested and are exercisable in accordance with the terms of the applicable option grant agreement or plan, (ii) to retain any Restricted Shares previously awarded to Executive pursuant to this Agreement and the Restricted Share Agreement and any Restricted Share Tax Gross-Up Payments which are fully vested on the date of termination, and (iii) to retain any shares of Common Stock purchased by Executive with the proceeds of the Stock Acquisition Loan which are no longer pledged as

7

collateral for the outstanding balance of the Stock Acquisition Loan and any Acquisition Loan Tax Gross-Up Payments applicable to Forgiven Amounts and to retain the balance of the shares of Common Stock which are still pledged as collateral for the outstanding balance of the Stock Acquisition Loan, provided, that Executive immediately repays to the Company the outstanding balance of the Stock Acquisition Loan including interest accrued thereon through the date of termination. Except for any rights which Executive may have to unpaid salary amounts through and including the date of termination, vested options, vested Restricted Shares and related Restricted Share Tax Gross-Up Payments, and shares of Common Stock purchased with the proceeds of the Stock Acquisition Loan and related Acquisition Loan Tax Gross-Up Payments, all as set forth above, the Company shall have no further obligations hereunder following such termination.

(b) Termination of Employment Upon Death or Disability. In the event of termination of Executive's employment as a result of either (i) Executive's death or Disability (as hereinafter defined), the Company shall pay to Executive, his estate or his personal representative (A) the unpaid salary through the end of the Employment Period remaining (assuming no such termination occurred) and (B) a pro-rata portion, based upon the number of days in the period beginning with January 1 of the calendar year in which such termination occurred and ending with the date the Employment Period ends (assuming such termination did not occur), of the average annual amount of incentive compensation payments paid to Executive during each previous year of Executive's employment hereunder (the "Pro-Rata Portion of Incentive Compensation"). The aforesaid amount shall be payable, at the option of Executive, his estate or his

8

personal representative, either (i) in full immediately upon such termination or (ii) monthly over the remainder of the Employment Period. In addition, Executive shall be entitled (i) at the option of Executive, his estate or his personal representative, within one (1) year of the date of such termination, to exercise

any options which have vested (including, without limitation, by acceleration in accordance with the terms of the applicable option grant agreement or plan) and are exercisable in accordance with the terms of the applicable option grant agreement or plan or to require the Company (upon written notice delivered within one hundred eighty (180) days following the date of Executive's termination) to repurchase all or any portion of Executive's vested options to purchase shares of Common Stock at a price equal to the difference between the Repurchase Fair Market Value (as hereinafter defined) of the shares of Common Stock for which the options to be repurchased are exercisable and the exercise price of such option as of the date of Executive's termination of employment, (ii) to retain all Restricted Shares awarded to Executive pursuant to this Agreement and the Restricted Share Agreement whether or not such Restricted Shares had previously vested as of the date of termination. In the event any Restricted Shares have not vested as of the date of termination, such Restricted Shares shall immediately vest and Executive, his estate or his personal representative shall receive a cash payment from the Company on the date of termination in an amount equal to forty percent (40%) of the Fair Market Value (determined as of the date of termination) of the Restricted Shares that vest on the date of termination (the "Termination Restricted Share Tax Gross-Up Payment"), (iii) to retain all shares of Common Stock purchased by Executive with the proceeds of the Stock Acquisition Loan without regard to whether or not the Stock Acquisition Loan

9

has been forgiven or repaid. In the event there is an outstanding balance on the Stock Acquisition Loan, such outstanding balance including interest accrued thereon shall on the first day of the calendar month next succeeding Executive's Disability or death be forgiven (and any shares pledged under the Stock Pledge Agreement shall be released to Executive, his estate or his personal representative) and Executive, his estate or his personal representative shall receive a cash payment from the Company on that date in an amount equal to forty percent (40%) of the outstanding balance of the Stock Acquisition Loan and interest accrued thereon that is forgiven on the date of termination (the "Termination Acquisition Loan Tax Gross-Up Payment"). Except for any rights which Executive may have to unpaid salary amounts through the end of the Employment Period, the Pro-Rata Portion of Incentive Compensation, vested options, Restricted Shares (and the full vesting thereof) and the Termination Restricted Share Tax Gross-Up Payment, and shares of Common Stock purchased with the proceeds of the Stock Acquisition Loan (and the forgiveness of the outstanding balance of the Stock Acquisition Loan inclusive of interest accrued thereon) and the Termination Acquisition Loan Tax Gross-Up Payment, all as set forth above, the Company shall have no further obligations hereunder following such termination.

(c) Termination of Employment By the Company Without Cause or By the Executive for Good Reason. In the event (i) the Company terminates Executive's employment for any reason other than Cause or (ii) Executive terminates his employment for Good Reason, the Company shall pay to Executive (A) the unpaid salary through the end of the Employment Period remaining (assuming no such termination occurred) and (B) a pro-rata portion, based upon the number of days in the

10

period beginning with January 1 of the calendar year in which such termination occurred and ending with the date the Employment Period ends (assuming such termination did not occur), of the average annual amount of incentive compensation payments paid to Executive during each previous year of Executive's employment hereunder. The aforesaid amount shall be payable, at the option of Executive, either (i) in full immediately upon such termination or (ii) monthly over the remainder of the Employment Period. In addition, Executive shall be entitled (i) at the option of Executive, within ninety (90) days of the date of such termination, to exercise any options which have vested (including, without limitation, by acceleration in accordance with the terms of the applicable option grant agreement or plan) and are exercisable in accordance with the terms of the applicable option grant agreement or plan, it being agreed and understood that this Agreement does not require the Company to issue options to Executive, (ii) to retain any Restricted Shares previously awarded to Executive pursuant to this Agreement and the Restricted Share Agreement and any Restricted Share Tax Gross-Up Payments which are fully vested on the date of termination, and (iii) to retain any shares of Common Stock purchased by Executive with the proceeds of the Stock Acquisition Loan which are no longer pledged as collateral for the outstanding balance of the Stock Acquisition Loan and any Acquisition Loan Tax Gross-Up Payments applicable to Forgiven Amounts and to retain the balance of the shares of Common Stock which are still pledged as collateral for the outstanding balance of the Stock Acquisition Loan, provided, that Executive immediately repays to the Company the outstanding balance of the Stock Acquisition Loan including interest accrued thereon through the date of termination. Except for any

11

rights which Executive may have to unpaid salary amounts through the end of the Employment Period, the Pro-Rata Portion of Incentive Compensation, vested options, vested Restricted Shares and related Restricted Share Tax Gross-Up Payments, and shares of Common Stock purchased with the proceeds of the Stock Acquisition Loan and related Acquisition Loan Tax Gross-Up Payments, all as set forth above, the Company shall have no further obligations hereunder following such termination.

(d) Upon a Change in Control. In the event of a Change in Control (as hereinafter defined), Executive shall be entitled (i) to all Restricted Shares awarded to Executive pursuant to this Agreement and the Restricted Share Agreement whether or not such Restricted Shares had previously vested as of the date of the Change in Control. In the event any Restricted Shares have not vested as of the date of the Change in Control, such Restricted Shares shall immediately vest and Executive shall receive a cash payment from the Company on the date of the Change in Control in an amount equal to forty percent (40%) of the Fair Market Value (determined as of the date of the Change in Control) of the Restricted Shares that vest on the date of the Change in Control (the "Change in Control Restricted Share Tax Gross-Up Payment"), (ii) to all shares of Common Stock purchased by Executive with the proceeds of the Stock Acquisition Loan without regard to whether or not the Stock Acquisition Loan has been forgiven or repaid. In the event there is an outstanding balance on the Stock Acquisition Loan, such outstanding balance including interest accrued thereon through the date of the Change in Control shall be immediately forgiven (and any shares pledged under the Stock Pledge Agreement shall be released to Executive) and Executive shall receive a cash payment from the Company on the date of the Change

12

in Control in an amount equal to forty percent (40%) of the outstanding balance of the Stock Acquisition Loan and interest accrued thereon that is forgiven on the date of the Change in Control (the "Change in Control Acquisition Loan Tax Gross-Up Payment") and (iii) an excise tax gross-up payment. If it is determined by an independent accountant mutually acceptable to the Company and Executive that as a result of compensation paid and other benefits provided to Executive by the Company pursuant to this Agreement or otherwise, a tax will be imposed on Executive pursuant to Section 4999 of the Code (or any successor provisions) the Company shall pay Executive in cash an amount equal to the excise tax for which the Executive is liable under Section 4999 of the Code.

Any cash payments owed to Executive pursuant to this Paragraph 4(d) shall be paid to Executive in a single sum on or immediately prior to date of the Change in Control but prior to the consummation of the transaction with any successor.

In addition, any other options previously or hereafter granted to Executive that have not vested as of the date of the Change in Control shall immediately vest upon the occurrence of and on the date of a Change in Control irrespective of whether Executive's employment terminates in connection with such Change in Control.

(e) For purposes of this Agreement:

- (i) "Cause" shall mean (A) the willful and continued failure by Executive to substantially perform his duties hereunder (other than any such failure resulting from Executive's incapacity due to physical or mental illness) for a period of thirty (30) days after written demand for substantial performance is delivered by the Company specifically identifying the manner in which the Company believes Executive has not substantially performed his duties, or (B) willful misconduct by Executive which is materially injurious to the Company, monetarily or otherwise, or (C) the willful violation by Executive of the provisions of Paragraph 5 hereof. For purposes of this Paragraph 4(e)(i), no act, or failure to act, on Executive's part shall be considered "willful" unless done, or omitted to be done, by him (I) not in good faith and (II) without reasonable belief that his action or omission was in furtherance of the interests of the Company.
- (ii) "Change in Control" shall mean that any of the following events has occurred: (a) any "person" or "group" of persons, as such terms are used in Sections 13 and 14 of the Securities Exchange Act of 1934, as amended (the

13

"Exchange Act"), other than any employee benefit plan sponsored by the Company, becomes the "beneficial owner", as such term is used in Section 13 of the Exchange Act, of thirty percent (30%) or more of the Common Stock of the Company

issued and outstanding immediately prior to such acquisition;  
(b) any Common Stock of the Company is purchased pursuant to a tender or exchange offer other than an offer by the Company;  
or (c) the dissolution or liquidation of the Company or the consummation of any merger or consolidation of the Company or any sale or other disposition of all or substantially all of its assets, if the shareholders of the Company immediately before such transaction own, immediately after consummation of such transaction, equity securities (other than options and other rights to acquire equity securities) possessing less than thirty percent (30%) of the voting power of the surviving or acquiring company.

- (iii) "Disability" shall mean the determination by the Company, upon the advice of an independent qualified physician, reasonably acceptable to Executive, that Executive has become physically or mentally incapable of performing his duties under this Agreement and such disability has disabled Executive for a cumulative period of one hundred eighty (180) days within a twelve (12) month period.
- (iv) "Fair Market Value" shall mean the closing price of the Common Stock as quoted on the New York Stock Exchange at the end of the last business day preceding the Determination Date, the applicable anniversary or the date of termination, as the case may be, as reported in the New York edition of the Wall Street Journal.
- (v) "Good Reason" shall mean (A) any material and substantial breach of this Agreement by the Company, (B) a material reduction in the Executive's Annual Base Salary or other benefits (except for bonuses or similar discretionary payments) as in effect at the time in question, or any other failure by the Company to comply with Paragraph 3 hereof, or (C) the Company shall have given notice pursuant to Paragraph 1 hereof at any time prior to the sixth anniversary of the date hereof that it does not wish to extend this Agreement, except in connection with termination of Executive's employment for Cause or by reason of death or Disability.

14

- (vi) "Repurchase Fair Market Value" shall mean the average of the closing price on the New York Stock Exchange of the Common Stock on each of the trading days within the thirty (30) days immediately preceding the date of termination of Executive's employment;

(f) Any termination of Executive's employment by the Company or any such termination by Executive (other than on account of death) shall be communicated by written Notice of Termination to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated.

#### 5. Confidential Information.

(a) Executive understands and acknowledges that during his employment with the Company, he will be exposed to Confidential Information (as defined below), all of which is proprietary and which will rightfully belong to the Company. The Executive shall hold in a fiduciary capacity for the benefit of the Company such Confidential Information obtained by Executive during his employment with the Company and shall not, directly or indirectly, at any time, either during or after his employment with the Company, without the Company's prior written consent, use any of such Confidential Information or disclose any of such Confidential Information to any individual or entity other than the Company or its employees, except as required in the performance of his duties for the Company or as otherwise required by law. Executive shall take all

15

reasonable steps to safeguard such Confidential Information and to protect such Confidential Information against disclosure, misuse, loss or theft.

(b) The term "Confidential Information" shall mean any information not generally known in the relevant trade or industry or otherwise not generally available to the public, which was obtained from the Company or its predecessors or which was learned, discovered, developed, conceived, originated or prepared during or as a result of the performance of any services by Executive on behalf of the Company or its predecessors. For purposes of this Paragraph 5, the Company shall be deemed to include any entity which is controlled, directly or

indirectly, by the Company and any entity of which a majority of the economic interest is owned, directly or indirectly, by the Company.

#### 6. Return of Documents.

Except for such items which are of a personal nature to Executive (e.g., daily business planner), all writings, records, and other documents and things containing any Confidential Information shall be the exclusive property of the Company, shall not be copied, summarized, extracted from, or removed from the premises of the Company, except in pursuit of the business of the Company and at the direction of the Company, and shall be delivered to the Company, without retaining any copies, upon the termination of Executive's employment or at any time as requested by the Company.

16

#### 7. Remedies.

The parties hereto agree that the Company would suffer irreparable harm from a breach by Executive of any of the covenants or agreements contained in Paragraph 5 or 6 of this Agreement. Therefore, in the event of the actual or threatened breach by Executive of any of the provisions of Paragraph 5 or 6 of this Agreement, the Company may, in addition and supplementary to other rights and remedies existing in its favor, apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce or prevent any violation of the provisions thereof.

#### 8. Successors and Assigns.

(a) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance satisfactory to Executive, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of an such succession shall be a breach of this Agreement and shall entitle Executive to compensation from the Company in the same amount and on the same terms as he would be entitled to hereunder if his employment terminated due to Disability, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the date of termination. In the event of such a breach of this Agreement, the Notice of Termination shall specify

17

such date as the date of termination. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to all or substantially all of its business and/or its assets as aforesaid which executes and delivers the agreement provided for in this Paragraph 8 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law. Any cash payments owed to Executive pursuant to this Paragraph 8 shall be paid to Executive in a single sum immediately prior to the consummation of the transaction with such successor.

(b) This Agreement and all rights of Executive hereunder shall inure to the benefit of and be enforceable by Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If Executive should die while any amounts would still be payable to him hereunder if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Executive's beneficiary as determined under any applicable plan, Executive's devisee, legatee, or other designee or, if there be no such designee, to Executive's estate.

#### 9. Timing of and No Duplication of Payments/Tax Withholding.

(a) All payments payable to Executive pursuant to this Agreement shall be paid as soon as practicable after such amounts have become fully vested and determinable. In addition, Executive shall not be entitled to receive duplicate payments under any of the provisions of this Agreement.

(b) The Company shall have the right to deduct and withhold from any amounts which become taxable to Executive hereunder all employment and other

18

federal, state and local taxes and charges which are, or which may hereafter, be required by law to be so deducted or withheld.

#### 10. Modification or Waiver.

No amendment, modification, waiver, termination or cancellation of this Agreement shall be binding or effective for any purpose unless it is made in a writing signed by the party against whom enforcement of such amendment, modification, waiver, termination or cancellation is sought. No course of dealing between or among the parties to this Agreement shall be deemed to affect or to modify, amend or discharge any provision or term of this Agreement. No delay on the part of the Company or Executive in the exercise of any of their respective rights or remedies shall operate as a waiver thereof, and no single or partial exercise by the Company or Executive of any such right or remedy shall preclude other or further exercise thereof. A waiver of right or remedy on any one occasion shall not be construed as a bar to or waiver of any such right or remedy on any other occasion.

11. Notices.

All notices or other communications required or permitted hereunder shall be made in writing and shall be deemed to have been duly given if delivered by hand or delivered by a recognized delivery service or mailed, postage prepaid, by express, certified or registered mail, return receipt requested, and addressed to the Company or Executive, as applicable, at the address set forth above (or to such other address as shall have been previously provided in accordance with this Paragraph 11).

19

12. Governing Law.

THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW JERSEY, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS THEREUNDER.

13. Severability.

Whenever possible, each provision and term of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision or term of this Agreement shall be held to be prohibited by or invalid under such applicable law, then such provision or term shall be ineffective only to the extent of such prohibition or invalidity, without invalidating or affecting in any manner whatsoever the remainder of such provisions or term or the remaining provisions or terms of this Agreement.

14. Counterparts.

This Agreement may be executed in separate counterparts, each of which is deemed to be an original and both of which taken together shall constitute one and the same agreement.

15. Headings.

The headings of the Paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute a part hereof and shall not affect the construction or interpretation of this Agreement.

20

16. Entire Agreement.

This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all other prior agreements and undertakings, both written and oral, among the parties with respect to the subject matter hereof.

17. Survival of Agreements.

The covenants made in Paragraphs 4, 5, 6, 7 and 13 each shall survive the termination of this Agreement.

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21

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

CALI REALTY CORPORATION

By: /s/ Thomas A. Rizk

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Name: Thomas A. Rizk

Title: President

/s/ James Nugent

-----  
James Nugent

CALI REALTY CORPORATION

RESTRICTED SHARE AWARD AGREEMENT

JAMES NUGENT

AGREEMENT EVIDENCING THE GRANT OF A RESTRICTED  
SHARE AWARD PURSUANT TO THE EMPLOYMENT AGREEMENT  
FOR JAMES NUGENT ENTERED INTO AS OF JANUARY 21, 1997

AGREEMENT ("Agreement") effective as of January 21, 1997, ("Grant Date") by and between Cali Realty Corporation (the "Company") and James Nugent ("Recipient").

WHEREAS, pursuant to the employment agreement between Recipient and the Company entered into as of January 21, 1997 (the "Employment Agreement"), the Company has awarded shares of the Company's common stock, par value \$.01 per share ("Common Stock") to the Recipient subject to such terms, conditions, and restrictions (hereinafter, "Restricted Share Award") as set forth in the Employment Agreement and this Agreement;

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. Award of Shares of Restricted Stock.

Pursuant to the Employment Agreement, the Company hereby awards to the Recipient, effective as of the Grant Date, a Restricted Share Award representing the right to earn 7,405 shares of Common Stock ("Restricted Shares") subject to the terms, conditions and restrictions set forth herein. Capitalized terms not otherwise defined in this Agreement shall be as defined in the Employment Agreement.

2. Award Restrictions.

(a) General Rules. Ownership of Restricted Shares shall not vest in the Recipient, and shall be subject to forfeiture until the conditions of Section 2(b) and (c) are fully satisfied. For purposes of this Agreement, the following concepts shall be defined as follows: (i) the lapse of restrictions on the Recipient's rights with respect to the Restricted Shares granted hereunder shall be referred to as "Vesting"; (ii) the period between the Grant Date and the date of Vesting shall be referred to as the "Vesting Period"; and (iii) the date Vesting occurs shall be referred to as the

"Vesting Date."

(b) Vesting. An aggregate of 7,405 Restricted Shares may be earned by the Recipient and vest on a cumulative basis over a five to seven year Vesting Period, with 1,481 Restricted Shares scheduled to be vested and earned on each Vesting Date provided the Performance Goals specified in Section 2(c) below are satisfied. The Vesting Date for this Agreement shall be January 21. In determining the number of Restricted Shares which are earned and vested, fractional shares shall be rounded down to the nearest whole number and shall be aggregated and earned, on the last Vesting Date.

(c) Performance Goals. (i) A total of 1,481 Restricted Shares shall vest on each Vesting Date provided one of the following financial tests ("Financial Tests") is met for the measurement period ending on the last day of the Company's fiscal year immediately preceding such Vesting Date: (A) the Company achieves an eight percent (8%) funds from operations per common share ("FFO") increase, or (B) shareholders receive a fifteen percent (15%) total return (dividends plus stock appreciation per share of Common Stock). For purposes of this Agreement, FFO shall mean (i) net income (loss) before minority interest of unit holders, computed in accordance with generally accepted accounting principles ("GAAP"), excluding gains (or losses) from debt restructuring and sale of property, plus real estate return, depreciation and amortization as calculated in accordance with the National Association of Real Estate Investment Trusts definition published in March 1995, as amended from time to time, and as applied in accordance with the accounting practices and policies of the Company in effect from time to time on a consistent basis to the entire Vesting Period, divided by (ii) the sum of (A) the primary weighted average number of outstanding shares of Common Stock as it appears in the Company's financial statement for the applicable period and (B) the primary weighted average number of

-2-

outstanding limited partnership units of Cali Realty, L.P., a Delaware limited partnership of which the Company is the sole general partner, for the applicable period.

(ii) In the event that neither of the Financial Tests above is satisfied in the measurement period ending on the applicable Vesting



Date ("Non-Achievement Year"), any Restricted Shares that failed to vest on such Date may vest on a subsequent Vesting Date provided the test described below is satisfied (the "Cumulative Test"). The Cumulative Test shall be applied at the end of any measurement period ("Catch-Up Year") with respect to any prior Non-Achievement Year provided both of the following conditions are satisfied: (I) a Financial Test is satisfied in the Catch-Up Year without respect to any prior period and (II) a Financial Test is satisfied in the Catch-Up Year on a cumulative basis beginning with the first measurement period occurring within the Vesting Period and ending with the Catch-Up Year. In the event that both of the conditions in the immediately preceding sentence are satisfied, the Restricted Shares that failed to vest in the Non-Achievement Year shall automatically vest on the Vesting Date applicable to the Catch-Up Year. For example, if vesting occurred in years one (1) and two (2), year three (3) is a Non-Achievement Year, and one of the Financial Tests is met in year four (4), the Cumulative Test may be used. Vesting in that portion of the Restricted Stock Award scheduled to vest in year three (3) will occur in year four (4) if either the aggregate FFO is thirty-two percent (32%) or the aggregate total return is sixty percent (60%) at the end of the fourth (4th) fiscal year. Rules for Application of the Cumulative Test: (a) it is not necessary for the Catch-Up Year to immediately succeed the Non-Achievement Year in order for the Cumulative Test to be applicable as long as the Catch-Up Year occurs during the Vesting Period and (b) it is not necessary for the same Financial Test to be satisfied in the Catch-Up Year, first on an independent and then on a cumulative basis, in order for conditions (I) and (II) above to be satisfied. Notwithstanding any contrary

-3-

provisions contained in this Section 2(c), any Restricted Shares that have not been earned and vested by January 21, 2004 pursuant to the Cumulative Test shall automatically be canceled and forfeited.

(d) Lapse of Restrictions. Upon the Vesting of Restricted Shares, the Recipient shall own the Shares free and clear of all restrictions imposed by this Agreement and the Recipient shall be free to hold or dispose of such Shares in his discretion, subject to applicable federal and state law or regulations.

(e) Prohibition Against Assignment. During the Vesting Period, the Restricted Shares may not be transferred or encumbered by the Recipient by means of sale, assignment, mortgage, transfer, exchange, pledge, or otherwise. The levy of any execution, attachment, or similar process upon the Restricted Shares shall be null and void.

-4-

### 3. Stock Certificates.

(a) Certificates. Restricted Shares shall be evidenced by one or more stock certificates registered in the name of the Recipient or a nominee or nominees therefor. Prior to Vesting, the Company shall prepare and issue a certificate for the Restricted Shares (the "Share Certificate"), which shall be registered in the name of the Recipient and which shall bear such restrictive legend or legends (if any) as the Company may deem necessary or desirable under any applicable law.

(b) Stock Powers. The Recipient shall execute and deliver to the designee of the Company (the "Designee") a stock power designating the Company as the transferee of an unspecified number of Shares, which stock power may be completed by the Designee as specified herein. The Recipient and the Company each waive the requirement that the signature of the Recipient on the stock power be guaranteed. Upon receipt of a copy of this Agreement and the stock power, each signed by the Recipient, the Designee shall promptly notify the proper officers of the Company who shall cause the Share Certificate to be deposited with the Designee, to be held in accordance with the terms of the Employment Agreement and this Agreement.

(c) Effect of Vesting. Upon Vesting, the Company shall cause to be delivered to the Recipient (i) a certificate for the Shares which have vested free and clear of restrictive legends and (ii) any stock powers signed hereunder by the Recipient remaining in its possession. In the event that the Recipient dies after Vesting and before delivery of the certificate, such certificate shall be delivered to, and registered in the name of, the Recipient's beneficiary or estate, as the case may be.

(d) Rights of Stockholder. Except as otherwise provided in Section 2 and this Section 3, during the Vesting Period and after the certificates for the Restricted Shares have been issued, the Recipient shall be entitled to all rights of a

-5-

stockholder of the Company, including the right to vote and the right to receive dividends, with respect to the Restricted Shares subject to this Agreement. Subject to applicable withholding requirements, if any, dividends on the Restricted Shares shall be paid to the Recipient when earned.

(e) Power of Designee. The Designee is hereby authorized by the Recipient to utilize the stock power delivered by the Recipient to transfer all forfeited Shares to the Company upon receipt of instructions from a duly authorized representative of the Company.

#### 4. Termination of Employment; Change in Control.

(a) Termination Due to Disability or Death; Change in Control. Unless otherwise provided in the Employment Agreement, if the Recipient terminates employment with the Company prior to the end of the Vesting Period set forth in this Agreement due to Disability or death, all Restricted Shares subject to this Agreement and held by, or on behalf of, the Recipient shall be deemed earned and vested as of the Recipient's last day of employment with the Company. In addition, unless otherwise provided in the Employment Agreement, all Restricted Shares subject to this Agreement and held by the Recipient on the date a Change in Control occurs shall be deemed earned and vested as of such date.

(b) Termination for Any Other Reason. Unless otherwise provided in the Employment Agreement, if the Recipient's employment with the Company terminates prior to the end of the Vesting Period set forth in this Agreement for reasons other than Disability or death, any Restricted Shares subject to this Agreement that have not been earned and vested prior to the Recipient's termination of employment shall be immediately forfeited on the last day of the Recipient's employment with the Company.

#### 5. Withholding.

-6-

In connection with the delivery of any stock certificates, or the making of any payment in accordance with the provisions of this Agreement, the Company shall withhold Shares or cash amounts (for fractional Shares) equal to the taxes then required by applicable federal, state and local law to be so withheld.

#### 6. Tax Gross-Up Payments.

(a) Entitlement to Tax Gross-Up Payments. The Recipient shall be entitled to receive a tax gross-up payment (the "Tax Gross-Up Payment") from the Company with respect to each tax year Restricted Shares covered by this Agreement are distributed to him. Each Tax Gross-Up Payment shall be a dollar amount equal to forty (40%) percent of the Fair Market Value of the Restricted Shares at time of distribution, exclusive of dividends.

(b) Effect of Termination Due to Disability or Death; Change in Control. Unless otherwise provided in the Employment Agreement, if the Recipient terminates employment with the Company prior to the end of the Vesting Period set forth in this Agreement due to Disability or death, or in the event a Change in Control occurs, a final Tax Gross-Up Payment shall be made to the Recipient (or his Beneficiary, as the case may be) in a dollar amount equal to forty (40%) percent of the Fair Market Value of the Restricted Shares distributed to the Recipient (or his beneficiary), exclusive of dividends. Payment of the final Tax Gross-Up Payment shall be made on the date the Restricted Shares are distributed or as soon as administratively feasible thereafter.

(c) Effect of Termination for Any Other Reason. Unless otherwise provided in the Employment Agreement, if the Recipient's employment with the Company terminates prior to the end of the Vesting Period set forth in this Agreement for any reason other than Disability or death, no further Tax Gross-Up Payments shall be made to such Recipient.

-7-

#### 7. Adjustments for Capital Changes.

In the event of any change in the outstanding shares of Common Stock of the Company by reason of any stock dividend or split, recapitalization, merger, consolidation, spin-off, reorganization, combination or exchange of shares, or other similar corporate change, or other increase or decrease in such shares effected without receipt or payment of consideration by the Company, a duly authorized representative of the Company shall adjust the number of Restricted Shares granted pursuant to the Employment Agreement and this Agreement to prevent dilution or enlargement of the rights granted to the Recipient.

#### 8. No Right to Continued Employment.

Nothing in this Agreement shall confer on the Recipient any right to continue as an employee of the Company or in any way affect the Company's or any subsidiary's right to terminate the Recipient's employment at any time.

-8-

9. Notice.

Any notice to the Company hereunder shall be in writing addressed to:

Cali Realty Corporation  
11 Commerce Drive  
Cranford, New Jersey 07016  
Attn: John R. Cali  
Chief Administrative Officer

Any notice to the Recipient hereunder shall be in writing addressed to:

Mr. James Nugent  
608 North Boulevard  
Belmar, New Jersey 07719

or such other address as the Recipient shall notify the Company in writing.

10. Entire Agreement; Effect of Employment Agreement.

(a) Entire Agreement. This Agreement contains the entire understanding of the parties and shall not be modified or amended except in writing and duly signed by each of the parties hereto. No waiver by either party of any default under this Agreement shall be deemed a waiver of any later default thereof.

(b) Effect of Employment Agreement. In the event the Employment Agreement with the Company contains additional rights, duties and/or obligations with respect to the Recipient, such terms and conditions shall govern the Recipient's Restricted Share Award as if such terms and conditions had been set forth herein; and in the event of any conflict or inconsistency between the terms of the Employment Agreement or this Agreement, the terms and conditions of the Employment Agreement shall control.

11. Construction.

The various provisions of this Agreement are severable in their entirety. Any determination of invalidity or unenforceability of any one provision shall have no effect on the continuing force and effect of the remaining provisions.

-9-

12. Governing Law.

This Agreement shall be governed by the laws of the State of New Jersey applicable to contracts made, and to be enforced, within the State of New Jersey.

13. Successors.

This Agreement shall be binding upon and inure to the benefits of the successors, assigns and heirs of the respective parties.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement to be effective on the date first above written.

Cali Realty Corporation

By: /s/ John R. Cali

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John R. Cali  
Chief Administrative Officer

Recipient

/s/ James Nugent

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James Nugent

-10-



STOCK PLEDGE AGREEMENT

STOCK PLEDGE AGREEMENT, dated as of January 21, 1997, made by James Nugent, an individual residing at 608 North Boulevard, Belmar, New Jersey 07719 (the "Pledgor"), to Cali Realty Corporation, a Maryland corporation, (the "Pledgee" or the "Company").

W I T N E S S E T H:

WHEREAS, the Pledgor is the record and beneficial owner of 12,800 shares of the issued and outstanding shares of common stock, \$.01 par value (the "Common Stock"), of the Company (such Common Stock being the "Pledged Shares"), acquired in connection with the Pledgor's employment agreement with the Pledgee entered into as of January 21, 1997 (the "Employment Agreement");

WHEREAS, pursuant to the Employment Agreement, the Pledgor has agreed to secure, to the extent hereinafter set forth, the payment in full and the performance of the obligations of the Pledgor to the Pledgee under a non-recourse promissory note, dated as of the date hereof, in the amount of \$400,000 (such promissory note as it may hereafter be amended or otherwise modified from time to time, the "Note"); and the capitalized terms used herein, and not otherwise defined herein, are used with the meanings ascribed to them in the Note); and

WHEREAS, the Pledgor hereby pledges and grants a lien and security interest to Pledgee in the Pledged Shares to secure the Pledgor's obligations under the Note.

NOW, THEREFORE, in consideration of the premises and in order to induce the Pledgee to make the loan under the Note, the Pledgor hereby agrees as follows:

SECTION 1. Pledge. The Pledgor hereby pledges to the Pledgee, and grants to the Pledgee a security interest in the Pledged Shares and certificates representing the Pledged Shares, and all dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Pledged Shares, and all proceeds thereof, additions thereto and changes therein (the "Pledged Collateral").

SECTION 2. Security for Obligations; Non-Recourse Obligations. (a) This Agreement secures the payment of all liabilities, obligations and indebtedness of any and every kind and nature heretofore, now or hereafter owing, arising, due or payable from the Pledgor to the Pledgee pursuant to the Note, however evidenced, created, incurred, acquired or owing, whether primary or secondary, direct or indirect, joint or several, contingent or fixed, or otherwise, including without limitation, obligations of performance, and whether arising under any other agreements, documents or instruments entered into in connection with the Note, now or hereafter given by the Pledgor to the Pledgee and whether arising by book entry, agreement or operation of law and whether or not evidenced by promissory notes or other evidences of indebtedness (all such obligations of the Pledgor being the "Obligations").

(b) It is expressly understood and agreed that it is the intention of the parties that the Obligations of the Pledgor under the Note are non-recourse obligations of the Pledgor and

that the Pledgee's right to recover against the Pledgor hereunder in respect of such Obligations shall be limited solely to the Pledged Collateral.

SECTION 3. Delivery and Release of Pledged Collateral. (a) All certificates or instruments representing or evidencing the Pledged Collateral shall be delivered to and held by or on behalf of the Pledgee pursuant hereto and shall be in suitable form for transfer by delivery, or shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to the Pledgee. The Pledgee shall hold the Pledged Collateral in the form in which it is delivered to the Pledgee unless and until the occurrence and continuation of an Event of Default under the Note (unless such Event of Default is waived by the Pledgee) or as otherwise provided in paragraph 3(b) below. Upon the occurrence and continuance of an Event of Default under the Note, the Pledgee shall have the right, at any time in its discretion and without notice to the Pledgor, to transfer to or to register in the name of the Pledgee or any of its nominees any or all of the Pledged Collateral, subject only to the revocable rights specified in Section 6(a) below. In addition, the Pledgee shall have the right at any time to exchange certificates or instruments representing or evidencing Pledged Collateral for certificates or instruments of smaller or larger denominations.

(b) On the first anniversary date of this Agreement, and on each anniversary date and each March 31, June 30 and September 30 thereafter for the term of this Agreement (each such date a "Determination Date"), the Pledgee shall reasonably determine the aggregate fair market value of the Pledged Collateral (the "Market Value"). If on such Determination Date the Market Value

exceeds one hundred ten percent (110%) of the aggregate principal amount of the Note (together with interest accrued thereon) on such Determination Date (the "Base Value"), Pledgee shall, unless otherwise requested by Pledgor, automatically release to the Pledgor such portion of the Pledged Collateral the aggregate fair market value of which equals the Market Value less 110% of the Base Value, free and clear of any and all encumbrances hereunder. For purposes of this paragraph 3(b), "fair market value" shall mean the closing price of the Common Stock as quoted on the New York Stock Exchange at the end of the last business day preceding the Determination Date as reported in the New York edition of The Wall Street Journal.

SECTION 4. Representations and Warranties. The Pledgor represents and warrants as follows:

(a) The Pledgor is the legal and beneficial owner of the Pledged Collateral free and clear of any lien, adverse claim, security interest, option or other charge or encumbrance, except for the security interest created by this Agreement.

(b) The pledge of the Pledged Collateral pursuant to this Agreement creates a valid and perfected first priority security interest in the Pledged Collateral, securing the payment of the Obligations.

(c) Neither the execution or delivery of this Agreement, nor the consummation of the transactions contemplated hereby, nor the compliance with or performance of the terms and conditions of this Agreement by the Pledgor is prevented by, limited by, conflicts with or will result in the breach or violation of or a default under the terms, conditions or provisions of (i) any mortgage, security agreement, indenture, evidence of indebtedness, loan or financing agreement, trust agreement, stockholder agreement, or other agreement or instrument to which the Pledgor is a party or by which he is bound or (ii) any provision of law, any order of any court or administrative agency or any rule or regulation applicable to the Pledgor, subject to applicable state and federal securities laws.

2

(d) This Agreement constitutes the legal, valid and binding obligation of the Pledgor, enforceable in accordance with its terms.

(e) There are no actions, suits or proceedings (whether or not purportedly on behalf of the Pledgor) pending or, to the best knowledge of the Pledgor, threatened affecting the Pledgor that involve the Pledged Collateral.

(f) All consents or approvals, if any, required as a condition precedent to or in connection with the due and valid execution, delivery and performance by the Pledgor of this Agreement have been obtained, subject to applicable state and federal securities laws.

SECTION 5. Further Assurances. The Pledgor agrees that at any time and from time to time, at the expense of the Pledgor, the Pledgor will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that the Pledgee may reasonably request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable the Pledgee to exercise and enforce its rights and remedies hereunder, subject to applicable state and federal securities laws, with respect to any Pledged Collateral.

SECTION 6. Voting Rights; Dividends, Etc. (a) So long as no Event of Default under the Note shall have occurred and be continuing:

(i) The Pledgor shall be entitled to exercise any and all voting and other consensual rights pertaining to the Pledged Collateral or any part thereof for any purpose not inconsistent with the terms of this Agreement or the Note.

(ii) The Pledgor shall be entitled to receive and retain any and all dividends and interest paid in respect of the Pledged Collateral; provided, however, that any and all:

(A) dividends and interest paid or payable other than in cash in respect of, and instruments and other property received, receivable or otherwise distributed in respect of, or in exchange for, any Pledged Collateral (whether resulting from a subdivision, combination or reclassification of the outstanding capital stock of the Company, or any merger, consolidation, acquisition or other exchange of assets or securities to which the Company may be a party, or any conversion, call or redemption, or otherwise);

(B) dividends and other distributions paid or payable in cash in respect of any Pledged Collateral in connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid-in-surplus; and

(C) cash paid, payable or otherwise distributed in respect of principal of, or in redemption of, or in exchange for, any Pledged Collateral,

shall be, at the option and request of the Pledgee, forthwith delivered to the Pledgee to hold as Pledged Collateral and shall, if received by the Pledgor, be received in trust for the benefit of the Pledgee, be segregated from the other property or funds of the Pledgor, and be forthwith delivered to the Pledgee as Pledged Collateral in the same form as so received (with any necessary endorsement).

3

(iii) The Pledgee shall execute and deliver (or cause to be executed and delivered) to the Pledgor all such proxies and other instruments as the Pledgor may reasonably request for the purpose of enabling the Pledgor to exercise the voting and other rights which he is entitled to exercise pursuant to paragraph (i) above and to receive the dividends or interest payments which he is authorized to receive and retain pursuant to paragraph (ii) above.

(b) Upon the occurrence and during the continuance of an Event of Default under the Note, and at the election of Pledgee:

(i) All rights of the Pledgor to exercise the voting and other consensual rights which he would otherwise be entitled to exercise pursuant to Section 6(a) (i) and to receive the dividends and interest payments which he would otherwise be authorized to receive and retain pursuant to Section 6(a) (ii) shall cease for the period subsequent to the Event of Default, and all such rights shall thereupon become vested in the Pledgee who shall thereupon have the sole right to exercise such voting and other consensual rights and to receive and hold as Pledged Collateral such dividends and interest payments.

(ii) All dividends and interest payments which are received by the Pledgor contrary to the provisions of paragraph (i) of this Section 6(b) shall be received in trust for the benefit of the Pledgee, shall be segregated from other funds of the Pledgor and shall be forthwith paid over to the Pledgee as Pledged Collateral in the same form as so received (with any necessary endorsement).

(c) In the event that during the term of this Agreement subscription warrants or other rights or options shall be issued in connection with the Pledged Collateral, all such stock warrants, rights and options shall forthwith be assigned by the Pledgor to the Pledgee and said stock warrants, rights and options shall be, and, to the extent exercised by Pledgor, all new stock issued pursuant thereto shall be pledged by Pledgor to Pledgee to be held as, and shall be deemed to be part of, the "Pledged Collateral" under the terms of this Agreement in the same manner as the shares of stock originally pledged hereunder.

SECTION 7. Transfers and Other Liens; Additional Shares. The Pledgor agrees that he will not (i) sell or otherwise dispose of, or grant any option with respect to, any of the Pledged Collateral, or (ii) create or permit to exist any lien, security interest, or other charge or encumbrance upon or with respect to any of the Pledged Collateral, except for the security interest under this Agreement.

SECTION 8. Litigation Respecting Pledged Shares. In the event any action, suit or other proceeding at law, in equity, in arbitration or before any other authority involving or affecting the Pledged Collateral becomes known to or is contemplated by the Pledgor, the Pledgor shall give the Pledgee immediate notice thereof and if the Pledgor is contemplating such action, suit or other proceeding, the Pledgor shall receive the written consent of the Pledgee prior to commencing any such action, suit or other proceeding.

SECTION 9. Pledgee Appointed Attorney-in-Fact. (a) If an Event of Default shall occur and be continuing under the Note (unless such Event of Default is waived by the Pledgee), Pledgor hereby appoints the Pledgee (and any officer or agent of the Pledgee with full power of substitution and revocation) the Pledgor's true and lawful attorney-in-fact, with full authority in the place and stead of the Pledgor and in the name of the Pledgor or otherwise, from time to time in the Pledgee's discretion to take any action and to execute any instrument which the Pledgee may deem necessary or advisable to accomplish the purposes of this Agreement, including,

4

without limitation, (i) to receive, endorse and collect all instruments made payable to the Pledgor representing any dividend, interest payment or other distribution in respect of the Pledged Collateral or any part thereof and to give full discharge for the same; and (ii) to transfer the Pledged Collateral on the books of the Company, in whole or in part, to the name of the Pledgee or

such other person or persons as the Pledgee may designate; take possession of and endorse any one or more checks, drafts, bills of exchange, money orders or any other documents received on account of the Pledged Collateral; collect, sue for and give acquittances for moneys due on account of the foregoing; withdraw any claims, suits, or proceedings pertaining to or arising out of the foregoing; execute and record or file on behalf of the Pledgor any evidence of a security interest contemplated by this Agreement or any refiling, continuation or extension thereof; take any other action contemplated by this Agreement; and sign, execute, acknowledge, swear to, verify, deliver, file, record and publish any one or more of the foregoing.

(b) The powers of attorney which shall be granted pursuant to Section 9(a) and all authority thereby conferred shall be granted and conferred solely to protect the Pledgee's interests in the Pledged Collateral and shall not impose any duty upon the attorney-in-fact to exercise such powers. Such powers of attorney shall be irrevocable prior to the performance in full of the Obligations and shall not be terminated prior thereto or affected by any act of the Pledgor or other person or by operation of law, including, but not limited to, the dissolution, death, disability or incompetency of any person, the termination of any trust, or the occurrence of any other event, and if the Pledgor or any other person should be dissolved or die or become disabled or incompetent or any other event should occur before the performance in full of the Obligations and termination of this Agreement, such attorney-in-fact shall nevertheless be fully authorized to act under such powers of attorney as if such dissolution, death, disability or incompetency or other event had not occurred and regardless of notice thereof.

(c) Each person who shall be a transferee of the beneficial ownership of the Pledged Collateral, by the acceptance of such a transfer, shall be deemed to have irrevocably appointed the Pledgee, with full power of substitution and revocation, such person's true and lawful attorney-in-fact in such person's name and otherwise to do any and all acts permitted to, and to exercise any and all powers herein conferred upon, such attorney-in-fact.

SECTION 10. Reasonable Care. The Pledgee shall be deemed to have exercised reasonable care in the custody and preservation of the Pledged Collateral in its possession if the Pledged Collateral is accorded treatment substantially equal to that which the Pledgee accords its own property, it being understood that the Pledgee shall not have any responsibility for (i) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Pledged Collateral, whether or not the Pledgee has or is deemed to have knowledge of such matters, or (ii) taking any necessary steps to preserve rights against any parties with respect to any Pledged Collateral.

#### SECTION 11. Remedies Upon Event of Default.

(a) Subject to Section 2(b) hereof, if any Event of Default under the Note shall have occurred and be continuing (unless such Event of Default is waived by the Pledgee), for the period subsequent to the Event of Default:

(i) The Pledgee may receive and retain all payments of any kind with respect to the Pledged Collateral and may notify the obligors or other parties, if any, interested in any items of Pledged Collateral of the interest of the Pledgee therein and of any action proposed to be taken with respect thereto, and inform any of those parties that all payments otherwise payable to the Pledgor with

5

respect thereto shall be made to the Pledgee until all amounts due under the Note have been paid in full;

(ii) The Pledgee may exercise in respect of the Pledged Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the Uniform Commercial Code (the "Code") in effect in the State of New Jersey at that time, and the Pledgee may also, without notice except as specified below, sell the Pledged Collateral or any part thereof in one or more parcels at public or private sale, at any exchange, broker's board or at any of the Pledgee's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Pledgee may deem commercially reasonable. The Pledgor agrees that, to the extent notice of sale shall be required by law, at least ten days' notice to the Pledgor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Pledgee shall not be obligated to make any sale of Pledged Collateral regardless of notice of sale having been given. The Pledgee may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned;

(iii) Any cash held by the Pledgee as Pledged Collateral and all cash proceeds received by the Pledgee in respect of any sale of, collection from, or other realization upon all or any part of the Pledged



Collateral may, in the discretion of the Pledgee, be held by the Pledgee as collateral for, and/or then or at any time thereafter applied in whole or in part by the Pledgee against, all or any part of the Obligations in such order as the Pledgee shall elect. Any surplus of such cash or cash proceeds held by the Pledgee and remaining after payment in full of all the Obligations shall be paid over to the Pledgor or to whomsoever may be lawfully entitled to receive such surplus; and

(iv) The Pledgee may otherwise use or deal from time to time with the Pledged Collateral, in whole or in part, in all respects as if the Pledgee were the outright owner thereof.

(b) Except as set forth in Section 11(a)(iii), the Pledgee shall have the sole right to determine the order in which Obligations shall be deemed discharged by the application of the Pledged Collateral or any other property or money held hereunder or any amount realized thereon. Any requirement of reasonable notice imposed by law shall be deemed met if such notice is in writing and is mailed, telegraphed or hand delivered to the Pledgor at least three days prior to the sale, disposition or other event giving rise to such notice requirement.

(c) The Pledgee shall collect the cash proceeds received from any sale or other disposition or from any other source contemplated by subsection (a) above and shall apply the full proceeds in accordance with the provisions of this Agreement.

(d) Notwithstanding the foregoing, none of the provisions of this Section 11 shall confer on the Pledgee any rights or privileges that are not permissible under applicable law. The Pledgee may effect the provisions of this Section 11 only in compliance with all applicable federal and state securities laws.

6

(e) In connection with the provisions of this Agreement, the Pledgor from time to time shall promptly execute and deliver, or cause to be executed and delivered, to the Pledgee such documents and instruments, shall join in such notices and shall take, or cause to be taken, such other lawful actions as the Pledgee shall deem reasonably necessary or desirable to enable it to exercise any of the rights with respect to the Pledged Collateral granted to it pursuant to this Agreement.

SECTION 12. Waivers and Amendments, Etc. The rights and remedies given hereby are in addition to all others however arising, but it is not intended that any right or remedy be exercised in any jurisdiction in which such exercise would be prohibited by law. No action, failure to act or knowledge of the Pledgee shall be deemed to constitute a waiver of any power, right or remedy hereunder, nor shall any single or partial exercise thereof preclude any further exercise thereof or the exercise of any other power, right or remedy. Any waiver or consent respecting any covenant, representation, warranty or other term or provision of this Agreement shall be effective only in the specified instance and for the specific purpose for which given and shall not be deemed, regardless of frequency given, to be a further or continuing waiver or consent. The failure or delay of the Pledgee at any time or times to require performance of, or to exercise its rights with respect to, any representation, warranty, covenant or other term or provision of this Agreement in no manner shall affect its right at a later time to enforce any such provision. No notice to or demand on a party in any case shall entitle such party to any other or further notice or demand in the same, similar or other circumstances. Any right or power of the Pledgee hereunder respecting the Pledged Collateral and any other property or money held hereunder may at the option of the Pledgee be exercised as to all or any part of the same and the term the "Pledged Collateral" wherever used herein, unless the context clearly requires otherwise, shall be deemed to mean (and shall be read as) the "Pledged Collateral and any other property or money held hereunder or any part thereof". This Agreement shall not be amended nor shall any right hereunder be deemed waived except by a written agreement expressly setting forth the amendment or waiver and signed by the party against whom or which such amendment or waiver is sought to be charged.

SECTION 13. Notices. All notices hereunder shall be given and deemed received as set forth in the Note.

SECTION 14. Continuing Security Interest and Reinstatement. (a) This Agreement shall create a continuing security interest in the Pledged Collateral and shall (i) be binding upon the Pledgor, his heirs, successors and assigns, and (ii) inure to the benefit of the Pledgee and its successors, transferees and assigns. Upon the payment in full or performance of the Obligations, the Pledgor shall be entitled to the return, upon his request and at his expense, of such of the Pledged Collateral as shall not have been released, sold or otherwise applied pursuant to the terms of the Agreement.

(b) If at any time after payment in full by the Pledgor of all Obligations and termination of the pledge granted in this Agreement, any payments on Obligations theretofore made by the Pledgor must be disgorged by the Pledgee for

any reason whatsoever, this Agreement and the pledge granted hereunder shall be reinstated as to all disgorged payments as though such payments had not been made, and the Pledgor shall sign and deliver to Pledgee all documents and things necessary to reperfect the terminated pledge.

SECTION 15. Severability. In the event that any provision of this Agreement shall be determined to be superseded, invalid or otherwise unenforceable pursuant to applicable law, such determination shall not affect the validity of the remaining provisions of this Agreement, and the remaining provisions of this Agreement shall be enforced as if the invalid provision were

7

deleted.

SECTION 16. Survival of Representations, etc. All representations, warranties, covenants and other agreements made herein shall survive the execution and delivery of this Agreement and shall continue in full force and effect until all amounts due under the Note have been paid in full. This Agreement shall remain and continue in full force and effect without regard to any modification, execution, renewal, amendment or waiver of any provision of the Note.

SECTION 17. Termination and Return of Pledged Stock. This Agreement shall continue in full force and effect until all of the Obligations shall have been paid and satisfied or until the release, discharge or termination of the Note, whichever last occurs. Upon the termination of this Agreement, the Pledgee shall cause to be transferred to Pledgor all of the Pledged Collateral and any money, property and rights received by Pledgor pursuant thereto, to the extent Pledgee has not released, taken, sold or otherwise realized upon the same pursuant to its rights and obligations hereunder.

SECTION 18. Transfer and Assignment. The Pledgee may transfer the Pledged Collateral and any other property or money held hereunder to any transferee of the Obligations or any part thereof. The transferee shall thereupon succeed to all of the Pledgee's rights hereunder with respect to the Pledged Collateral so transferred. Thereafter, the Pledgee shall have no obligation to Pledgor with respect to the Pledged Collateral so transferred. The Pledgee shall, however, retain all of its rights and powers with respect to any part of the Pledged Collateral not transferred. Every agent or nominee of the Pledgee shall have the benefit of this Agreement as if named herein and may exercise all of the rights and powers given to the Pledgee hereunder.

SECTION 19. Entire Agreement. This Agreement, the Secured Non-Recourse Promissory Note and the Employment Agreement contain the entire agreement of the parties and supersedes all other agreements, understandings and representations, oral or otherwise, between the parties with respect to the matters contained herein. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors, assigns, heirs, administrators, fiduciaries, next of kin and executors. Section headings used herein are for convenience only and shall not affect the meaning or construction of any of the provisions hereof. This Agreement may be executed in any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument. In the event of any conflict among any of the documents referred to above, the terms of the Employment Agreement shall prevail.

SECTION 20. Governing Law; Terms. This Agreement shall be governed by and construed in accordance with the substantive laws of the State of New Jersey without giving effect to its conflict of laws provisions. Unless otherwise defined herein or in the Note, terms defined in Article 9 of the Uniform Commercial Code in the State of New Jersey are used herein as therein defined.

8

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the date first above written.

/s/ James Nugent

-----  
James Nugent

CALI REALTY CORPORATION

By: /s/ Thomas A. Rizk

-----  
Name: Thomas A. Rizk  
Title: President and  
Chief Executive Officer

SECURED NON-RECOURSE PROMISSORY NOTE

January 21, 1997

\$400,000

FOR VALUE RECEIVED, James Nugent, an individual residing at 608 North Boulevard, Belmar, New Jersey 07719 ("Payor"), hereby promises to pay to Cali Realty Corporation, a Maryland corporation ("Payee" or the "Company"), or its assigns, the principal amount of four hundred thousand dollars exactly (\$400,000), together with all interest accrued thereon calculated from the date hereof in accordance with the provisions of Section 1 hereof. Certain capitalized terms used in this Secured Non-Recourse Promissory Note (the "Note") are defined in Section 6 below.

This Note is being made by Payor in order to finance the Payor's purchase of 12,800 shares of common stock, par value \$.01 per share, of the Company (the "Common Stock") from the Company pursuant to the Payor's employment agreement with Payee entered into as of January 21, 1997 (the "Employment Agreement").

This Note is secured by the Pledged Collateral under the terms of the Stock Pledge Agreement and is entitled to the benefits thereof.

1. Accrual of Interest. Interest will accrue on the unpaid principal amount of this Note from and after the date hereof on a daily basis at the rate per annum equal to 6.21%, as set forth in the Employment Agreement, and such interest shall be compounded annually, calculated on the basis of a 365 day year. Unless forgiven as contemplated herein, interest shall be payable annually in arrears on each anniversary date hereof.

2. Payment of Note.

(a) Maturity Date. Except as provided in Sections 2(b) and (c) and Sections 3 and 4 below, the entire unpaid principal balance of this Note (together with interest accrued thereon) shall become due and payable on the fifth anniversary of the date of this Note.

(b) Forgiveness of Loan. The principal amount of this Note shall be automatically forgiven ratably over a five (5) year term in annual equal twenty percent (20%) increments commencing on the first anniversary of the date of this Note and each anniversary thereafter. All then accrued but unpaid interest on this Note shall also be automatically forgiven annually on each applicable anniversary date; provided, however, subject to the provisions of Sections 3 and 4 hereof, the forgiveness of each principal

portion of this Note plus interest shall be conditioned upon Payor being in the employ of the Company on the applicable anniversary date.

(c) Change in Control. Pursuant to the Employment Agreement, in the event of a Change in Control (as defined in the Employment Agreement) or in the absence thereof in the Cali Realty Corporation Employee Stock Option Plan) the entire unpaid principal amount of this Note (including any accrued but unpaid interest) shall automatically be accelerated and forgiven, and no portion of this Note shall become due or payable at any time thereafter.

(d) Non-Recourse Obligations. Notwithstanding anything to the contrary stated herein, Payee agrees that for payment of this Note it will look solely to the Pledged Collateral and such other collateral, if any, as may now or hereafter be given to secure the payment of this Note, and no other assets of Payor shall be subject to levy, execution or other enforcement procedure for the satisfaction of the remedies of Payee, or for any payment required to be made under this Note.

3. Effect of Termination of Employment Due to Disability or Death. In the event Payor terminates employment with the Company prior to the expiration of the term of this Note due to his disability (as determined pursuant to the terms of the Employment Agreement or in the absence thereof by the Committee in its discretion) or death, the entire unpaid balance of this Note plus interest shall automatically be accelerated and forgiven on the first day of the calendar month next succeeding Payor's disability or death, and no portion of this Note shall become due or payable at any time thereafter.

4. Effect of Termination of Employment For Any Other Reason. In the event Payor terminates employment with the Company or the Company terminates Payor's employment with the Company, in each case prior to the expiration of the term of this Note for any reason other than disability or death, there shall be no further forgiveness of the principal or the interest of this Note and the entire unpaid balance of this Note plus interest shall automatically be accelerated and become due and payable to the Company on the effective date of Payor's termination of employment with the Company.

5. Events of Default.

(a) Definition. For purposes of this Note, an Event of Default shall be deemed to have occurred if:

(i) Payor fails to pay when due any amount (whether interest, principal or other amount) then due or payable on this Note for a period of ten (10) days after the holder of this Note notifies Payor of such failure;

2

(ii) Payor fails to perform or observe any other provision contained in this Note or the Stock Pledge Agreement and such failure continues unremedied for a period of thirty (30) days after the holder of this Note notifies Payor of such breach; or

(iii) If an event set forth in Section 4 hereof has occurred, Payor makes an assignment for the benefit of creditors or admits in writing his inability to pay his debts generally as they become due; or an order, judgment or decree is entered adjudicating Payor bankrupt or insolvent; or any order for relief with respect to Payor is entered under the Bankruptcy Code; or Payor petitions or applies to any tribunal for the appointment of a custodian, trustee, receiver or liquidator, or commences any proceeding relating to himself under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction; or any such petition or application is filed, or any such proceeding is commenced, against Payor and either (a) Payor in writing indicates his approval thereof, consents thereto or acquiesces therein or (b) such petition, application or proceeding is not dismissed within ninety (90) days.

(b) Consequences of Events of Default.

(i) If any Event of Default (other than the type described in paragraph 3(a)(iii) hereof has occurred, the holder of this Note may demand (by written notice delivered to Payor) immediate payment of all or any portion of the outstanding principal amount of this Note together with any and all accrued interest thereon, which amount shall become due and payable upon such demand. If an Event of Default of the type described in paragraph 3(a)(iii) has occurred, then all of the outstanding principal amount of this Note together with any and all accrued interest thereon shall automatically be immediately due and payable without any action on the part of the holder of this Note.

(ii) Each holder of this Note shall also have any other rights which such holder may have been afforded under this Note or the Stock Pledge Agreement at any time and any other rights which such holder may have pursuant to applicable law.

6. Certain Defined Terms. As used in this Note, the following terms shall have the following meanings:

"Bankruptcy Code" means the Bankruptcy Code of 1978, as amended.

"Committee" means the Compensation Committee of the Board of Directors of the Company.

3

"Pledged Collateral" means the Common Stock pledged by Payor under the Stock Pledge Agreement as security for Payor's performance of his obligations under this Note.

"Stock Pledge Agreement" means the Stock Pledge Agreement dated the date hereof between Payor and the Company.

7. Amendment and Waiver. Except as otherwise expressly provided herein, the provisions of this Note may not be amended and Payor may not take any action prohibited herein, or omit to perform any act required to be performed by him herein, unless Payor has obtained the prior written consent of the holder of this Note.

8. Cancellation. After all obligations for the payment of money arising under this Note have been paid in full, this Note will be surrendered to Payor for cancellation.

9. Tax Withholding. The Company shall have the right to deduct and withhold from any amounts which become taxable to Payor hereunder all employment and other federal, state and local taxes and charges which are, or which may hereafter, be required by law to be so deducted or withheld.

10. Notices; Place of Payment. Any notice hereunder shall be in writing and shall be delivered by recognized courier, facsimile or certified mail, return receipt requested, and shall be conclusively deemed to have been received by a party hereto and to be effective on the day on which delivered or facsimiled to such party at its address set forth below (or at such other

address as such party shall specify in writing):

If to Payor: James Nugent  
608 North Boulevard  
Belmar, New Jersey 07719

If to Payee: Cali Realty Corporation  
11 Commerce Drive  
Cranford, New Jersey 07016  
Attn: John R. Cali  
Chief Administrative Officer

All payments to be made under this Note are to be delivered to the holder at such address or to the attention of such person as the holder may designate by prior written notice to Payor. At the request of the holder of this Note, all payments shall be made by wire transfer of immediately available funds to an account which the holder may designate from time to time.

4

11. Waiver of Presentment, Demand, Dishonor.

(a) Payor hereby waives presentment for payment, protest, demand, notice of protest, notice of nonpayment and diligence with respect to this Note, and waives and renounces all rights to the benefits of any statute of limitations or any moratorium, appraisement, exemption, or homestead now provided or that hereafter may be provided by any federal or applicable state statute, including but not limited to exemptions provided or allowed under the Bankruptcy Code, both as to himself and as to all of his property, whether real or personal, against the enforcement and collection of the obligations evidenced by this Note and any and all extensions, renewals and modifications hereof.

(b) No failure on the part of any holder of this Note to exercise any right or remedy hereunder with respect to Payor, whether before or after the happening of an Event of Default, shall constitute waiver of any such Event of Default or of any other Event of Default by such holder or on behalf of any other holder. No failure to accelerate the debt of Payor evidenced hereby by reason of an Event of Default or indulgence granted from time to time shall be construed to be a waiver of the right to insist upon prompt payment thereafter, or shall be deemed to be a novation of this Note or a reinstatement of such debt evidenced hereby or a waiver of such right of acceleration or any other right, or be construed so as to preclude the exercise of any right any holder of this Note may have, whether by the laws of the state governing this Note, by agreement or otherwise, and Payor hereby expressly waives the benefit of any statute or rule of law or equity that would produce a result contrary to or in conflict with the foregoing.

12. Governing Law. The validity, construction and interpretation of this Note shall be governed by and construed in accordance with the internal laws of the State of New Jersey.

13. Transfer; Assignment. This Note may not be negotiated, assigned or transferred by Payor at any time, except with Payee's prior written consent. This Note may not be negotiated, assigned or transferred by Payee except in connection with the sale of all or substantially all of Payee's assets if the transferee expressly assumes Payee's obligations under the Employment Agreement.

14. Entire Agreement. This Secured Non-Recourse Promissory Note, the Stock Pledge Agreement and the Employment Agreement contain the entire agreement of the parties and supersedes all other agreements, understandings and representations, oral or otherwise, between the parties with respect to the matters contained herein. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors, assigns, heirs, administrators, fiduciaries, next of kin and executors. Section headings used herein are for convenience only and shall not affect the meaning or construction of any of the provisions hereof. This Agreement may be executed in any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument. In the event of any

5

conflict among any of the documents referred to above, the terms of the Employment Agreement shall prevail.

IN WITNESS WHEREOF, Payor has executed and delivered this Secured Non-Recourse Promissory Note on the date first written above.

/s/ James Nugent  
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James Nugent



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EMPLOYMENT AGREEMENT

FOR

ALBERT SPRING

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TABLE OF CONTENTS

	Page
	----
1. Employment.....	1
2. Services.....	2
3. Compensation and Benefits.....	3
4. Termination of Employment and Change in Control.....	7
5. Confidential Information.....	15
6. Return of Documents.....	16
7. Noncompete.....	17
8. Remedies.....	18
9. Successors and Assigns.....	19
10. Timing of and No Duplication of Payments/ Tax Withholding.....	20
11. Modification or Waiver.....	20
12. Notices.....	21
13. Governing Law.....	21
14. Severability.....	21
15. Counterparts.....	22
16. Headings.....	22
17. Entire Agreement.....	22
18. Survival of Agreements.....	22

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is entered into as of January 21, 1997, by and between Albert Spring, an individual residing at 15 Nottingham Road, West Orange, New Jersey 07043 ("Executive"), and Cali Realty Corporation, a Maryland corporation with offices at 11 Commerce Drive, Cranford, New Jersey 07016 (the "Company").

RECITALS

WHEREAS, the Executive has served as Vice President - Operations of the Company and, through such service, has acquired special and unique knowledge, abilities and expertise; and

WHEREAS, the Company desires to continue to employ the Executive, and the Executive desires to continue to be employed by the Company, pursuant to the terms set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements set forth herein, the parties hereby agree as follows:

1. Employment.

The Company hereby agrees to employ Executive, and Executive hereby agrees to be employed by the Company, for a term commencing on the date hereof and expiring on January 21, 2002; provided, however, that commencing on January 21, 2002 and each January 21 thereafter, the term of this Agreement shall be extended automatically for one (1) additional year unless at least ninety (90) days prior to the

applicable expiration date either the Company or Executive shall have given written notice to the other party that such party does not wish to extend this Agreement. It being agreed and understood that the extension of this Agreement shall not create an obligation of the Company to issue new awards to Executive hereunder. The term of this Agreement, as it may be extended from time to time in accordance with this Paragraph 1, is referred to herein as the "Employment Period."

2. Services.

During the Employment Period, Executive shall hold the position of Vice President - Operations and shall devote his best efforts and substantially all of his business time, skill and attention to the business of the Company, and shall perform such duties as are customarily performed by similar executive officers and as may be more specifically enumerated from time to time by the Board of Directors of the Company (the "Board") or the Executive Committee of the Board, if any; provided, however, that the foregoing is not intended to (a)

preclude Executive from (i) owning and managing personal investments, including real estate investments, subject to the restrictions set forth in Paragraph 7 hereof or (ii) engaging in charitable activities and community affairs, or (b) restrict or otherwise limit Executive from conducting real estate development, acquisition or management activities with respect to those properties described in Schedule A, attached hereto, (the "Excluded Properties"), provided that the performance of the activities referred to in clauses (a) and (b) does not prevent Executive from devoting substantially all of his business time to the Company.

2

### 3. Compensation and Benefits.

During the Employment Period, the Company shall pay Executive a minimum annual base salary in the amount of \$140,000 (the "Annual Base Salary"), payable in accordance with the Company's regular payroll practices. In addition, Executive also shall be eligible for incentive compensation payable each year in such amounts as may be determined by the Compensation Committee of the Board (the "Compensation Committee") based upon, among other factors, growth in Funds from Operations per Common Share (as hereinafter defined) for the year. Executive's Annual Base Salary shall be reviewed annually in accordance with the policy of the Company from time to time and may be subject to upward adjustment based on, among other things, Executive's performance, as determined in the sole discretion of the Compensation Committee. The Company shall have the right to deduct and withhold from all compensation all social security and other federal, state and local taxes and charges which currently are or which hereafter may be required by law to be so deducted and withheld. In addition to the compensation specified above and other benefits provided pursuant to this Paragraph 3, Executive shall be entitled to the following benefits:

- (a) participation in the Employee Stock Option Plan of Cali Realty Corporation (the "Stock Option Plan") and other benefit plans (including without limitation the Cali Realty Corporation 401(k) Savings and Retirement Plan and any other stock option plans which may be adopted or maintained by the Company) made generally available to executives of the Company with such participation to be consistent with reasonable Company guidelines;
- (b) participation in any health insurance, disability insurance, group life insurance or other welfare benefit program made generally available to executives of the Company; and

3

- (c) reimbursement for reasonable business expenses incurred by Executive in furtherance of the interests of the Company.

In addition, Executive shall be entitled to receive such bonuses and options to purchase shares of common stock, par value \$0.01 per share, of the Company (the "Common Stock") as the Board shall approve, in its sole discretion, including, without limitation, options and bonuses contingent upon Executive's performance and the achievement of specified financial and operating objectives for Funds from Operations per Common Share. For purposes of this Agreement, "Funds from Operations per Common Share" for any period shall mean (i) net income (loss) before minority interest of unit holders, computed in accordance with generally accepted accounting principles ("GAAP"), excluding gains (or losses) from debt restructuring and sale of property, plus real estate return, depreciation and amortization as calculated in accordance with the National Association of Real Estate Investment Trusts definition published in March 1995, as amended from time to time, and as applied in accordance with the accounting practices and policies of the Company in effect from time to time on a consistent basis to the entire Employment Period, divided by (ii) the sum of (A) the primary weighted average number of outstanding shares of Common Stock as it appears in the Company's financial statement for the applicable period and (B) the primary weighted average number of outstanding limited partnership units of Cali Realty, L.P., a Delaware limited partnership of which the Company is the sole general partner, for the applicable period.

As further consideration for Executive agreeing to serve as an officer and entering into this Agreement upon the terms set forth herein, including, without

4

limitation, the terms relating to noncompetition set forth in Paragraph 7 below, the Company shall, concurrently herewith or as soon as practicable after the execution of this Agreement:

- (a) grant to Executive 6,480 Restricted shares of Common Stock ("Restricted Shares") pursuant to the terms and conditions



of this Agreement and the written agreement issued pursuant to this Agreement, evidencing such award executed between the Company and Executive (the "Restricted Share Agreement"). In the event of a conflict between the Restricted Share Agreement and this Agreement, the terms of this Agreement shall control.

The Restricted Share Award (as defined in the Restricted Share Agreement) is scheduled to vest over five (5) years with twenty percent (20%) of the Restricted Shares vesting on each of the first anniversary of the date hereof (the "First Anniversary"), the second anniversary of the date hereof (the "Second Anniversary"), the third anniversary of the date hereof (the "Third Anniversary"), the fourth anniversary of the date hereof (the "Fourth Anniversary") and the fifth anniversary of the date hereof (the "Fifth Anniversary"), provided, that certain Performance Goals as defined and set forth in the Restricted Share Agreement are met. Vesting shall be cumulative in accordance with the provisions of the Restricted Share Agreement and the Performance Goals may be achieved as specified therein up until the seventh anniversary of the date hereof. Except as otherwise provided in Paragraph 4 hereof, Executive must be employed by the Company on the applicable anniversary date to vest in the Restricted Shares scheduled to vest in a particular year. The measurement date to determine such vesting shall be the last vesting day of the Company's fiscal year preceding the year in which the applicable anniversary date occurs.

In addition, upon vesting of the Restricted Shares on each applicable anniversary date, the Company shall make a cash payment to Executive on that anniversary date in an amount equal to forty percent (40%) of the Fair Market Value (determined as of such anniversary date) of the Restricted Shares that vest on such anniversary date (the "Restricted Share Tax Gross-Up Payment").

- (b) loan on a non-recourse basis to Executive \$350,000 (the "Stock Acquisition Loan"), with the loan proceeds to be used by Executive simultaneously to purchase newly issued Common Stock from the Company. Interest shall accrue on the Stock Acquisition Loan at

5

the rate of 6.21% per year and shall be payable, on the entire outstanding balance, annually in arrears. The Stock Acquisition Loan is being granted and secured pursuant to the terms and conditions of this Agreement, and a Secured Non-Recourse Promissory Note and Stock Pledge Agreement evidencing and securing such Loan as executed between the Company and Executive. In the event of a conflict between the aforementioned documents and this Agreement, the terms of this Agreement shall control.

The Stock Acquisition Loan shall be forgiven over a period of five (5) years from the date hereof, with twenty percent (20%) of the principal and interest on the then outstanding balance of the principal to be forgiven on each applicable anniversary date (the "Forgiven Amount"). In addition, on each applicable anniversary date as the Stock Acquisition Loan and interest accrued thereon is forgiven, in order to enable Executive to meet his tax liability with respect to the forgiveness of the Stock Acquisition Loan, the Company shall make a cash payment to Executive on that anniversary date in an amount equal to forty percent (40%) of the respective Forgiven Amount (the "Acquisition Loan Tax Gross-Up Payment"). Since the Stock Acquisition Loan will be forgiven over a five (5) year period, a total of five (5) Acquisition Loan Tax Gross-Up Payments will be made to Executive over the period of forgiveness. No additional payments will be made to Executive with respect to any Acquisition Loan Tax Gross-Up Payments made hereunder. Except as otherwise provided in Paragraph 4 hereof, the aforementioned forgiveness of the Stock Acquisition Loan inclusive of interest thereon and respective Acquisition Loan Tax Gross-Up Payment shall only occur if Executive is employed by the Company on the applicable anniversary date.

The Stock Acquisition Loan shall be initially secured by the shares of Common Stock purchased by Executive from the Company with the proceeds of the Stock Acquisition Loan. Beginning on the First Anniversary, the outstanding balance of the Stock Acquisition Loan shall be secured only by shares of Common Stock having a Fair Market Value of one hundred and ten

percent (110%) of the outstanding principal amount of the Stock Acquisition Loan (together with interest accrued thereon). On the First Anniversary, and on each anniversary date, March 31, June 30 and September 30 through the Fifth Anniversary (each such date a "Determination Date"), the Company shall reasonably determine the aggregate Fair Market Value of the collateral (the "Market Value") being held. If on such Determination Date the Market Value exceeds one

6

hundred ten percent (110%) of the outstanding balance of the Stock Acquisition Loan (together with interest accrued thereon) on such Determination Date (the "Base Value"), the Company shall, unless otherwise requested by Executive, automatically release to Executive such portion of the collateral the aggregate Fair Market Value of which equals the Market Value less 110% of the Base Value, free and clear of any and all encumbrances under the Stock Pledge Agreement.

Executive shall be required to execute the aforementioned Stock Pledge Agreement and Secured Non-Recourse Promissory Note. The Company shall then issue shares of Common Stock to Executive in exchange for the Stock Acquisition Loan. The Company shall, upon receipt from Executive of the Stock Pledge Agreement and Secured Non-Recourse Promissory Note for the purchase of the shares of Common Stock purchased with the proceeds of the Stock Acquisition Loan, make prompt delivery of the certificates evidencing the shares of Common Stock to Executive, subject to any requirements set forth in the Stock Pledge Agreement; provided, however, that if any law or regulation requires the Company to take any action with respect to such shares prior to the delivery thereof, then the date of the delivery of the shares shall be extended for the period necessary to complete such action. Certificates for shares of Common Stock when issued to Executive may have restrictive legends or statements of other applicable restrictions endorsed thereon and may not be immediately transferable.

#### 4. Termination of Employment and Change in Control.

(a) Termination of Employment by the Company for Cause or By Executive without Good Reason. In the event (i) the Company terminates Executive's employment for Cause (as hereinafter defined) or (ii) Executive terminates his employment without Good Reason (as hereinafter defined), the Company shall pay Executive any unpaid salary accrued through and including the date of termination. In addition, in such event, Executive shall be entitled (i) to exercise any options which have vested and are exercisable in accordance with the terms of the applicable option

7

grant agreement or plan, (ii) to retain any Restricted Shares previously awarded to Executive pursuant to this Agreement and the Restricted Share Agreement and any Restricted Share Tax Gross-Up Payments which are fully vested on the date of termination, and (iii) to retain any shares of Common Stock purchased by Executive with the proceeds of the Stock Acquisition Loan which are no longer pledged as collateral for the outstanding balance of the Stock Acquisition Loan and any Acquisition Loan Tax Gross-Up Payments applicable to Forgiven Amounts and to retain the balance of the shares of Common Stock which are still pledged as collateral for the outstanding balance of the Stock Acquisition Loan, provided, that Executive immediately repays to the Company the outstanding balance of the Stock Acquisition Loan including interest accrued thereon through the date of termination. Except for any rights which Executive may have to unpaid salary amounts through and including the date of termination, vested options, vested Restricted Shares and related Restricted Share Tax Gross-Up Payments, and shares of Common Stock purchased with the proceeds of the Stock Acquisition Loan and related Acquisition Loan Tax Gross-Up Payments, all as set forth above, the Company shall have no further obligations hereunder following such termination.

(b) Termination of Employment Upon Death or Disability . In the event of termination of Executive's employment as a result of either (i) Executive's death or Disability (as hereinafter defined), the Company shall pay to Executive, his estate or his personal representative (A) the unpaid salary through the end of the Employment Period remaining (assuming no such termination occurred) and (B) a pro-rata portion, based upon the number of days in the period beginning with January 1 of the calendar

8

year in which such termination occurred and ending with the date the Employment Period ends (assuming such termination did not occur), of the average annual amount of incentive compensation payments paid to Executive during each previous year of Executive's employment hereunder (the "Pro-Rata Portion of Incentive Compensation"). The aforesaid amount shall be payable, at the option of Executive, his estate or his personal representative, either (i) in full immediately upon such termination or (ii) monthly over the remainder of the Employment Period. In addition, Executive shall be entitled (i) at the option of Executive, his estate or his personal representative, within one (1) year of the date of such termination, to exercise any options which have vested (including, without limitation, by acceleration in accordance with the terms of the applicable option grant agreement or plan) and are exercisable in accordance with the terms of the applicable option grant agreement or plan or to require the Company (upon written notice delivered within one hundred eighty (180) days following the date of Executive's termination) to repurchase all or any portion of Executive's vested options to purchase shares of Common Stock at a price equal to the difference between the Repurchase Fair Market Value (as hereinafter defined) of the shares of Common Stock for which the options to be repurchased are exercisable and the exercise price of such option as of the date of Executive's termination of employment, (ii) to retain all Restricted Shares awarded to Executive pursuant to this Agreement and the Restricted Share Agreement whether or not such Restricted Shares had previously vested as of the date of termination. In the event any Restricted Shares have not vested as of the date of termination, such Restricted Shares shall immediately vest and Executive, his estate or his personal representative shall receive a cash payment from the Company

9

on the date of termination in an amount equal to forty percent (40%) of the Fair Market Value (determined as of the date of termination) of the Restricted Shares that vest on the date of termination (the "Termination Restricted Share Tax Gross-Up Payment"), (iii) to retain all shares of Common Stock purchased by Executive with the proceeds of the Stock Acquisition Loan without regard to whether or not the Stock Acquisition Loan has been forgiven or repaid. In the event there is an outstanding balance on the Stock Acquisition Loan, such outstanding balance including interest accrued thereon shall on the first day of the calendar month next succeeding Executive's Disability or death be forgiven (and any shares pledged under the Stock Pledge Agreement shall be released to Executive, his estate or his personal representative) and Executive, his estate or his personal representative shall receive a cash payment from the Company on that date in an amount equal to forty percent (40%) of the outstanding balance of the Stock Acquisition Loan and interest accrued thereon that is forgiven on the date of termination (the "Termination Acquisition Loan Tax Gross-Up Payment"). Except for any rights which Executive may have to unpaid salary amounts through the end of the Employment Period, the Pro-Rata Portion of Incentive Compensation, vested options, Restricted Shares (and the full vesting thereof) and the Termination Restricted Share Tax Gross-Up Payment, and shares of Common Stock purchased with the proceeds of the Stock Acquisition Loan (and the forgiveness of the outstanding balance of the Stock Acquisition Loan inclusive of interest accrued thereon) and the Termination Acquisition Loan Tax Gross-Up Payment, all as set forth above, the Company shall have no further obligations hereunder following such termination.

10

(c) Termination of Employment By the Company Without Cause or By the Executive for Good Reason. In the event (i) the Company terminates Executive's employment for any reason other than Cause or (ii) Executive terminates his employment for Good Reason, the Company shall pay to Executive (A) the unpaid salary through the end of the Employment Period remaining (assuming no such termination occurred) and (B) a pro-rata portion, based upon the number of days in the period beginning with January 1 of the calendar year in which such termination occurred and ending with the date the Employment Period ends (assuming such termination did not occur), of the average annual amount of incentive compensation payments paid to Executive during each previous year of Executive's employment hereunder. The aforesaid amount shall be payable, at the option of Executive, either (i) in full immediately upon such termination or (ii) monthly over the remainder of the Employment Period. In addition, Executive shall be entitled (i) at the option of Executive, within ninety (90) days of the date of such termination, to exercise any options which have vested (including, without limitation, by acceleration in accordance with the terms of the applicable option grant agreement or plan) and are exercisable in accordance with the terms of the applicable option grant agreement or plan, it being agreed and understood that this Agreement does not require the Company to issue options to Executive, (ii) to retain any Restricted Shares previously awarded to Executive pursuant to this Agreement and the Restricted Share Agreement and any Restricted Share Tax Gross-Up Payments which are fully vested on the date of termination, and (iii) to retain any shares of Common Stock purchased by Executive with the proceeds of the Stock Acquisition Loan which are no longer pledged as

collateral for the outstanding balance of the Stock Acquisition Loan and any Acquisition Loan Tax Gross-Up Payments applicable to Forgiven Amounts and to retain the balance of the shares of Common Stock which are still pledged as collateral for the outstanding balance of the Stock Acquisition Loan, provided, that Executive immediately repays to the Company the outstanding balance of the Stock Acquisition Loan including interest accrued thereon through the date of termination. Except for any rights which Executive may have to unpaid salary amounts through the end of the Employment Period, the Pro-Rata Portion of Incentive Compensation, vested options, vested Restricted Shares and related Restricted Share Tax Gross-Up Payments, and shares of Common Stock purchased with the proceeds of the Stock Acquisition Loan and related Acquisition Loan Tax Gross-Up Payments, all as set forth above, the Company shall have no further obligations hereunder following such termination.

(d) Upon a Change in Control. In the event of a Change in Control (as hereinafter defined), Executive shall be entitled (i) to all Restricted Shares awarded to Executive pursuant to this Agreement and the Restricted Share Agreement whether or not such Restricted Shares had previously vested as of the date of the Change in Control. In the event any Restricted Shares have not vested as of the date of the Change in Control, such Restricted Shares shall immediately vest and Executive shall receive a cash payment from the Company on the date of the Change in Control in an amount equal to forty percent (40%) of the Fair Market Value (determined as of the date of the Change in Control) of the Restricted Shares that vest on the date of the Change in Control (the "Change in Control Restricted Share Tax Gross-Up Payment"), and (ii) to all shares of Common Stock purchased by Executive with the proceeds of the

Stock Acquisition Loan without regard to whether or not the Stock Acquisition Loan has been forgiven or repaid. In the event there is an outstanding balance on the Stock Acquisition Loan, such outstanding balance including interest accrued thereon through the date of the Change in Control shall be immediately forgiven (and any shares pledged under the Stock Pledge Agreement shall be released to Executive) and Executive shall receive a cash payment from the Company on the date of the Change in Control in an amount equal to forty percent (40%) of the outstanding balance of the Stock Acquisition Loan and interest accrued thereon that is forgiven on the date of the Change in Control (the "Change in Control Acquisition Loan Tax Gross-Up Payment"). Any cash payments owed to Executive pursuant to this Paragraph 4(d) shall be paid to Executive in a single sum on or immediately prior to date of the Change in Control but prior to the consummation of the transaction with any successor.

In addition, any other options previously or hereafter granted to Executive that have not vested as of the date of the Change in Control shall immediately vest upon the occurrence of and on the date of a Change in Control irrespective of whether Executive's employment terminates in connection with such Change in Control.

(e) For purposes of this Agreement:

- (i) "Cause" shall mean (A) the willful and continued failure by Executive to substantially perform his duties hereunder (other than any such failure resulting from Executive's incapacity due to physical or mental illness) for a period of thirty (30) days after written demand for substantial performance is delivered by the Company specifically identifying the manner in which the Company believes Executive has not substantially performed his duties, or (B) willful misconduct by Executive which is materially injurious to the Company, monetarily or otherwise, or (C) the willful violation by Executive of the provisions of Paragraph 5 or 7

hereof. For purposes of this Paragraph 4(e) (i), no act, or failure to act, on Executive's part shall be considered "willful" unless done, or omitted to be done, by him (I) not in good faith and (II) without reasonable belief that his action or omission was in furtherance of the interests of the Company.

- (ii) "Change in Control" shall mean that any of the following events has occurred: (a) any "person" or "group" of persons, as such terms are used in Sections 13 and 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), other than any employee benefit plan sponsored by the Company, becomes the "beneficial owner", as such term is used

in Section 13 of the Exchange Act, of thirty percent (30%) or more of the Common Stock of the Company issued and outstanding immediately prior to such acquisition; (b) any Common Stock of the Company is purchased pursuant to a tender or exchange offer other than an offer by the Company; or (c) the dissolution or liquidation of the Company or the consummation of any merger or consolidation of the Company or any sale or other disposition of all or substantially all of its assets, if the shareholders of the Company immediately before such transaction own, immediately after consummation of such transaction, equity securities (other than options and other rights to acquire equity securities) possessing less than thirty percent (30%) of the voting power of the surviving or acquiring company.

- (iii) "Disability" shall mean the determination by the Company, upon the advice of an independent qualified physician, reasonably acceptable to Executive, that Executive has become physically or mentally incapable of performing his duties under this Agreement and such disability has disabled Executive for a cumulative period of one hundred eighty (180) days within a twelve (12) month period.
- (iv) "Fair Market Value" shall mean the closing price of the Common Stock as quoted on the New York Stock Exchange at the end of the last business day preceding the Determination Date, the applicable anniversary or the date of termination, as the case may be, as reported in the New York edition of the Wall Street Journal.
- (v) "Good Reason" shall mean (A) any material and substantial breach of this Agreement by the Company, (B) a material

14

reduction in the Executive's Annual Base Salary or other benefits (except for bonuses or similar discretionary payments) as in effect at the time in question, or any other failure by the Company to comply with Paragraph 3 hereof, or (C) the Company shall have given notice pursuant to Paragraph 1 hereof at any time prior to the sixth anniversary of the date hereof that it does not wish to extend this Agreement, except in connection with termination of Executive's employment for Cause or by reason of death or Disability.

- (vi) "Repurchase Fair Market Value" shall mean the average of the closing price on the New York Stock Exchange of the Common Stock on each of the trading days within the thirty (30) days immediately preceding the date of termination of Executive's employment;

(f) Any termination of Executive's employment by the Company or any such termination by Executive (other than on account of death) shall be communicated by written Notice of Termination to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated.

#### 5. Confidential Information.

(a) Executive understands and acknowledges that during his employment with the Company, he will be exposed to Confidential Information (as defined below), all of which is proprietary and which will rightfully belong to the Company. The Executive shall hold in a fiduciary capacity for the benefit of the Company such Confidential Information obtained by Executive during his employment with the Company and shall

15

not, directly or indirectly, at any time, either during or after his employment with the Company, without the Company's prior written consent, use any of such Confidential Information or disclose any of such Confidential Information to any individual or entity other than the Company or its employees, except as required in the performance of his duties for the Company or as otherwise required by law. Executive shall take all reasonable steps to safeguard such Confidential Information and to protect such Confidential Information against disclosure,

misuse, loss or theft.

(b) The term "Confidential Information" shall mean any information not generally known in the relevant trade or industry or otherwise not generally available to the public, which was obtained from the Company or its predecessors or which was learned, discovered, developed, conceived, originated or prepared during or as a result of the performance of any services by Executive on behalf of the Company or its predecessors. For purposes of this Paragraph 5, the Company shall be deemed to include any entity which is controlled, directly or indirectly, by the Company and any entity of which a majority of the economic interest is owned, directly or indirectly, by the Company.

#### 6. Return of Documents.

Except for such items which are of a personal nature to Executive (e.g., daily business planner), all writings, records, and other documents and things containing any Confidential Information shall be the exclusive property of the Company, shall not be copied, summarized, extracted from, or removed from the premises of the Company, except in pursuit of the business of the Company and at the direction of the Company,

16

and shall be delivered to the Company, without retaining any copies, upon the termination of Executive's employment or at any time as requested by the Company.

#### 7. Noncompete.

Executive agrees that:

(a) During the Employment Period and, in the event (i) the Company terminates Executive's employment for Cause, or (ii) Executive terminates his employment without Good Reason, for a one (1) year period thereafter, Executive shall not, directly or indirectly, within the State of New York, the State of New Jersey, the State of Pennsylvania, and the State of Connecticut, engage in, or own, invest in, manage or control any venture or enterprise primarily engaged in any office-service, office, industrial, or flex property development, acquisition or management activities, without regard to whether or not such activities compete with the Company. Nothing herein shall prohibit Executive from being a passive owner of not more than five percent (5%) of the outstanding stock of any class of securities of a corporation or other entity engaged in such business which is publicly traded, so long as he has no active participation in the business of such corporation or other entity. Moreover, the foregoing limitations shall not be deemed to restrict or otherwise limit Executive from conducting real estate development, acquisition or management activities with respect to the Excluded Properties, if any, provided that during the Employment Period the performance of such activities does not prevent Executive from devoting substantially all of his business time to the Company.

17

(b) If, at the time of enforcement of this Paragraph 7, a court shall hold that the duration, scope, area or other restrictions stated herein are unreasonable, the parties agree that reasonable maximum duration, scope, area or other restrictions may be substituted by such court for the stated duration, scope, area or other restrictions and upon substitution by such court, this Agreement shall be automatically modified without further action by the parties hereto.

(c) For purposes of this Paragraph 7, the Company shall be deemed to include any entity which is controlled, directly or indirectly, by the Company and any entity of which a majority of the economic interest is owned, directly or indirectly, by the Company.

#### 8. Remedies.

The parties hereto agree that the Company would suffer irreparable harm from a breach by Executive of any of the covenants or agreements contained in Paragraph 5, 6 or 7 of this Agreement. Therefore, in the event of the actual or threatened breach by Executive of any of the provisions of Paragraph 5, 6 or 7 of this Agreement, the Company may, in addition and supplementary to other rights and remedies existing in its favor, apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce or prevent any violation of the provisions thereof.

18

#### 9. Successors and Assigns.

(a) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of

the business and/or assets of the Company, by agreement in form and substance satisfactory to Executive, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of an such succession shall be a breach of this Agreement and shall entitle Executive to compensation from the Company in the same amount and on the same terms as he would be entitled to hereunder if his employment terminated due to Disability, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the date of termination. In the event of such a breach of this Agreement, the Notice of Termination shall specify such date as the date of termination. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to all or substantially all of its business and/or its assets as aforesaid which executes and delivers the agreement provided for in this Paragraph 9 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law. Any cash payments owed to Executive pursuant to this Paragraph 9 shall be paid to Executive in a single sum immediately prior to the consummation of the transaction with such successor.

(b) This Agreement and all rights of Executive hereunder shall inure to the benefit of and be enforceable by Executive's personal or legal representatives,

19

executors, administrators, successors, heirs, distributees, devisees and legatees. If Executive should die while any amounts would still be payable to him hereunder if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Executive's beneficiary as determined under any applicable plan, Executive's devisee, legatee, or other designee or, if there be no such designee, to Executive's estate.

10. Timing of and No Duplication of Payments/ Tax Withholding.

(a) All payments payable to Executive pursuant to this Agreement shall be paid as soon as practicable after such amounts have become fully vested and determinable. In addition, Executive shall not be entitled to receive duplicate payments under any of the provisions of this Agreement.

(b) The Company shall have the right to deduct and withhold from any amounts which become taxable to Executive hereunder all employment and other federal, state and local taxes and charges which are, or which may hereafter, be required by law to be so deducted or withheld.

11. Modification or Waiver.

No amendment, modification, waiver, termination or cancellation of this Agreement shall be binding or effective for any purpose unless it is made in a writing signed by the party against whom enforcement of such amendment, modification, waiver, termination or cancellation is sought. No course of dealing between or among the parties to this Agreement shall be deemed to affect or to modify, amend or

20

discharge any provision or term of this Agreement. No delay on the part of the Company or Executive in the exercise of any of their respective rights or remedies shall operate as a waiver thereof, and no single or partial exercise by the Company or Executive of any such right or remedy shall preclude other or further exercise thereof. A waiver of right or remedy on any one occasion shall not be construed as a bar to or waiver of any such right or remedy on any other occasion.

12. Notices.

All notices or other communications required or permitted hereunder shall be made in writing and shall be deemed to have been duly given if delivered by hand or delivered by a recognized delivery service or mailed, postage prepaid, by express, certified or registered mail, return receipt requested, and addressed to the Company or Executive, as applicable, at the address set forth above (or to such other address as shall have been previously provided in accordance with this Paragraph 12).

13. Governing Law.

THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW JERSEY, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS THEREUNDER.

14. Severability.

Whenever possible, each provision and term of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision or term of this Agreement shall be held to be prohibited by or invalid under

such applicable law, then, subject to the provisions of Paragraph 7(b) above, such provision or term shall be ineffective only to the extent of such prohibition or invalidity, without invalidating or affecting in any manner whatsoever the remainder of such provisions or term or the remaining provisions or terms of this Agreement.

15. Counterparts.

This Agreement may be executed in separate counterparts, each of which is deemed to be an original and both of which taken together shall constitute one and the same agreement.

16. Headings.

The headings of the Paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute a part hereof and shall not affect the construction or interpretation of this Agreement.

17. Entire Agreement.

This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all other prior agreements and undertakings, both written and oral, among the parties with respect to the subject matter hereof.

18. Survival of Agreements.

The covenants made in Paragraphs 4, 5, 6, 7, 8 and 14 each shall survive the termination of this Agreement.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

CALI REALTY CORPORATION

By: /s/ Thomas A. Rizk  
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Name: Thomas A. Rizk  
Title: President

/s/ Albert Spring  
-----  
Albert Spring

SCHEDULE A



SECURED NON-RECOURSE PROMISSORY NOTE

January 21, 1997

\$400,000

FOR VALUE RECEIVED, James Nugent, an individual residing at 608 North Boulevard, Belmar, New Jersey 07719 ("Payor"), hereby promises to pay to Cali Realty Corporation, a Maryland corporation ("Payee" or the "Company"), or its assigns, the principal amount of four hundred thousand dollars exactly (\$400,000), together with all interest accrued thereon calculated from the date hereof in accordance with the provisions of Section 1 hereof. Certain capitalized terms used in this Secured Non-Recourse Promissory Note (the "Note") are defined in Section 6 below.

This Note is being made by Payor in order to finance the Payor's purchase of 12,800 shares of common stock, par value \$.01 per share, of the Company (the "Common Stock") from the Company pursuant to the Payor's employment agreement with Payee entered into as of January 21, 1997 (the "Employment Agreement").

This Note is secured by the Pledged Collateral under the terms of the Stock Pledge Agreement and is entitled to the benefits thereof.

1. Accrual of Interest. Interest will accrue on the unpaid principal amount of this Note from and after the date hereof on a daily basis at the rate per annum equal to 6.21%, as set forth in the Employment Agreement, and such interest shall be compounded annually, calculated on the basis of a 365 day year. Unless forgiven as contemplated herein, interest shall be payable annually in arrears on each anniversary date hereof.

2. Payment of Note.

(a) Maturity Date. Except as provided in Sections 2(b) and (c) and Sections 3 and 4 below, the entire unpaid principal balance of this Note (together with interest accrued thereon) shall become due and payable on the fifth anniversary of the date of this Note.

(b) Forgiveness of Loan. The principal amount of this Note shall be automatically forgiven ratably over a five (5) year term in annual equal twenty percent (20%) increments commencing on the first anniversary of the date of this Note and each anniversary thereafter. All then accrued but unpaid interest on this Note shall also be automatically forgiven annually on each applicable anniversary date; provided, however, subject to the provisions of Sections 3 and 4 hereof, the forgiveness of each principal

portion of this Note plus interest shall be conditioned upon Payor being in the employ of the Company on the applicable anniversary date.

(c) Change in Control. Pursuant to the Employment Agreement, in the event of a Change in Control (as defined in the Employment Agreement) or in the absence thereof in the Cali Realty Corporation Employee Stock Option Plan) the entire unpaid principal amount of this Note (including any accrued but unpaid interest) shall automatically be accelerated and forgiven, and no portion of this Note shall become due or payable at any time thereafter.

(d) Non-Recourse Obligations. Notwithstanding anything to the contrary stated herein, Payee agrees that for payment of this Note it will look solely to the Pledged Collateral and such other collateral, if any, as may now or hereafter be given to secure the payment of this Note, and no other assets of Payor shall be subject to levy, execution or other enforcement procedure for the satisfaction of the remedies of Payee, or for any payment required to be made under this Note.

3. Effect of Termination of Employment Due to Disability or Death. In the event Payor terminates employment with the Company prior to the expiration of the term of this Note due to his disability (as determined pursuant to the terms of the Employment Agreement or in the absence thereof by the Committee in its discretion) or death, the entire unpaid balance of this Note plus interest shall automatically be accelerated and forgiven on the first day of the calendar month next succeeding Payor's disability or death, and no portion of this Note shall become due or payable at any time thereafter.

4. Effect of Termination of Employment For Any Other Reason. In the event Payor terminates employment with the Company or the Company terminates Payor's employment with the Company, in each case prior to the expiration of the term of this Note for any reason other than disability or death, there shall be no further forgiveness of the principal or the interest of this Note and the entire unpaid balance of this Note plus interest shall automatically be accelerated and become due and payable to the Company on the effective date of Payor's termination of employment with the Company.

5. Events of Default.

(a) Definition. For purposes of this Note, an Event of Default shall be deemed to have occurred if:

(i) Payor fails to pay when due any amount (whether interest, principal or other amount) then due or payable on this Note for a period of ten (10) days after the holder of this Note notifies Payor of such failure;

2

(ii) Payor fails to perform or observe any other provision contained in this Note or the Stock Pledge Agreement and such failure continues unremedied for a period of thirty (30) days after the holder of this Note notifies Payor of such breach; or

(iii) If an event set forth in Section 4 hereof has occurred, Payor makes an assignment for the benefit of creditors or admits in writing his inability to pay his debts generally as they become due; or an order, judgment or decree is entered adjudicating Payor bankrupt or insolvent; or any order for relief with respect to Payor is entered under the Bankruptcy Code; or Payor petitions or applies to any tribunal for the appointment of a custodian, trustee, receiver or liquidator, or commences any proceeding relating to himself under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction; or any such petition or application is filed, or any such proceeding is commenced, against Payor and either (a) Payor in writing indicates his approval thereof, consents thereto or acquiesces therein or (b) such petition, application or proceeding is not dismissed within ninety (90) days.

(b) Consequences of Events of Default.

(i) If any Event of Default (other than the type described in paragraph 3(a)(iii) hereof has occurred, the holder of this Note may demand (by written notice delivered to Payor) immediate payment of all or any portion of the outstanding principal amount of this Note together with any and all accrued interest thereon, which amount shall become due and payable upon such demand. If an Event of Default of the type described in paragraph 3(a)(iii) has occurred, then all of the outstanding principal amount of this Note together with any and all accrued interest thereon shall automatically be immediately due and payable without any action on the part of the holder of this Note.

(ii) Each holder of this Note shall also have any other rights which such holder may have been afforded under this Note or the Stock Pledge Agreement at any time and any other rights which such holder may have pursuant to applicable law.

6. Certain Defined Terms. As used in this Note, the following terms shall have the following meanings:

"Bankruptcy Code" means the Bankruptcy Code of 1978, as amended.

"Committee" means the Compensation Committee of the Board of Directors of the Company.

3

"Pledged Collateral" means the Common Stock pledged by Payor under the Stock Pledge Agreement as security for Payor's performance of his obligations under this Note.

"Stock Pledge Agreement" means the Stock Pledge Agreement dated the date hereof between Payor and the Company.

7. Amendment and Waiver. Except as otherwise expressly provided herein, the provisions of this Note may not be amended and Payor may not take any action prohibited herein, or omit to perform any act required to be performed by him herein, unless Payor has obtained the prior written consent of the holder of this Note.

8. Cancellation. After all obligations for the payment of money arising under this Note have been paid in full, this Note will be surrendered to Payor for cancellation.

9. Tax Withholding. The Company shall have the right to deduct and withhold from any amounts which become taxable to Payor hereunder all employment and other federal, state and local taxes and charges which are, or which may hereafter, be required by law to be so deducted or withheld.

10. Notices; Place of Payment. Any notice hereunder shall be in writing and shall be delivered by recognized courier, facsimile or certified mail, return receipt requested, and shall be conclusively deemed to have been received by a party hereto and to be effective on the day on which delivered or facsimiled to such party at its address set forth below (or at such other

address as such party shall specify in writing):

If to Payor: James Nugent  
608 North Boulevard  
Belmar, New Jersey 07719

If to Payee: Cali Realty Corporation  
11 Commerce Drive  
Cranford, New Jersey 07016  
Attn: John R. Cali  
Chief Administrative Officer

All payments to be made under this Note are to be delivered to the holder at such address or to the attention of such person as the holder may designate by prior written notice to Payor. At the request of the holder of this Note, all payments shall be made by wire transfer of immediately available funds to an account which the holder may designate from time to time.

4

11. Waiver of Presentment, Demand, Dishonor.

(a) Payor hereby waives presentment for payment, protest, demand, notice of protest, notice of nonpayment and diligence with respect to this Note, and waives and renounces all rights to the benefits of any statute of limitations or any moratorium, appraisement, exemption, or homestead now provided or that hereafter may be provided by any federal or applicable state statute, including but not limited to exemptions provided or allowed under the Bankruptcy Code, both as to himself and as to all of his property, whether real or personal, against the enforcement and collection of the obligations evidenced by this Note and any and all extensions, renewals and modifications hereof.

(b) No failure on the part of any holder of this Note to exercise any right or remedy hereunder with respect to Payor, whether before or after the happening of an Event of Default, shall constitute waiver of any such Event of Default or of any other Event of Default by such holder or on behalf of any other holder. No failure to accelerate the debt of Payor evidenced hereby by reason of an Event of Default or indulgence granted from time to time shall be construed to be a waiver of the right to insist upon prompt payment thereafter, or shall be deemed to be a novation of this Note or a reinstatement of such debt evidenced hereby or a waiver of such right of acceleration or any other right, or be construed so as to preclude the exercise of any right any holder of this Note may have, whether by the laws of the state governing this Note, by agreement or otherwise, and Payor hereby expressly waives the benefit of any statute or rule of law or equity that would produce a result contrary to or in conflict with the foregoing.

12. Governing Law. The validity, construction and interpretation of this Note shall be governed by and construed in accordance with the internal laws of the State of New Jersey.

13. Transfer; Assignment. This Note may not be negotiated, assigned or transferred by Payor at any time, except with Payee's prior written consent. This Note may not be negotiated, assigned or transferred by Payee except in connection with the sale of all or substantially all of Payee's assets if the transferee expressly assumes Payee's obligations under the Employment Agreement.

14. Entire Agreement. This Secured Non-Recourse Promissory Note, the Stock Pledge Agreement and the Employment Agreement contain the entire agreement of the parties and supersedes all other agreements, understandings and representations, oral or otherwise, between the parties with respect to the matters contained herein. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors, assigns, heirs, administrators, fiduciaries, next of kin and executors. Section headings used herein are for convenience only and shall not affect the meaning or construction of any of the provisions hereof. This Agreement may be executed in any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument. In the event of any

5

conflict among any of the documents referred to above, the terms of the Employment Agreement shall prevail.

IN WITNESS WHEREOF, Payor has executed and delivered this Secured Non-Recourse Promissory Note on the date first written above.

/s/ James Nugent  
-----  
James Nugent



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EMPLOYMENT AGREEMENT

FOR

ALBERT SPRING

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TABLE OF CONTENTS

	Page
	----
1. Employment.....	1
2. Services.....	2
3. Compensation and Benefits.....	3
4. Termination of Employment and Change in Control.....	7
5. Confidential Information.....	15
6. Return of Documents.....	16
7. Noncompete.....	17
8. Remedies.....	18
9. Successors and Assigns.....	19
10. Timing of and No Duplication of Payments/ Tax Withholding.....	20
11. Modification or Waiver.....	20
12. Notices.....	21
13. Governing Law.....	21
14. Severability.....	21
15. Counterparts.....	22
16. Headings.....	22
17. Entire Agreement.....	22
18. Survival of Agreements.....	22

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is entered into as of January 21, 1997, by and between Albert Spring, an individual residing at 15 Nottingham Road, West Orange, New Jersey 07043 ("Executive"), and Cali Realty Corporation, a Maryland corporation with offices at 11 Commerce Drive, Cranford, New Jersey 07016 (the "Company").

RECITALS

WHEREAS, the Executive has served as Vice President - Operations of the Company and, through such service, has acquired special and unique knowledge, abilities and expertise; and

WHEREAS, the Company desires to continue to employ the Executive, and the Executive desires to continue to be employed by the Company, pursuant to the terms set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements set forth herein, the parties hereby agree as follows:

1. Employment.

The Company hereby agrees to employ Executive, and Executive hereby agrees to be employed by the Company, for a term commencing on the date hereof and expiring on January 21, 2002; provided, however, that commencing on January 21, 2002 and each January 21 thereafter, the term of this Agreement shall be extended automatically for one (1) additional year unless at least ninety (90) days prior to the

applicable expiration date either the Company or Executive shall have given written notice to the other party that such party does not wish to extend this Agreement. It being agreed and understood that the extension of this Agreement shall not create an obligation of the Company to issue new awards to Executive hereunder. The term of this Agreement, as it may be extended from time to time in accordance with this Paragraph 1, is referred to herein as the "Employment Period."

2. Services.

During the Employment Period, Executive shall hold the position of Vice President - Operations and shall devote his best efforts and substantially all of his business time, skill and attention to the business of the Company, and shall perform such duties as are customarily performed by similar executive officers and as may be more specifically enumerated from time to time by the Board of Directors of the Company (the "Board") or the Executive Committee of the Board, if any; provided, however, that the foregoing is not intended to (a)

preclude Executive from (i) owning and managing personal investments, including real estate investments, subject to the restrictions set forth in Paragraph 7 hereof or (ii) engaging in charitable activities and community affairs, or (b) restrict or otherwise limit Executive from conducting real estate development, acquisition or management activities with respect to those properties described in Schedule A, attached hereto, (the "Excluded Properties"), provided that the performance of the activities referred to in clauses (a) and (b) does not prevent Executive from devoting substantially all of his business time to the Company.

2

### 3. Compensation and Benefits.

During the Employment Period, the Company shall pay Executive a minimum annual base salary in the amount of \$140,000 (the "Annual Base Salary"), payable in accordance with the Company's regular payroll practices. In addition, Executive also shall be eligible for incentive compensation payable each year in such amounts as may be determined by the Compensation Committee of the Board (the "Compensation Committee") based upon, among other factors, growth in Funds from Operations per Common Share (as hereinafter defined) for the year. Executive's Annual Base Salary shall be reviewed annually in accordance with the policy of the Company from time to time and may be subject to upward adjustment based on, among other things, Executive's performance, as determined in the sole discretion of the Compensation Committee. The Company shall have the right to deduct and withhold from all compensation all social security and other federal, state and local taxes and charges which currently are or which hereafter may be required by law to be so deducted and withheld. In addition to the compensation specified above and other benefits provided pursuant to this Paragraph 3, Executive shall be entitled to the following benefits:

- (a) participation in the Employee Stock Option Plan of Cali Realty Corporation (the "Stock Option Plan") and other benefit plans (including without limitation the Cali Realty Corporation 401(k) Savings and Retirement Plan and any other stock option plans which may be adopted or maintained by the Company) made generally available to executives of the Company with such participation to be consistent with reasonable Company guidelines;
- (b) participation in any health insurance, disability insurance, group life insurance or other welfare benefit program made generally available to executives of the Company; and

3

- (c) reimbursement for reasonable business expenses incurred by Executive in furtherance of the interests of the Company.

In addition, Executive shall be entitled to receive such bonuses and options to purchase shares of common stock, par value \$0.01 per share, of the Company (the "Common Stock") as the Board shall approve, in its sole discretion, including, without limitation, options and bonuses contingent upon Executive's performance and the achievement of specified financial and operating objectives for Funds from Operations per Common Share. For purposes of this Agreement, "Funds from Operations per Common Share" for any period shall mean (i) net income (loss) before minority interest of unit holders, computed in accordance with generally accepted accounting principles ("GAAP"), excluding gains (or losses) from debt restructuring and sale of property, plus real estate return, depreciation and amortization as calculated in accordance with the National Association of Real Estate Investment Trusts definition published in March 1995, as amended from time to time, and as applied in accordance with the accounting practices and policies of the Company in effect from time to time on a consistent basis to the entire Employment Period, divided by (ii) the sum of (A) the primary weighted average number of outstanding shares of Common Stock as it appears in the Company's financial statement for the applicable period and (B) the primary weighted average number of outstanding limited partnership units of Cali Realty, L.P., a Delaware limited partnership of which the Company is the sole general partner, for the applicable period.

As further consideration for Executive agreeing to serve as an officer and entering into this Agreement upon the terms set forth herein, including, without

4

limitation, the terms relating to noncompetition set forth in Paragraph 7 below, the Company shall, concurrently herewith or as soon as practicable after the execution of this Agreement:

- (a) grant to Executive 6,480 Restricted shares of Common Stock ("Restricted Shares") pursuant to the terms and conditions

of this Agreement and the written agreement issued pursuant to this Agreement, evidencing such award executed between the Company and Executive (the "Restricted Share Agreement"). In the event of a conflict between the Restricted Share Agreement and this Agreement, the terms of this Agreement shall control.

The Restricted Share Award (as defined in the Restricted Share Agreement) is scheduled to vest over five (5) years with twenty percent (20%) of the Restricted Shares vesting on each of the first anniversary of the date hereof (the "First Anniversary"), the second anniversary of the date hereof (the "Second Anniversary"), the third anniversary of the date hereof (the "Third Anniversary"), the fourth anniversary of the date hereof (the "Fourth Anniversary") and the fifth anniversary of the date hereof (the "Fifth Anniversary"), provided, that certain Performance Goals as defined and set forth in the Restricted Share Agreement are met. Vesting shall be cumulative in accordance with the provisions of the Restricted Share Agreement and the Performance Goals may be achieved as specified therein up until the seventh anniversary of the date hereof. Except as otherwise provided in Paragraph 4 hereof, Executive must be employed by the Company on the applicable anniversary date to vest in the Restricted Shares scheduled to vest in a particular year. The measurement date to determine such vesting shall be the last vesting day of the Company's fiscal year preceding the year in which the applicable anniversary date occurs.

In addition, upon vesting of the Restricted Shares on each applicable anniversary date, the Company shall make a cash payment to Executive on that anniversary date in an amount equal to forty percent (40%) of the Fair Market Value (determined as of such anniversary date) of the Restricted Shares that vest on such anniversary date (the "Restricted Share Tax Gross-Up Payment").

- (b) loan on a non-recourse basis to Executive \$350,000 (the "Stock Acquisition Loan"), with the loan proceeds to be used by Executive simultaneously to purchase newly issued Common Stock from the Company. Interest shall accrue on the Stock Acquisition Loan at

5

the rate of 6.21% per year and shall be payable, on the entire outstanding balance, annually in arrears. The Stock Acquisition Loan is being granted and secured pursuant to the terms and conditions of this Agreement, and a Secured Non-Recourse Promissory Note and Stock Pledge Agreement evidencing and securing such Loan as executed between the Company and Executive. In the event of a conflict between the aforementioned documents and this Agreement, the terms of this Agreement shall control.

The Stock Acquisition Loan shall be forgiven over a period of five (5) years from the date hereof, with twenty percent (20%) of the principal and interest on the then outstanding balance of the principal to be forgiven on each applicable anniversary date (the "Forgiven Amount"). In addition, on each applicable anniversary date as the Stock Acquisition Loan and interest accrued thereon is forgiven, in order to enable Executive to meet his tax liability with respect to the forgiveness of the Stock Acquisition Loan, the Company shall make a cash payment to Executive on that anniversary date in an amount equal to forty percent (40%) of the respective Forgiven Amount (the "Acquisition Loan Tax Gross-Up Payment"). Since the Stock Acquisition Loan will be forgiven over a five (5) year period, a total of five (5) Acquisition Loan Tax Gross-Up Payments will be made to Executive over the period of forgiveness. No additional payments will be made to Executive with respect to any Acquisition Loan Tax Gross-Up Payments made hereunder. Except as otherwise provided in Paragraph 4 hereof, the aforementioned forgiveness of the Stock Acquisition Loan inclusive of interest thereon and respective Acquisition Loan Tax Gross-Up Payment shall only occur if Executive is employed by the Company on the applicable anniversary date.

The Stock Acquisition Loan shall be initially secured by the shares of Common Stock purchased by Executive from the Company with the proceeds of the Stock Acquisition Loan. Beginning on the First Anniversary, the outstanding balance of the Stock Acquisition Loan shall be secured only by shares of Common Stock having a Fair Market Value of one hundred and ten

percent (110%) of the outstanding principal amount of the Stock Acquisition Loan (together with interest accrued thereon). On the First Anniversary, and on each anniversary date, March 31, June 30 and September 30 through the Fifth Anniversary (each such date a "Determination Date"), the Company shall reasonably determine the aggregate Fair Market Value of the collateral (the "Market Value") being held. If on such Determination Date the Market Value exceeds one

6

hundred ten percent (110%) of the outstanding balance of the Stock Acquisition Loan (together with interest accrued thereon) on such Determination Date (the "Base Value"), the Company shall, unless otherwise requested by Executive, automatically release to Executive such portion of the collateral the aggregate Fair Market Value of which equals the Market Value less 110% of the Base Value, free and clear of any and all encumbrances under the Stock Pledge Agreement.

Executive shall be required to execute the aforementioned Stock Pledge Agreement and Secured Non-Recourse Promissory Note. The Company shall then issue shares of Common Stock to Executive in exchange for the Stock Acquisition Loan. The Company shall, upon receipt from Executive of the Stock Pledge Agreement and Secured Non-Recourse Promissory Note for the purchase of the shares of Common Stock purchased with the proceeds of the Stock Acquisition Loan, make prompt delivery of the certificates evidencing the shares of Common Stock to Executive, subject to any requirements set forth in the Stock Pledge Agreement; provided, however, that if any law or regulation requires the Company to take any action with respect to such shares prior to the delivery thereof, then the date of the delivery of the shares shall be extended for the period necessary to complete such action. Certificates for shares of Common Stock when issued to Executive may have restrictive legends or statements of other applicable restrictions endorsed thereon and may not be immediately transferable.

#### 4. Termination of Employment and Change in Control.

(a) Termination of Employment by the Company for Cause or By Executive without Good Reason. In the event (i) the Company terminates Executive's employment for Cause (as hereinafter defined) or (ii) Executive terminates his employment without Good Reason (as hereinafter defined), the Company shall pay Executive any unpaid salary accrued through and including the date of termination. In addition, in such event, Executive shall be entitled (i) to exercise any options which have vested and are exercisable in accordance with the terms of the applicable option

7

grant agreement or plan, (ii) to retain any Restricted Shares previously awarded to Executive pursuant to this Agreement and the Restricted Share Agreement and any Restricted Share Tax Gross-Up Payments which are fully vested on the date of termination, and (iii) to retain any shares of Common Stock purchased by Executive with the proceeds of the Stock Acquisition Loan which are no longer pledged as collateral for the outstanding balance of the Stock Acquisition Loan and any Acquisition Loan Tax Gross-Up Payments applicable to Forgiven Amounts and to retain the balance of the shares of Common Stock which are still pledged as collateral for the outstanding balance of the Stock Acquisition Loan, provided, that Executive immediately repays to the Company the outstanding balance of the Stock Acquisition Loan including interest accrued thereon through the date of termination. Except for any rights which Executive may have to unpaid salary amounts through and including the date of termination, vested options, vested Restricted Shares and related Restricted Share Tax Gross-Up Payments, and shares of Common Stock purchased with the proceeds of the Stock Acquisition Loan and related Acquisition Loan Tax Gross-Up Payments, all as set forth above, the Company shall have no further obligations hereunder following such termination.

(b) Termination of Employment Upon Death or Disability . In the event of termination of Executive's employment as a result of either (i) Executive's death or Disability (as hereinafter defined), the Company shall pay to Executive, his estate or his personal representative (A) the unpaid salary through the end of the Employment Period remaining (assuming no such termination occurred) and (B) a pro-rata portion, based upon the number of days in the period beginning with January 1 of the calendar

8



year in which such termination occurred and ending with the date the Employment Period ends (assuming such termination did not occur), of the average annual amount of incentive compensation payments paid to Executive during each previous year of Executive's employment hereunder (the "Pro-Rata Portion of Incentive Compensation"). The aforesaid amount shall be payable, at the option of Executive, his estate or his personal representative, either (i) in full immediately upon such termination or (ii) monthly over the remainder of the Employment Period. In addition, Executive shall be entitled (i) at the option of Executive, his estate or his personal representative, within one (1) year of the date of such termination, to exercise any options which have vested (including, without limitation, by acceleration in accordance with the terms of the applicable option grant agreement or plan) and are exercisable in accordance with the terms of the applicable option grant agreement or plan or to require the Company (upon written notice delivered within one hundred eighty (180) days following the date of Executive's termination) to repurchase all or any portion of Executive's vested options to purchase shares of Common Stock at a price equal to the difference between the Repurchase Fair Market Value (as hereinafter defined) of the shares of Common Stock for which the options to be repurchased are exercisable and the exercise price of such option as of the date of Executive's termination of employment, (ii) to retain all Restricted Shares awarded to Executive pursuant to this Agreement and the Restricted Share Agreement whether or not such Restricted Shares had previously vested as of the date of termination. In the event any Restricted Shares have not vested as of the date of termination, such Restricted Shares shall immediately vest and Executive, his estate or his personal representative shall receive a cash payment from the Company

9

on the date of termination in an amount equal to forty percent (40%) of the Fair Market Value (determined as of the date of termination) of the Restricted Shares that vest on the date of termination (the "Termination Restricted Share Tax Gross-Up Payment"), (iii) to retain all shares of Common Stock purchased by Executive with the proceeds of the Stock Acquisition Loan without regard to whether or not the Stock Acquisition Loan has been forgiven or repaid. In the event there is an outstanding balance on the Stock Acquisition Loan, such outstanding balance including interest accrued thereon shall on the first day of the calendar month next succeeding Executive's Disability or death be forgiven (and any shares pledged under the Stock Pledge Agreement shall be released to Executive, his estate or his personal representative) and Executive, his estate or his personal representative shall receive a cash payment from the Company on that date in an amount equal to forty percent (40%) of the outstanding balance of the Stock Acquisition Loan and interest accrued thereon that is forgiven on the date of termination (the "Termination Acquisition Loan Tax Gross-Up Payment"). Except for any rights which Executive may have to unpaid salary amounts through the end of the Employment Period, the Pro-Rata Portion of Incentive Compensation, vested options, Restricted Shares (and the full vesting thereof) and the Termination Restricted Share Tax Gross-Up Payment, and shares of Common Stock purchased with the proceeds of the Stock Acquisition Loan (and the forgiveness of the outstanding balance of the Stock Acquisition Loan inclusive of interest accrued thereon) and the Termination Acquisition Loan Tax Gross-Up Payment, all as set forth above, the Company shall have no further obligations hereunder following such termination.

10

(c) Termination of Employment By the Company Without Cause or By the Executive for Good Reason. In the event (i) the Company terminates Executive's employment for any reason other than Cause or (ii) Executive terminates his employment for Good Reason, the Company shall pay to Executive (A) the unpaid salary through the end of the Employment Period remaining (assuming no such termination occurred) and (B) a pro-rata portion, based upon the number of days in the period beginning with January 1 of the calendar year in which such termination occurred and ending with the date the Employment Period ends (assuming such termination did not occur), of the average annual amount of incentive compensation payments paid to Executive during each previous year of Executive's employment hereunder. The aforesaid amount shall be payable, at the option of Executive, either (i) in full immediately upon such termination or (ii) monthly over the remainder of the Employment Period. In addition, Executive shall be entitled (i) at the option of Executive, within ninety (90) days of the date of such termination, to exercise any options which have vested (including, without limitation, by acceleration in accordance with the terms of the applicable option grant agreement or plan) and are exercisable in accordance with the terms of the applicable option grant agreement or plan, it being agreed and understood that this Agreement does not require the Company to issue options to Executive, (ii) to retain any Restricted Shares previously awarded to Executive pursuant to this Agreement and the Restricted Share Agreement and any Restricted Share Tax Gross-Up Payments which are fully vested on the date of termination, and (iii) to retain any shares of Common Stock purchased by Executive with the proceeds of the Stock Acquisition Loan which are no longer pledged as

collateral for the outstanding balance of the Stock Acquisition Loan and any Acquisition Loan Tax Gross-Up Payments applicable to Forgiven Amounts and to retain the balance of the shares of Common Stock which are still pledged as collateral for the outstanding balance of the Stock Acquisition Loan, provided, that Executive immediately repays to the Company the outstanding balance of the Stock Acquisition Loan including interest accrued thereon through the date of termination. Except for any rights which Executive may have to unpaid salary amounts through the end of the Employment Period, the Pro-Rata Portion of Incentive Compensation, vested options, vested Restricted Shares and related Restricted Share Tax Gross-Up Payments, and shares of Common Stock purchased with the proceeds of the Stock Acquisition Loan and related Acquisition Loan Tax Gross-Up Payments, all as set forth above, the Company shall have no further obligations hereunder following such termination.

(d) Upon a Change in Control. In the event of a Change in Control (as hereinafter defined), Executive shall be entitled (i) to all Restricted Shares awarded to Executive pursuant to this Agreement and the Restricted Share Agreement whether or not such Restricted Shares had previously vested as of the date of the Change in Control. In the event any Restricted Shares have not vested as of the date of the Change in Control, such Restricted Shares shall immediately vest and Executive shall receive a cash payment from the Company on the date of the Change in Control in an amount equal to forty percent (40%) of the Fair Market Value (determined as of the date of the Change in Control) of the Restricted Shares that vest on the date of the Change in Control (the "Change in Control Restricted Share Tax Gross-Up Payment"), and (ii) to all shares of Common Stock purchased by Executive with the proceeds of the

Stock Acquisition Loan without regard to whether or not the Stock Acquisition Loan has been forgiven or repaid. In the event there is an outstanding balance on the Stock Acquisition Loan, such outstanding balance including interest accrued thereon through the date of the Change in Control shall be immediately forgiven (and any shares pledged under the Stock Pledge Agreement shall be released to Executive) and Executive shall receive a cash payment from the Company on the date of the Change in Control in an amount equal to forty percent (40%) of the outstanding balance of the Stock Acquisition Loan and interest accrued thereon that is forgiven on the date of the Change in Control (the "Change in Control Acquisition Loan Tax Gross-Up Payment"). Any cash payments owed to Executive pursuant to this Paragraph 4(d) shall be paid to Executive in a single sum on or immediately prior to date of the Change in Control but prior to the consummation of the transaction with any successor.

In addition, any other options previously or hereafter granted to Executive that have not vested as of the date of the Change in Control shall immediately vest upon the occurrence of and on the date of a Change in Control irrespective of whether Executive's employment terminates in connection with such Change in Control.

(e) For purposes of this Agreement:

- (i) "Cause" shall mean (A) the willful and continued failure by Executive to substantially perform his duties hereunder (other than any such failure resulting from Executive's incapacity due to physical or mental illness) for a period of thirty (30) days after written demand for substantial performance is delivered by the Company specifically identifying the manner in which the Company believes Executive has not substantially performed his duties, or (B) willful misconduct by Executive which is materially injurious to the Company, monetarily or otherwise, or (C) the willful violation by Executive of the provisions of Paragraph 5 or 7

hereof. For purposes of this Paragraph 4(e) (i), no act, or failure to act, on Executive's part shall be considered "willful" unless done, or omitted to be done, by him (I) not in good faith and (II) without reasonable belief that his action or omission was in furtherance of the interests of the Company.

- (ii) "Change in Control" shall mean that any of the following events has occurred: (a) any "person" or "group" of persons, as such terms are used in Sections 13 and 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), other than any employee benefit plan sponsored by the Company, becomes the "beneficial owner", as such term is used

in Section 13 of the Exchange Act, of thirty percent (30%) or more of the Common Stock of the Company issued and outstanding immediately prior to such acquisition; (b) any Common Stock of the Company is purchased pursuant to a tender or exchange offer other than an offer by the Company; or (c) the dissolution or liquidation of the Company or the consummation of any merger or consolidation of the Company or any sale or other disposition of all or substantially all of its assets, if the shareholders of the Company immediately before such transaction own, immediately after consummation of such transaction, equity securities (other than options and other rights to acquire equity securities) possessing less than thirty percent (30%) of the voting power of the surviving or acquiring company.

- (iii) "Disability" shall mean the determination by the Company, upon the advice of an independent qualified physician, reasonably acceptable to Executive, that Executive has become physically or mentally incapable of performing his duties under this Agreement and such disability has disabled Executive for a cumulative period of one hundred eighty (180) days within a twelve (12) month period.
- (iv) "Fair Market Value" shall mean the closing price of the Common Stock as quoted on the New York Stock Exchange at the end of the last business day preceding the Determination Date, the applicable anniversary or the date of termination, as the case may be, as reported in the New York edition of the Wall Street Journal.
- (v) "Good Reason" shall mean (A) any material and substantial breach of this Agreement by the Company, (B) a material

14

reduction in the Executive's Annual Base Salary or other benefits (except for bonuses or similar discretionary payments) as in effect at the time in question, or any other failure by the Company to comply with Paragraph 3 hereof, or (C) the Company shall have given notice pursuant to Paragraph 1 hereof at any time prior to the sixth anniversary of the date hereof that it does not wish to extend this Agreement, except in connection with termination of Executive's employment for Cause or by reason of death or Disability.

- (vi) "Repurchase Fair Market Value" shall mean the average of the closing price on the New York Stock Exchange of the Common Stock on each of the trading days within the thirty (30) days immediately preceding the date of termination of Executive's employment;

(f) Any termination of Executive's employment by the Company or any such termination by Executive (other than on account of death) shall be communicated by written Notice of Termination to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated.

#### 5. Confidential Information.

(a) Executive understands and acknowledges that during his employment with the Company, he will be exposed to Confidential Information (as defined below), all of which is proprietary and which will rightfully belong to the Company. The Executive shall hold in a fiduciary capacity for the benefit of the Company such Confidential Information obtained by Executive during his employment with the Company and shall

15

not, directly or indirectly, at any time, either during or after his employment with the Company, without the Company's prior written consent, use any of such Confidential Information or disclose any of such Confidential Information to any individual or entity other than the Company or its employees, except as required in the performance of his duties for the Company or as otherwise required by law. Executive shall take all reasonable steps to safeguard such Confidential Information and to protect such Confidential Information against disclosure,

misuse, loss or theft.

(b) The term "Confidential Information" shall mean any information not generally known in the relevant trade or industry or otherwise not generally available to the public, which was obtained from the Company or its predecessors or which was learned, discovered, developed, conceived, originated or prepared during or as a result of the performance of any services by Executive on behalf of the Company or its predecessors. For purposes of this Paragraph 5, the Company shall be deemed to include any entity which is controlled, directly or indirectly, by the Company and any entity of which a majority of the economic interest is owned, directly or indirectly, by the Company.

#### 6. Return of Documents.

Except for such items which are of a personal nature to Executive (e.g., daily business planner), all writings, records, and other documents and things containing any Confidential Information shall be the exclusive property of the Company, shall not be copied, summarized, extracted from, or removed from the premises of the Company, except in pursuit of the business of the Company and at the direction of the Company,

16

and shall be delivered to the Company, without retaining any copies, upon the termination of Executive's employment or at any time as requested by the Company.

#### 7. Noncompete.

Executive agrees that:

(a) During the Employment Period and, in the event (i) the Company terminates Executive's employment for Cause, or (ii) Executive terminates his employment without Good Reason, for a one (1) year period thereafter, Executive shall not, directly or indirectly, within the State of New York, the State of New Jersey, the State of Pennsylvania, and the State of Connecticut, engage in, or own, invest in, manage or control any venture or enterprise primarily engaged in any office-service, office, industrial, or flex property development, acquisition or management activities, without regard to whether or not such activities compete with the Company. Nothing herein shall prohibit Executive from being a passive owner of not more than five percent (5%) of the outstanding stock of any class of securities of a corporation or other entity engaged in such business which is publicly traded, so long as he has no active participation in the business of such corporation or other entity. Moreover, the foregoing limitations shall not be deemed to restrict or otherwise limit Executive from conducting real estate development, acquisition or management activities with respect to the Excluded Properties, if any, provided that during the Employment Period the performance of such activities does not prevent Executive from devoting substantially all of his business time to the Company.

17

(b) If, at the time of enforcement of this Paragraph 7, a court shall hold that the duration, scope, area or other restrictions stated herein are unreasonable, the parties agree that reasonable maximum duration, scope, area or other restrictions may be substituted by such court for the stated duration, scope, area or other restrictions and upon substitution by such court, this Agreement shall be automatically modified without further action by the parties hereto.

(c) For purposes of this Paragraph 7, the Company shall be deemed to include any entity which is controlled, directly or indirectly, by the Company and any entity of which a majority of the economic interest is owned, directly or indirectly, by the Company.

#### 8. Remedies.

The parties hereto agree that the Company would suffer irreparable harm from a breach by Executive of any of the covenants or agreements contained in Paragraph 5, 6 or 7 of this Agreement. Therefore, in the event of the actual or threatened breach by Executive of any of the provisions of Paragraph 5, 6 or 7 of this Agreement, the Company may, in addition and supplementary to other rights and remedies existing in its favor, apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce or prevent any violation of the provisions thereof.

18

#### 9. Successors and Assigns.

(a) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of

the business and/or assets of the Company, by agreement in form and substance satisfactory to Executive, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of an such succession shall be a breach of this Agreement and shall entitle Executive to compensation from the Company in the same amount and on the same terms as he would be entitled to hereunder if his employment terminated due to Disability, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the date of termination. In the event of such a breach of this Agreement, the Notice of Termination shall specify such date as the date of termination. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to all or substantially all of its business and/or its assets as aforesaid which executes and delivers the agreement provided for in this Paragraph 9 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law. Any cash payments owed to Executive pursuant to this Paragraph 9 shall be paid to Executive in a single sum immediately prior to the consummation of the transaction with such successor.

(b) This Agreement and all rights of Executive hereunder shall inure to the benefit of and be enforceable by Executive's personal or legal representatives,

19

executors, administrators, successors, heirs, distributees, devisees and legatees. If Executive should die while any amounts would still be payable to him hereunder if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Executive's beneficiary as determined under any applicable plan, Executive's devisee, legatee, or other designee or, if there be no such designee, to Executive's estate.

10. Timing of and No Duplication of Payments/ Tax Withholding.

(a) All payments payable to Executive pursuant to this Agreement shall be paid as soon as practicable after such amounts have become fully vested and determinable. In addition, Executive shall not be entitled to receive duplicate payments under any of the provisions of this Agreement.

(b) The Company shall have the right to deduct and withhold from any amounts which become taxable to Executive hereunder all employment and other federal, state and local taxes and charges which are, or which may hereafter, be required by law to be so deducted or withheld.

11. Modification or Waiver.

No amendment, modification, waiver, termination or cancellation of this Agreement shall be binding or effective for any purpose unless it is made in a writing signed by the party against whom enforcement of such amendment, modification, waiver, termination or cancellation is sought. No course of dealing between or among the parties to this Agreement shall be deemed to affect or to modify, amend or

20

discharge any provision or term of this Agreement. No delay on the part of the Company or Executive in the exercise of any of their respective rights or remedies shall operate as a waiver thereof, and no single or partial exercise by the Company or Executive of any such right or remedy shall preclude other or further exercise thereof. A waiver of right or remedy on any one occasion shall not be construed as a bar to or waiver of any such right or remedy on any other occasion.

12. Notices.

All notices or other communications required or permitted hereunder shall be made in writing and shall be deemed to have been duly given if delivered by hand or delivered by a recognized delivery service or mailed, postage prepaid, by express, certified or registered mail, return receipt requested, and addressed to the Company or Executive, as applicable, at the address set forth above (or to such other address as shall have been previously provided in accordance with this Paragraph 12).

13. Governing Law.

THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW JERSEY, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS THEREUNDER.

14. Severability.

Whenever possible, each provision and term of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision or term of this Agreement shall be held to be prohibited by or invalid under

such applicable law, then, subject to the provisions of Paragraph 7(b) above, such provision or term shall be ineffective only to the extent of such prohibition or invalidity, without invalidating or affecting in any manner whatsoever the remainder of such provisions or term or the remaining provisions or terms of this Agreement.

15. Counterparts.

This Agreement may be executed in separate counterparts, each of which is deemed to be an original and both of which taken together shall constitute one and the same agreement.

16. Headings.

The headings of the Paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute a part hereof and shall not affect the construction or interpretation of this Agreement.

17. Entire Agreement.

This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all other prior agreements and undertakings, both written and oral, among the parties with respect to the subject matter hereof.

18. Survival of Agreements.

The covenants made in Paragraphs 4, 5, 6, 7, 8 and 14 each shall survive the termination of this Agreement.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

CALI REALTY CORPORATION

By: /s/ Thomas A. Rizk  
-----  
Name: Thomas A. Rizk  
Title: President

/s/ Albert Spring  
-----  
Albert Spring

SCHEDULE A

CALI REALTY CORPORATION

RESTRICTED SHARE AWARD AGREEMENT

ALBERT SPRING

AGREEMENT EVIDENCING THE GRANT OF A RESTRICTED  
SHARE AWARD PURSUANT TO THE EMPLOYMENT AGREEMENT  
FOR ALBERT SPRING ENTERED INTO AS OF JANUARY 21, 1997

AGREEMENT ("Agreement") effective as of January 21, 1997, ("Grant Date") by and between Cali Realty Corporation (the "Company") and Albert Spring ("Recipient").

WHEREAS, pursuant to the employment agreement between Recipient and the Company entered into as of January 21, 1997 (the "Employment Agreement"), the Company has awarded shares of the Company's common stock, par value \$.01 per share ("Common Stock") to the Recipient subject to such terms, conditions, and restrictions (hereinafter, "Restricted Share Award") as set forth in the Employment Agreement and this Agreement;

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. Award of Shares of Restricted Stock.

Pursuant to the Employment Agreement, the Company hereby awards to the Recipient, effective as of the Grant Date, a Restricted Share Award representing the right to earn 6,480 shares of Common Stock ("Restricted Shares") subject to the terms, conditions and restrictions set forth herein. Capitalized terms not otherwise defined in this Agreement shall be as defined in the Employment Agreement.

2. Award Restrictions.

(a) General Rules. Ownership of Restricted Shares shall not vest in the Recipient, and shall be subject to forfeiture until the conditions of Section 2(b) and (c) are fully satisfied. For purposes of this Agreement, the following concepts shall be defined as follows: (i) the lapse of restrictions on the Recipient's rights with respect to the Restricted Shares granted hereunder shall be referred to as "Vesting"; (ii) the period between the Grant Date and the date of Vesting shall be referred to as the "Vesting Period"; and (iii) the date Vesting occurs shall be referred to as the "Vesting Date."

(b) Vesting. An aggregate of 6,480 Restricted Shares may be earned by the Recipient and vest on a cumulative basis over a five to seven year Vesting Period, with 1,296 Restricted Shares scheduled to be vested and earned on each Vesting Date provided the Performance Goals specified in Section 2(c) below are satisfied. The Vesting Date for this Agreement shall be January 21. In determining the number of Restricted Shares which are earned and vested, fractional shares shall be rounded down to the nearest whole number and shall be aggregated and earned, on the last Vesting Date.

(c) Performance Goals. (i) A total of 1,296 Restricted Shares shall vest on each Vesting Date provided one of the following financial tests ("Financial Tests") is met for the measurement period ending on the last day of the Company's fiscal year immediately preceding such Vesting Date: (A) the Company achieves an eight percent (8%) funds from operations per common share ("FFO") increase, or (B) shareholders receive a fifteen percent (15%) total return (dividends plus stock appreciation per share of Common Stock). For purposes of this Agreement, FFO shall mean (i) net income (loss) before minority interest of unit holders, computed in accordance with generally accepted accounting principles ("GAAP"), excluding gains (or losses) from debt restructuring and sale of property, plus real estate return, depreciation and amortization as calculated in accordance with the National Association of Real Estate Investment Trusts definition published in March 1995, as amended from time to time, and as applied in accordance with the accounting practices and policies of the Company in effect from time to time on a consistent basis to the entire Vesting Period, divided by (ii) the sum of (A) the primary weighted average number of outstanding shares of Common Stock as it appears in the Company's financial statement for the applicable period and (B) the primary weighted average number of outstanding limited partnership units of Cali Realty, L.P., a Delaware limited partnership

-2-

of which the Company is the sole general partner, for the applicable period.

(ii) In the event that neither of the Financial Tests above is satisfied in the measurement period ending on the applicable Vesting Date ("Non-Achievement Year"), any Restricted Shares that failed to vest on such Date may vest on a subsequent Vesting Date provided the test described below is satisfied (the "Cumulative Test"). The Cumulative Test shall be applied at the

end of any measurement period ("Catch-Up Year") with respect to any prior Non-Achievement Year provided both of the following conditions are satisfied: (I) a Financial Test is satisfied in the Catch-Up Year without respect to any prior period and (II) a Financial Test is satisfied in the Catch-Up Year on a cumulative basis beginning with the first measurement period occurring within the Vesting Period and ending with the Catch-Up Year. In the event that both of the conditions in the immediately preceding sentence are satisfied, the Restricted Shares that failed to vest in the Non-Achievement Year shall automatically vest on the Vesting Date applicable to the Catch-Up Year. For example, if vesting occurred in years one (1) and two (2), year three (3) is a Non-Achievement Year, and one of the Financial Tests is met in year four (4), the Cumulative Test may be used. Vesting in that portion of the Restricted Stock Award scheduled to vest in year three (3) will occur in year four (4) if either the aggregate FFO is thirty-two percent (32%) or the aggregate total return is sixty percent (60%) at the end of the fourth (4th) fiscal year. Rules for Application of the Cumulative Test: (a) it is not necessary for the Catch-Up Year to immediately succeed the Non-Achievement Year in order for the Cumulative Test to be applicable as long as the Catch-Up Year occurs during the Vesting Period and (b) it is not necessary for the same Financial Test to be satisfied in the Catch-Up Year, first on an independent and then on a cumulative basis, in order for conditions (I) and (II) above to be satisfied. Notwithstanding any contrary provisions contained in this Section 2(c), any Restricted Shares that have not been

-3-

earned and vested by January 21, 2004 pursuant to the Cumulative Test shall automatically be canceled and forfeited.

(d) Lapse of Restrictions. Upon the Vesting of Restricted Shares, the Recipient shall own the Shares free and clear of all restrictions imposed by this Agreement and the Recipient shall be free to hold or dispose of such Shares in his discretion, subject to applicable federal and state law or regulations.

(e) Prohibition Against Assignment. During the Vesting Period, the Restricted Shares may not be transferred or encumbered by the Recipient by means of sale, assignment, mortgage, transfer, exchange, pledge, or otherwise. The levy of any execution, attachment, or similar process upon the Restricted Shares shall be null and void.

### 3. Stock Certificates.

(a) Certificates. Restricted Shares shall be evidenced by one or more stock certificates registered in the name of the Recipient or a nominee or nominees therefor. Prior to Vesting, the Company shall prepare and issue a certificate for the Restricted Shares (the "Share Certificate"), which shall be registered in the name of the Recipient and which shall bear such restrictive legend or legends (if any) as the Company may deem necessary or desirable under any applicable law.

(b) Stock Powers. The Recipient shall execute and deliver to the designee of the Company (the "Designee") a stock power designating the Company as the transferee of an unspecified number of Shares, which stock power may be completed by the Designee as specified herein. The Recipient and the Company each waive the requirement that the signature of the Recipient on the stock power be guaranteed. Upon receipt of a copy of this Agreement and the stock power, each signed by the Recipient, the Designee shall promptly notify the proper officers of the Company who shall cause the Share Certificate to be deposited with the Designee, to

-4-

be held in accordance with the terms of the Employment Agreement and this Agreement.

(c) Effect of Vesting. Upon Vesting, the Company shall cause to be delivered to the Recipient (i) a certificate for the Shares which have vested free and clear of restrictive legends and (ii) any stock powers signed hereunder by the Recipient remaining in its possession. In the event that the Recipient dies after Vesting and before delivery of the certificate, such certificate shall be delivered to, and registered in the name of, the Recipient's beneficiary or estate, as the case may be.

(d) Rights of Stockholder. Except as otherwise provided in Section 2 and this Section 3, during the Vesting Period and after the certificates for the Restricted Shares have been issued, the Recipient shall be entitled to all rights of a stockholder of the Company, including the right to vote and the right to receive dividends, with respect to the Restricted Shares subject to this Agreement. Subject to applicable withholding requirements, if any, dividends on the Restricted Shares shall be paid to the Recipient when earned.

(e) Power of Designee. The Designee is hereby authorized by the



Recipient to utilize the stock power delivered by the Recipient to transfer all forfeited Shares to the Company upon receipt of instructions from a duly authorized representative of the Company.

#### 4. Termination of Employment; Change in Control.

##### (a) Termination Due to Disability or Death; Change in Control.

Unless otherwise provided in the Employment Agreement, if the Recipient terminates employment with the Company prior to the end of the Vesting Period set forth in this Agreement due to Disability or death, all Restricted Shares subject to this Agreement and held by, or on behalf of, the Recipient shall be deemed earned and vested as of the Recipient's last day of employment with the Company. In addition, unless

-5-

otherwise provided in the Employment Agreement, all Restricted Shares subject to this Agreement and held by the Recipient on the date a Change in Control occurs shall be deemed earned and vested as of such date.

##### (b) Termination for Any Other Reason. Unless otherwise provided

in the Employment Agreement, if the Recipient's employment with the Company terminates prior to the end of the Vesting Period set forth in this Agreement for reasons other than Disability or death, any Restricted Shares subject to this Agreement that have not been earned and vested prior to the Recipient's termination of employment shall be immediately forfeited on the last day of the Recipient's employment with the Company.

#### 5. Withholding.

In connection with the delivery of any stock certificates, or the making of any payment in accordance with the provisions of this Agreement, the Company shall withhold Shares or cash amounts (for fractional Shares) equal to the taxes then required by applicable federal, state and local law to be so withheld.

#### 6. Tax Gross-Up Payments.

(a) Entitlement to Tax Gross-Up Payments. The Recipient shall be entitled to receive a tax gross-up payment (the "Tax Gross-Up Payment") from the Company with respect to each tax year Restricted Shares covered by this Agreement are distributed to him. Each Tax Gross-Up Payment shall be a dollar amount equal to forty (40%) percent of the Fair Market Value of the Restricted Shares at time of distribution, exclusive of dividends.

(b) Effect of Termination Due to Disability or Death; Change in Control. Unless otherwise provided in the Employment Agreement, if the Recipient terminates employment with the Company prior to the end of the Vesting Period set forth in this Agreement due to Disability or death, or in the event a Change in Control

-6-

occurs, a final Tax Gross-Up Payment shall be made to the Recipient (or his Beneficiary, as the case may be) in a dollar amount equal to forty (40%) percent of the Fair Market Value of the Restricted Shares distributed to the Recipient (or his beneficiary), exclusive of dividends. Payment of the final Tax Gross-Up Payment shall be made on the date the Restricted Shares are distributed or as soon as administratively feasible thereafter.

(c) Effect of Termination for Any Other Reason. Unless otherwise provided in the Employment Agreement, if the Recipient's employment with the Company terminates prior to the end of the Vesting Period set forth in this Agreement for any reason other than Disability or death, no further Tax Gross-Up Payments shall be made to such Recipient.

#### 7. Adjustments for Capital Changes.

In the event of any change in the outstanding shares of Common Stock of the Company by reason of any stock dividend or split, recapitalization, merger, consolidation, spin-off, reorganization, combination or exchange of shares, or other similar corporate change, or other increase or decrease in such shares effected without receipt or payment of consideration by the Company, a duly authorized representative of the Company shall adjust the number of Restricted Shares granted pursuant to the Employment Agreement and this Agreement to prevent dilution or enlargement of the rights granted to the Recipient.

#### 8. No Right to Continued Employment.

Nothing in this Agreement shall confer on the Recipient any right to continue as an employee of the Company or in any way affect the Company's or any subsidiary's right to terminate the Recipient's employment at any time.

9. Notice.

Any notice to the Company hereunder shall be in writing addressed to:

Cali Realty Corporation  
11 Commerce Drive  
Cranford, New Jersey 07016

Attn: John R. Cali  
Chief Administrative Officer

Any notice to the Recipient hereunder shall be in writing addressed to:

Mr. Albert Spring  
15 Nottingham Road  
West Orange, New Jersey 07043

or such other address as the Recipient shall notify the Company in writing.

10. Entire Agreement; Effect of Employment Agreement.

(a) Entire Agreement. This Agreement contains the entire understanding of the parties and shall not be modified or amended except in writing and duly signed by each of the parties hereto. No waiver by either party of any default under this Agreement shall be deemed a waiver of any later default thereof.

(b) Effect of Employment Agreement. In the event the Employment Agreement with the Company contains additional rights, duties and/or obligations with respect to the Recipient, such terms and conditions shall govern the Recipient's Restricted Share Award as if such terms and conditions had been set forth herein; and in the event of any conflict or inconsistency between the terms of the Employment Agreement or this Agreement, the terms and conditions of the Employment Agreement shall control.

11. Construction.

The various provisions of this Agreement are severable in their entirety. Any determination of invalidity or unenforceability of any one provision shall have no effect on the continuing force and effect of the remaining provisions.

12. Governing Law.

This Agreement shall be governed by the laws of the State of New Jersey applicable to contracts made, and to be enforced, within the State of New Jersey.

13. Successors.

This Agreement shall be binding upon and inure to the benefits of the successors, assigns and heirs of the respective parties.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement to be effective on the date first above written.

Cali Realty Corporation

By: /s/ John R. Cali  
-----  
John R. Cali  
Chief Administrative Officer

Recipient

/s/ Albert Spring  
-----  
Albert Spring

STOCK PLEDGE AGREEMENT

STOCK PLEDGE AGREEMENT, dated as of January 21, 1997, made by Albert Spring, an individual residing at 15 Nottingham Road, West Orange, New Jersey 07043 (the "Pledgor"), to Cali Realty Corporation, a Maryland corporation, (the "Pledgee" or the "Company").

W I T N E S S E T H:

WHEREAS, the Pledgor is the record and beneficial owner of 11,200 shares of the issued and outstanding shares of common stock, \$.01 par value (the "Common Stock"), of the Company (such Common Stock being the "Pledged Shares"), acquired in connection with the Pledgor's employment agreement with the Pledgee entered into as of January 21, 1997 (the "Employment Agreement");

WHEREAS, pursuant to the Employment Agreement, the Pledgor has agreed to secure, to the extent hereinafter set forth, the payment in full and the performance of the obligations of the Pledgor to the Pledgee under a non-recourse promissory note, dated as of the date hereof, in the amount of \$350,000 (such promissory note as it may hereafter be amended or otherwise modified from time to time, the "Note"); and the capitalized terms used herein, and not otherwise defined herein, are used with the meanings ascribed to them in the Note); and

WHEREAS, the Pledgor hereby pledges and grants a lien and security interest to Pledgee in the Pledged Shares to secure the Pledgor's obligations under the Note.

NOW, THEREFORE, in consideration of the premises and in order to induce the Pledgee to make the loan under the Note, the Pledgor hereby agrees as follows:

SECTION 1. Pledge. The Pledgor hereby pledges to the Pledgee, and grants to the Pledgee a security interest in the Pledged Shares and certificates representing the Pledged Shares, and all dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Pledged Shares, and all proceeds thereof, additions thereto and changes therein (the "Pledged Collateral").

SECTION 2. Security for Obligations; Non-Recourse Obligations. (a) This Agreement secures the payment of all liabilities, obligations and indebtedness of any and every kind and nature heretofore, now or hereafter owing, arising, due or payable from the Pledgor to the Pledgee pursuant to the Note, however evidenced, created, incurred, acquired or owing, whether primary or secondary, direct or indirect, joint or several, contingent or fixed, or otherwise, including without limitation, obligations of performance, and whether arising under any other agreements, documents or instruments entered into in connection with the Note, now or hereafter given by the Pledgor to the Pledgee and whether arising by book entry, agreement or operation of law and whether or not evidenced by promissory notes or other evidences of indebtedness (all such obligations of the Pledgor being the "Obligations").

(b) It is expressly understood and agreed that it is the intention of the parties that the Obligations of the Pledgor under the Note are non-recourse obligations of the Pledgor and

that the Pledgee's right to recover against the Pledgor hereunder in respect of such Obligations shall be limited solely to the Pledged Collateral.

SECTION 3. Delivery and Release of Pledged Collateral. (a) All certificates or instruments representing or evidencing the Pledged Collateral shall be delivered to and held by or on behalf of the Pledgee pursuant hereto and shall be in suitable form for transfer by delivery, or shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to the Pledgee. The Pledgee shall hold the Pledged Collateral in the form in which it is delivered to the Pledgee unless and until the occurrence and continuation of an Event of Default under the Note (unless such Event of Default is waived by the Pledgee) or as otherwise provided in paragraph 3(b) below. Upon the occurrence and continuance of an Event of Default under the Note, the Pledgee shall have the right, at any time in its discretion and without notice to the Pledgor, to transfer to or to register in the name of the Pledgee or any of its nominees any or all of the Pledged Collateral, subject only to the revocable rights specified in Section 6(a) below. In addition, the Pledgee shall have the right at any time to exchange certificates or instruments representing or evidencing Pledged Collateral for certificates or instruments of smaller or larger denominations.

(b) On the first anniversary date of this Agreement, and on each anniversary date and each March 31, June 30 and September 30 thereafter for the term of this Agreement (each such date a "Determination Date"), the Pledgee shall reasonably determine the aggregate fair market value of the Pledged Collateral (the "Market Value"). If on such Determination Date the Market Value

exceeds one hundred ten percent (110%) of the aggregate principal amount of the Note (together with interest accrued thereon) on such Determination Date (the "Base Value"), Pledgee shall, unless otherwise requested by Pledgor, automatically release to the Pledgor such portion of the Pledged Collateral the aggregate fair market value of which equals the Market Value less 110% of the Base Value, free and clear of any and all encumbrances hereunder. For purposes of this paragraph 3(b), "fair market value" shall mean the closing price of the Common Stock as quoted on the New York Stock Exchange at the end of the last business day preceding the Determination Date as reported in the New York edition of The Wall Street Journal.

SECTION 4. Representations and Warranties. The Pledgor represents and warrants as follows:

(a) The Pledgor is the legal and beneficial owner of the Pledged Collateral free and clear of any lien, adverse claim, security interest, option or other charge or encumbrance, except for the security interest created by this Agreement.

(b) The pledge of the Pledged Collateral pursuant to this Agreement creates a valid and perfected first priority security interest in the Pledged Collateral, securing the payment of the Obligations.

(c) Neither the execution or delivery of this Agreement, nor the consummation of the transactions contemplated hereby, nor the compliance with or performance of the terms and conditions of this Agreement by the Pledgor is prevented by, limited by, conflicts with or will result in the breach or violation of or a default under the terms, conditions or provisions of (i) any mortgage, security agreement, indenture, evidence of indebtedness, loan or financing agreement, trust agreement, stockholder agreement, or other agreement or instrument to which the Pledgor is a party or by which he is bound or (ii) any provision of law, any order of any court or administrative agency or any rule or regulation applicable to the Pledgor, subject to applicable state and federal securities laws.

2

(d) This Agreement constitutes the legal, valid and binding obligation of the Pledgor, enforceable in accordance with its terms.

(e) There are no actions, suits or proceedings (whether or not purportedly on behalf of the Pledgor) pending or, to the best knowledge of the Pledgor, threatened affecting the Pledgor that involve the Pledged Collateral.

(f) All consents or approvals, if any, required as a condition precedent to or in connection with the due and valid execution, delivery and performance by the Pledgor of this Agreement have been obtained, subject to applicable state and federal securities laws.

SECTION 5. Further Assurances. The Pledgor agrees that at any time and from time to time, at the expense of the Pledgor, the Pledgor will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that the Pledgee may reasonably request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable the Pledgee to exercise and enforce its rights and remedies hereunder, subject to applicable state and federal securities laws, with respect to any Pledged Collateral.

SECTION 6. Voting Rights; Dividends, Etc. (a) So long as no Event of Default under the Note shall have occurred and be continuing:

(i) The Pledgor shall be entitled to exercise any and all voting and other consensual rights pertaining to the Pledged Collateral or any part thereof for any purpose not inconsistent with the terms of this Agreement or the Note.

(ii) The Pledgor shall be entitled to receive and retain any and all dividends and interest paid in respect of the Pledged Collateral; provided, however, that any and all:

(A) dividends and interest paid or payable other than in cash in respect of, and instruments and other property received, receivable or otherwise distributed in respect of, or in exchange for, any Pledged Collateral (whether resulting from a subdivision, combination or reclassification of the outstanding capital stock of the Company, or any merger, consolidation, acquisition or other exchange of assets or securities to which the Company may be a party, or any conversion, call or redemption, or otherwise);

(B) dividends and other distributions paid or payable in cash in respect of any Pledged Collateral in connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid-in-surplus; and

(C) cash paid, payable or otherwise distributed in respect of principal of, or in redemption of, or in exchange for, any Pledged Collateral,

shall be, at the option and request of the Pledgee, forthwith delivered to the Pledgee to hold as Pledged Collateral and shall, if received by the Pledgor, be received in trust for the benefit of the Pledgee, be segregated from the other property or funds of the Pledgor, and be forthwith delivered to the Pledgee as Pledged Collateral in the same form as so received (with any necessary endorsement).

3

(iii) The Pledgee shall execute and deliver (or cause to be executed and delivered) to the Pledgor all such proxies and other instruments as the Pledgor may reasonably request for the purpose of enabling the Pledgor to exercise the voting and other rights which he is entitled to exercise pursuant to paragraph (i) above and to receive the dividends or interest payments which he is authorized to receive and retain pursuant to paragraph (ii) above.

(b) Upon the occurrence and during the continuance of an Event of Default under the Note, and at the election of Pledgee:

(i) All rights of the Pledgor to exercise the voting and other consensual rights which he would otherwise be entitled to exercise pursuant to Section 6(a) (i) and to receive the dividends and interest payments which he would otherwise be authorized to receive and retain pursuant to Section 6(a) (ii) shall cease for the period subsequent to the Event of Default, and all such rights shall thereupon become vested in the Pledgee who shall thereupon have the sole right to exercise such voting and other consensual rights and to receive and hold as Pledged Collateral such dividends and interest payments.

(ii) All dividends and interest payments which are received by the Pledgor contrary to the provisions of paragraph (i) of this Section 6(b) shall be received in trust for the benefit of the Pledgee, shall be segregated from other funds of the Pledgor and shall be forthwith paid over to the Pledgee as Pledged Collateral in the same form as so received (with any necessary endorsement).

(c) In the event that during the term of this Agreement subscription warrants or other rights or options shall be issued in connection with the Pledged Collateral, all such stock warrants, rights and options shall forthwith be assigned by the Pledgor to the Pledgee and said stock warrants, rights and options shall be, and, to the extent exercised by Pledgor, all new stock issued pursuant thereto shall be pledged by Pledgor to Pledgee to be held as, and shall be deemed to be part of, the "Pledged Collateral" under the terms of this Agreement in the same manner as the shares of stock originally pledged hereunder.

SECTION 7. Transfers and Other Liens; Additional Shares. The Pledgor agrees that he will not (i) sell or otherwise dispose of, or grant any option with respect to, any of the Pledged Collateral, or (ii) create or permit to exist any lien, security interest, or other charge or encumbrance upon or with respect to any of the Pledged Collateral, except for the security interest under this Agreement.

SECTION 8. Litigation Respecting Pledged Shares. In the event any action, suit or other proceeding at law, in equity, in arbitration or before any other authority involving or affecting the Pledged Collateral becomes known to or is contemplated by the Pledgor, the Pledgor shall give the Pledgee immediate notice thereof and if the Pledgor is contemplating such action, suit or other proceeding, the Pledgor shall receive the written consent of the Pledgee prior to commencing any such action, suit or other proceeding.

SECTION 9. Pledgee Appointed Attorney-in-Fact. (a) If an Event of Default shall occur and be continuing under the Note (unless such Event of Default is waived by the Pledgee), Pledgor hereby appoints the Pledgee (and any officer or agent of the Pledgee with full power of substitution and revocation) the Pledgor's true and lawful attorney-in-fact, with full authority in the place and stead of the Pledgor and in the name of the Pledgor or otherwise, from time to time in the Pledgee's discretion to take any action and to execute any instrument which the Pledgee may deem necessary or advisable to accomplish the purposes of this Agreement, including,

4

without limitation, (i) to receive, endorse and collect all instruments made payable to the Pledgor representing any dividend, interest payment or other distribution in respect of the Pledged Collateral or any part thereof and to give full discharge for the same; and (ii) to transfer the Pledged Collateral on the books of the Company, in whole or in part, to the name of the Pledgee or

such other person or persons as the Pledgee may designate; take possession of and endorse any one or more checks, drafts, bills of exchange, money orders or any other documents received on account of the Pledged Collateral; collect, sue for and give acquittances for moneys due on account of the foregoing; withdraw any claims, suits, or proceedings pertaining to or arising out of the foregoing; execute and record or file on behalf of the Pledgor any evidence of a security interest contemplated by this Agreement or any refiling, continuation or extension thereof; take any other action contemplated by this Agreement; and sign, execute, acknowledge, swear to, verify, deliver, file, record and publish any one or more of the foregoing.

(b) The powers of attorney which shall be granted pursuant to Section 9(a) and all authority thereby conferred shall be granted and conferred solely to protect the Pledgee's interests in the Pledged Collateral and shall not impose any duty upon the attorney-in-fact to exercise such powers. Such powers of attorney shall be irrevocable prior to the performance in full of the Obligations and shall not be terminated prior thereto or affected by any act of the Pledgor or other person or by operation of law, including, but not limited to, the dissolution, death, disability or incompetency of any person, the termination of any trust, or the occurrence of any other event, and if the Pledgor or any other person should be dissolved or die or become disabled or incompetent or any other event should occur before the performance in full of the Obligations and termination of this Agreement, such attorney-in-fact shall nevertheless be fully authorized to act under such powers of attorney as if such dissolution, death, disability or incompetency or other event had not occurred and regardless of notice thereof.

(c) Each person who shall be a transferee of the beneficial ownership of the Pledged Collateral, by the acceptance of such a transfer, shall be deemed to have irrevocably appointed the Pledgee, with full power of substitution and revocation, such person's true and lawful attorney-in-fact in such person's name and otherwise to do any and all acts permitted to, and to exercise any and all powers herein conferred upon, such attorney-in-fact.

SECTION 10. Reasonable Care. The Pledgee shall be deemed to have exercised reasonable care in the custody and preservation of the Pledged Collateral in its possession if the Pledged Collateral is accorded treatment substantially equal to that which the Pledgee accords its own property, it being understood that the Pledgee shall not have any responsibility for (i) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Pledged Collateral, whether or not the Pledgee has or is deemed to have knowledge of such matters, or (ii) taking any necessary steps to preserve rights against any parties with respect to any Pledged Collateral.

#### SECTION 11. Remedies Upon Event of Default.

(a) Subject to Section 2(b) hereof, if any Event of Default under the Note shall have occurred and be continuing (unless such Event of Default is waived by the Pledgee), for the period subsequent to the Event of Default:

(i) The Pledgee may receive and retain all payments of any kind with respect to the Pledged Collateral and may notify the obligors or other parties, if any, interested in any items of Pledged Collateral of the interest of the Pledgee therein and of any action proposed to be taken with respect thereto, and inform any of those parties that all payments otherwise payable to the Pledgor with

5

respect thereto shall be made to the Pledgee until all amounts due under the Note have been paid in full;

(ii) The Pledgee may exercise in respect of the Pledged Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the Uniform Commercial Code (the "Code") in effect in the State of New Jersey at that time, and the Pledgee may also, without notice except as specified below, sell the Pledged Collateral or any part thereof in one or more parcels at public or private sale, at any exchange, broker's board or at any of the Pledgee's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Pledgee may deem commercially reasonable. The Pledgor agrees that, to the extent notice of sale shall be required by law, at least ten days' notice to the Pledgor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Pledgee shall not be obligated to make any sale of Pledged Collateral regardless of notice of sale having been given. The Pledgee may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned;

(iii) Any cash held by the Pledgee as Pledged Collateral and all cash proceeds received by the Pledgee in respect of any sale of, collection from, or other realization upon all or any part of the Pledged Collateral may, in the discretion of the Pledgee, be held by the Pledgee as collateral for, and/or then or at any time thereafter applied in whole or in part by the Pledgee against, all or any part of the Obligations in such order as the Pledgee shall elect. Any surplus of such cash or cash proceeds held by the Pledgee and remaining after payment in full of all the Obligations shall be paid over to the Pledgor or to whomsoever may be lawfully entitled to receive such surplus; and

(iv) The Pledgee may otherwise use or deal from time to time with the Pledged Collateral, in whole or in part, in all respects as if the Pledgee were the outright owner thereof.

(b) Except as set forth in Section 11(a)(iii), the Pledgee shall have the sole right to determine the order in which Obligations shall be deemed discharged by the application of the Pledged Collateral or any other property or money held hereunder or any amount realized thereon. Any requirement of reasonable notice imposed by law shall be deemed met if such notice is in writing and is mailed, telegraphed or hand delivered to the Pledgor at least three days prior to the sale, disposition or other event giving rise to such notice requirement.

(c) The Pledgee shall collect the cash proceeds received from any sale or other disposition or from any other source contemplated by subsection (a) above and shall apply the full proceeds in accordance with the provisions of this Agreement.

(d) Notwithstanding the foregoing, none of the provisions of this Section 11 shall confer on the Pledgee any rights or privileges that are not permissible under applicable law. The Pledgee may effect the provisions of this Section 11 only in compliance with all applicable federal and state securities laws.

6

(e) In connection with the provisions of this Agreement, the Pledgor from time to time shall promptly execute and deliver, or cause to be executed and delivered, to the Pledgee such documents and instruments, shall join in such notices and shall take, or cause to be taken, such other lawful actions as the Pledgee shall deem reasonably necessary or desirable to enable it to exercise any of the rights with respect to the Pledged Collateral granted to it pursuant to this Agreement.

SECTION 12. Waivers and Amendments, Etc. The rights and remedies given hereby are in addition to all others however arising, but it is not intended that any right or remedy be exercised in any jurisdiction in which such exercise would be prohibited by law. No action, failure to act or knowledge of the Pledgee shall be deemed to constitute a waiver of any power, right or remedy hereunder, nor shall any single or partial exercise thereof preclude any further exercise thereof or the exercise of any other power, right or remedy. Any waiver or consent respecting any covenant, representation, warranty or other term or provision of this Agreement shall be effective only in the specified instance and for the specific purpose for which given and shall not be deemed, regardless of frequency given, to be a further or continuing waiver or consent. The failure or delay of the Pledgee at any time or times to require performance of, or to exercise its rights with respect to, any representation, warranty, covenant or other term or provision of this Agreement in no manner shall affect its right at a later time to enforce any such provision. No notice to or demand on a party in any case shall entitle such party to any other or further notice or demand in the same, similar or other circumstances. Any right or power of the Pledgee hereunder respecting the Pledged Collateral and any other property or money held hereunder may at the option of the Pledgee be exercised as to all or any part of the same and the term the "Pledged Collateral" wherever used herein, unless the context clearly requires otherwise, shall be deemed to mean (and shall be read as) the "Pledged Collateral and any other property or money held hereunder or any part thereof". This Agreement shall not be amended nor shall any right hereunder be deemed waived except by a written agreement expressly setting forth the amendment or waiver and signed by the party against whom or which such amendment or waiver is sought to be charged.

SECTION 13. Notices. All notices hereunder shall be given and deemed received as set forth in the Note.

SECTION 14. Continuing Security Interest and Reinstatement. (a) This Agreement shall create a continuing security interest in the Pledged Collateral and shall (i) be binding upon the Pledgor, his heirs, successors and assigns, and (ii) inure to the benefit of the Pledgee and its successors, transferees and assigns. Upon the payment in full or performance of the Obligations, the Pledgor shall be entitled to the return, upon his request and at his expense, of such of the Pledged Collateral as shall not have been released, sold or otherwise applied pursuant to the terms of the Agreement.

(b) If at any time after payment in full by the Pledgor of all Obligations and termination of the pledge granted in this Agreement, any payments on Obligations theretofore made by the Pledgor must be disgorged by the Pledgee for any reason whatsoever, this Agreement and the pledge granted hereunder shall be reinstated as to all disgorged payments as though such payments had not been made, and the Pledgor shall sign and deliver to Pledgee all documents and things necessary to reperfect the terminated pledge.

SECTION 15. Severability. In the event that any provision of this Agreement shall be determined to be superseded, invalid or otherwise unenforceable pursuant to applicable law, such determination shall not affect the validity of the remaining provisions of this Agreement, and the remaining provisions of this Agreement shall be enforced as if the invalid provision were

7

deleted.

SECTION 16. Survival of Representations, etc. All representations, warranties, covenants and other agreements made herein shall survive the execution and delivery of this Agreement and shall continue in full force and effect until all amounts due under the Note have been paid in full. This Agreement shall remain and continue in full force and effect without regard to any modification, execution, renewal, amendment or waiver of any provision of the Note.

SECTION 17. Termination and Return of Pledged Stock. This Agreement shall continue in full force and effect until all of the Obligations shall have been paid and satisfied or until the release, discharge or termination of the Note, whichever last occurs. Upon the termination of this Agreement, the Pledgee shall cause to be transferred to Pledgor all of the Pledged Collateral and any money, property and rights received by Pledgor pursuant thereto, to the extent Pledgee has not released, taken, sold or otherwise realized upon the same pursuant to its rights and obligations hereunder.

SECTION 18. Transfer and Assignment. The Pledgee may transfer the Pledged Collateral and any other property or money held hereunder to any transferee of the Obligations or any part thereof. The transferee shall thereupon succeed to all of the Pledgee's rights hereunder with respect to the Pledged Collateral so transferred. Thereafter, the Pledgee shall have no obligation to Pledgor with respect to the Pledged Collateral so transferred. The Pledgee shall, however, retain all of its rights and powers with respect to any part of the Pledged Collateral not transferred. Every agent or nominee of the Pledgee shall have the benefit of this Agreement as if named herein and may exercise all of the rights and powers given to the Pledgee hereunder.

SECTION 19. Entire Agreement. This Agreement, the Secured Non-Recourse Promissory Note and the Employment Agreement contain the entire agreement of the parties and supersedes all other agreements, understandings and representations, oral or otherwise, between the parties with respect to the matters contained herein. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors, assigns, heirs, administrators, fiduciaries, next of kin and executors. Section headings used herein are for convenience only and shall not affect the meaning or construction of any of the provisions hereof. This Agreement may be executed in any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument. In the event of any conflict among any of the documents referred to above, the terms of the Employment Agreement shall prevail.

SECTION 20. Governing Law; Terms. This Agreement shall be governed by and construed in accordance with the substantive laws of the State of New Jersey without giving effect to its conflict of laws provisions. Unless otherwise defined herein or in the Note, terms defined in Article 9 of the Uniform Commercial Code in the State of New Jersey are used herein as therein defined.

8

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the date first above written.

/s/ Albert Spring  
-----  
Albert Spring

CALI REALTY CORPORATION

By: /s/ Thomas A. Rizk  
-----  
Name: Thomas A. Rizk



Title: President and  
Chief Executive Officer

SECURED NON-RECOURSE PROMISSORY NOTE

January 21, 1997

\$350,000

FOR VALUE RECEIVED, Albert Spring, an individual residing at 15 Nottingham Road, West Orange, New Jersey 07043 ("Payor"), hereby promises to pay to Cali Realty Corporation, a Maryland corporation ("Payee" or the "Company"), or its assigns, the principal amount of three hundred fifty thousand dollars exactly (\$350,000), together with all interest accrued thereon calculated from the date hereof in accordance with the provisions of Section 1 hereof. Certain capitalized terms used in this Secured Non-Recourse Promissory Note (the "Note") are defined in Section 6 below.

This Note is being made by Payor in order to finance the Payor's purchase of 11,200 shares of common stock, par value \$.01 per share, of the Company (the "Common Stock") from the Company pursuant to the Payor's employment agreement with Payee entered into as of January 21, 1997 (the "Employment Agreement").

This Note is secured by the Pledged Collateral under the terms of the Stock Pledge Agreement and is entitled to the benefits thereof.

1. Accrual of Interest. Interest will accrue on the unpaid principal amount of this Note from and after the date hereof on a daily basis at the rate per annum equal to 6.21%, as set forth in the Employment Agreement, and such interest shall be compounded annually, calculated on the basis of a 365 day year. Unless forgiven as contemplated herein, interest shall be payable annually in arrears on each anniversary date hereof.

2. Payment of Note.

(a) Maturity Date. Except as provided in Sections 2(b) and (c) and Sections 3 and 4 below, the entire unpaid principal balance of this Note (together with interest accrued thereon) shall become due and payable on the fifth anniversary of the date of this Note.

(b) Forgiveness of Loan. The principal amount of this Note shall be automatically forgiven ratably over a five (5) year term in annual equal twenty percent (20%) increments commencing on the first anniversary of the date of this Note and each anniversary thereafter. All then accrued but unpaid interest on this Note shall also be automatically forgiven annually on each applicable anniversary date; provided, however, subject to the provisions of Sections 3 and 4 hereof, the forgiveness of each principal

portion of this Note plus interest shall be conditioned upon Payor being in the employ of the Company on the applicable anniversary date.

(c) Change in Control. Pursuant to the Employment Agreement, in the event of a Change in Control (as defined in the Employment Agreement) or in the absence thereof in the Cali Realty Corporation Employee Stock Option Plan) the entire unpaid principal amount of this Note (including any accrued but unpaid interest) shall automatically be accelerated and forgiven, and no portion of this Note shall become due or payable at any time thereafter.

(d) Non-Recourse Obligations. Notwithstanding anything to the contrary stated herein, Payee agrees that for payment of this Note it will look solely to the Pledged Collateral and such other collateral, if any, as may now or hereafter be given to secure the payment of this Note, and no other assets of Payor shall be subject to levy, execution or other enforcement procedure for the satisfaction of the remedies of Payee, or for any payment required to be made under this Note.

3. Effect of Termination of Employment Due to Disability or Death. In the event Payor terminates employment with the Company prior to the expiration of the term of this Note due to his disability (as determined pursuant to the terms of the Employment Agreement or in the absence thereof by the Committee in its discretion) or death, the entire unpaid balance of this Note plus interest shall automatically be accelerated and forgiven on the first day of the calendar month next succeeding Payor's disability or death, and no portion of this Note shall become due or payable at any time thereafter.

4. Effect of Termination of Employment For Any Other Reason. In the event Payor terminates employment with the Company or the Company terminates Payor's employment with the Company, in each case prior to the expiration of the term of this Note for any reason other than disability or death, there shall be no further forgiveness of the principal or the interest of this Note and the entire unpaid balance of this Note plus interest shall automatically be accelerated and become due and payable to the Company on the effective date of Payor's termination of employment with the Company.

5. Events of Default.

(a) Definition. For purposes of this Note, an Event of Default shall be deemed to have occurred if:

(i) Payor fails to pay when due any amount (whether interest, principal or other amount) then due or payable on this Note for a period of ten (10) days after the holder of this Note notifies Payor of such failure;

2

(ii) Payor fails to perform or observe any other provision contained in this Note or the Stock Pledge Agreement and such failure continues unremedied for a period of thirty (30) days after the holder of this Note notifies Payor of such breach; or

(iii) If an event set forth in Section 4 hereof has occurred, Payor makes an assignment for the benefit of creditors or admits in writing his inability to pay his debts generally as they become due; or an order, judgment or decree is entered adjudicating Payor bankrupt or insolvent; or any order for relief with respect to Payor is entered under the Bankruptcy Code; or Payor petitions or applies to any tribunal for the appointment of a custodian, trustee, receiver or liquidator, or commences any proceeding relating to himself under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction; or any such petition or application is filed, or any such proceeding is commenced, against Payor and either (a) Payor in writing indicates his approval thereof, consents thereto or acquiesces therein or (b) such petition, application or proceeding is not dismissed within ninety (90) days.

(b) Consequences of Events of Default.

(i) If any Event of Default (other than the type described in paragraph 3(a)(iii) hereof has occurred, the holder of this Note may demand (by written notice delivered to Payor) immediate payment of all or any portion of the outstanding principal amount of this Note together with any and all accrued interest thereon, which amount shall become due and payable upon such demand. If an Event of Default of the type described in paragraph 3(a)(iii) has occurred, then all of the outstanding principal amount of this Note together with any and all accrued interest thereon shall automatically be immediately due and payable without any action on the part of the holder of this Note.

(ii) Each holder of this Note shall also have any other rights which such holder may have been afforded under this Note or the Stock Pledge Agreement at any time and any other rights which such holder may have pursuant to applicable law.

6. Certain Defined Terms. As used in this Note, the following terms shall have the following meanings:

"Bankruptcy Code" means the Bankruptcy Code of 1978, as amended.

"Committee" means the Compensation Committee of the Board of Directors of the Company.

3

"Pledged Collateral" means the Common Stock pledged by Payor under the Stock Pledge Agreement as security for Payor's performance of his obligations under this Note.

"Stock Pledge Agreement" means the Stock Pledge Agreement dated the date hereof between Payor and the Company.

7. Amendment and Waiver. Except as otherwise expressly provided herein, the provisions of this Note may not be amended and Payor may not take any action prohibited herein, or omit to perform any act required to be performed by him herein, unless Payor has obtained the prior written consent of the holder of this Note.

8. Cancellation. After all obligations for the payment of money arising under this Note have been paid in full, this Note will be surrendered to Payor for cancellation.

9. Tax Withholding. The Company shall have the right to deduct and withhold from any amounts which become taxable to Payor hereunder all employment and other federal, state and local taxes and charges which are, or which may hereafter, be required by law to be so deducted or withheld.

10. Notices; Place of Payment. Any notice hereunder shall be in writing and shall be delivered by recognized courier, facsimile or certified mail, return receipt requested, and shall be conclusively deemed to have been received by a party hereto and to be effective on the day on which delivered or facsimiled to such party at its address set forth below (or at such other

address as such party shall specify in writing):

If to Payor: Albert Spring  
15 Nottingham Drive  
West Orange, New Jersey 07043

If to Payee: Cali Realty Corporation  
11 Commerce Drive  
Cranford, New Jersey 07016  
Attn: John R. Cali  
Chief Administrative Officer

All payments to be made under this Note are to be delivered to the holder at such address or to the attention of such person as the holder may designate by prior written notice to Payor. At the request of the holder of this Note, all payments shall be made by wire transfer of immediately available funds to an account which the holder may designate from time to time.

4

11. Waiver of Presentment, Demand, Dishonor.

(a) Payor hereby waives presentment for payment, protest, demand, notice of protest, notice of nonpayment and diligence with respect to this Note, and waives and renounces all rights to the benefits of any statute of limitations or any moratorium, appraisement, exemption, or homestead now provided or that hereafter may be provided by any federal or applicable state statute, including but not limited to exemptions provided or allowed under the Bankruptcy Code, both as to himself and as to all of his property, whether real or personal, against the enforcement and collection of the obligations evidenced by this Note and any and all extensions, renewals and modifications hereof.

(b) No failure on the part of any holder of this Note to exercise any right or remedy hereunder with respect to Payor, whether before or after the happening of an Event of Default, shall constitute waiver of any such Event of Default or of any other Event of Default by such holder or on behalf of any other holder. No failure to accelerate the debt of Payor evidenced hereby by reason of an Event of Default or indulgence granted from time to time shall be construed to be a waiver of the right to insist upon prompt payment thereafter, or shall be deemed to be a novation of this Note or a reinstatement of such debt evidenced hereby or a waiver of such right of acceleration or any other right, or be construed so as to preclude the exercise of any right any holder of this Note may have, whether by the laws of the state governing this Note, by agreement or otherwise, and Payor hereby expressly waives the benefit of any statute or rule of law or equity that would produce a result contrary to or in conflict with the foregoing.

12. Governing Law. The validity, construction and interpretation of this Note shall be governed by and construed in accordance with the internal laws of the State of New Jersey.

13. Transfer; Assignment. This Note may not be negotiated, assigned or transferred by Payor at any time, except with Payee's prior written consent. This Note may not be negotiated, assigned or transferred by Payee except in connection with the sale of all or substantially all of Payee's assets if the transferee expressly assumes Payee's obligations under the Employment Agreement.

14. Entire Agreement. This Secured Non-Recourse Promissory Note, the Stock Pledge Agreement and the Employment Agreement contain the entire agreement of the parties and supersedes all other agreements, understandings and representations, oral or otherwise, between the parties with respect to the matters contained herein. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors, assigns, heirs, administrators, fiduciaries, next of kin and executors. Section headings used herein are for convenience only and shall not affect the meaning or construction of any of the provisions hereof. This Agreement may be executed in any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument. In the event of any

5

conflict among any of the documents referred to above, the terms of the Employment Agreement shall prevail.

IN WITNESS WHEREOF, Payor has executed and delivered this Secured Non-Recourse Promissory Note on the date first written above.

/s/ Albert Spring  
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Albert Spring



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EMPLOYMENT AGREEMENT

FOR

BRAD W. BERGER

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TABLE OF CONTENTS

	PAGE
1. EMPLOYMENT.	2
2. SERVICES.	2
3. COMPENSATION AND BENEFITS.	4
4. TERMINATION OF EMPLOYMENT.	7
5. CONFIDENTIAL INFORMATION.	10
6. RETURN OF DOCUMENTS.	11
7. NONCOMPETE.	12
8. REMEDIES.	13
9. SUCCESSORS AND ASSIGNS.	13
10. TIMING OF AND NO DUPLICATION OF PAYMENTS	15
11. MODIFICATION OR WAIVER.	15
12. NOTICES.	15
13. GOVERNING LAW.	16
14. SEVERABILITY.	16
15. COUNTERPARTS.	16
16. HEADINGS.	17
17. ENTIRE AGREEMENT.	17
18. SURVIVAL OF AGREEMENTS.	17

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is entered into as of January 31, 1997 by and between Brad W. Berger, an individual residing at 41 Doral Greens Drive West, Rye Brook, New York 10573 ("Executive"), and Cali Realty Corporation, a Maryland corporation with offices at 11 Commerce Drive, Cranford, New Jersey 07016 ("Cali").

RECITALS

WHEREAS, Robert Martin Company, LLC, a New York limited liability company and Robert Martin-Eastview North Company, L.P., a New York limited partnership (collectively "RM") and Cali Realty, L.P., a Delaware limited partnership ("CRLP") and Cali have determined that it is in the best interests of the parties' long term strategic growth to combine their respective properties and related assets;

WHEREAS, in order to effectuate this combination, RM has agreed to contribute certain properties and other assets located throughout southern New York and Connecticut and owned or controlled by RM (the "Property") to designees of CRLP, to cause certain key executives of RM to become part of the management of Cali, and through RM's existing structure to continue to manage and operate the properties being contributed by RM, all as of the closing (the "Closing Date");

WHEREAS, Executive has served as a key executive of RM and, through such service, has acquired special and unique knowledge, abilities and expertise; and

WHEREAS, Cali desires to employ Executive, and Executive desires to be employed by Cali, pursuant to the terms set forth herein.

NOW, THEREFORE, in consideration of the promises and the mutual covenants and agreements set forth herein and for other good and valuable consideration, the adequacy and receipt of which are hereby acknowledged, the parties hereto agree as follows:

1. Employment.

Cali hereby agrees to employ Executive, and Executive hereby agrees to be employed by Cali, for a term commencing on the date hereof and expiring on January 31, 2000; provided, however, that commencing on January 31, 2000, and each January 31 thereafter, the term of this Agreement shall be extended automatically for one (1) additional year unless at least ninety (90) days prior to the applicable expiration date either Cali or Executive shall have given written notice that such party does not wish to extend this Agreement. The term of this Agreement, as it may be extended from time to time in accordance with this Paragraph 1, is referred to herein as the "Employment Period."

## 2. Services.

During the Employment Period, Executive shall hold the position of Executive Vice President and shall serve as a member of the Board of Directors of Cali (the "Board"). Executive shall devote his best efforts and substantially all of his business time, skill and attention to the business of Cali, and shall be primarily responsible for the supervision of the operation of the Property contributed to Cali by RM and agrees to participate actively in devising and implementing Cali's corporate strategy. Specifically, Executive agrees to meet at both Cranford, New Jersey and

2

Elmsford, New York at least twice a month with Cali's senior management to plan future investments and geographical growth. Executive shall also perform such duties as are customarily performed by similar executive officers of Cali and as may be more specifically enumerated from time to time by the Board or the Executive Committee of the Board, if any; provided, however, that the foregoing is not intended to (a) preclude Executive from (i) owning and managing personal investments, including real estate investments, subject to the restrictions set forth in Paragraph 7 hereof or (ii) engaging in charitable activities and community affairs, or (b) restrict or otherwise limit Executive from (i) conducting the real estate development, acquisition or management activities as and to the extent permitted pursuant to Section 26 of the Contribution and Exchange Agreement dated January 24, 1997 by and between Cali, CRLP and RM (the "Contribution and Exchange Agreement"), or (ii) acquiring and conducting real estate development and management activities with respect to properties which may be purchased by the RM Principal pursuant to Sections 8.3 or 27.5 of the Contribution and Exchange Agreement, provided that the performance of these activities referred to in clauses (a) and (b) does not prevent Executive from devoting substantially all of his business time to Cali.

Executive shall be based in Elmsford, NY, subject to reasonable travel requirements, in an office comparable to the office previously provided to Executive by RM.

Subject to the approval of a general and administrative budget by CRLP and/or Cali and within the parameters of such budget, Executive jointly with Timothy M. Jones shall select RM's property management and leasing teams and members of such

3

management and leasing teams shall become employees of Cali on the Closing Date. In addition, Executive jointly with Timothy M. Jones shall, in June 1997 and again in June 1998, have the sole and absolute authority to allocate options to purchase 120,000 shares of Common Stock (as hereinafter defined) (i.e., 150,000 shares less 30,000 shares underlying the Warrants (as hereinafter defined) transferred to the Warrant Transferees (as hereinafter defined)) at then current fair market value and subject to the provisions of the Plan (as hereinafter defined) to Cali employees who are part of such management and leasing teams; provided, however, that Executive may not allocate any of such 120,000 options to himself or to Timothy M. Jones. Any of the foregoing options which are not actually granted in 1997 may be granted in 1998 and any of the foregoing options not granted in 1998 may be granted in 1999, provided that all such options shall be granted at then current fair market value.

## 3. Compensation and Benefits.

During the Employment Period, Cali shall pay Executive a minimum annual base salary in the amount of \$225,000 (as adjusted from time to time, (the "Annual Base Salary")), payable in accordance with Cali's normal payroll practices. In addition, Executive shall be eligible for incentive compensation payable each year in such amounts as may be determined by the Compensation Committee of the Board (the "Compensation Committee") based upon, among other factors, growth in Funds from Operations per Common Share (as hereinafter defined) for the year. Executive's Annual Base Salary shall be reviewed annually in accordance with the policy of Cali from time to time and may be subject to adjustment based on, among other things, Executive's performance, as determined in the sole discretion of the Compensation

4

Committee. Cali shall have the right to deduct and withhold from such compensation all social security and other federal, state and local taxes and charges which currently are or which hereafter may be required by law to be so deducted and withheld. In addition to the compensation specified above, Executive shall be entitled to the following benefits:

- (a) participation in the Employee Stock Option Plan of Cali Realty Corporation (the "Plan"), and other benefit plans (including without limitation Cali's Section 401(k) Savings/Retirement Plan) made

generally available to executives of Cali;

- (b) during the 1997 calendar year, participation in any health insurance, disability insurance, group life insurance or other welfare benefit programs which were maintained by RM and which are assumed by Cali on the Closing Date (the "RM Plans") and other Cali welfare plans, if any, providing benefits of the type not provided under any of the RM Plans, and thereafter, participation in any health insurance, disability insurance, group life insurance or other welfare benefit programs made generally available to executives of Cali with respect to which Executive shall be granted credit for all service with RM and its affiliates and their respective predecessors prior to the Closing Date; and
- (c) reimbursement for reasonable business expenses incurred by Executive in furtherance of the interests of Cali.

In addition, Executive shall be entitled to receive such bonuses and options to purchase shares of common stock, par value \$0.01 per share, of Cali (the "Common Stock") as the Board shall approve, in its sole discretion, including, without limitation, options and bonuses contingent upon Executive's performance and the achievement of specified financial and operating objectives for Funds from Operations per Common Share.

As further consideration for Executive agreeing to serve as an officer and entering into this Agreement upon the terms set forth herein, including, without limitation, the terms relating to non-competition set forth in Paragraph 7 below, Cali is

5

issuing to Executive and certain members of the management and leasing teams designated by Executive (the "Warrant Transferees"), warrants to purchase an aggregate of 200,000 shares of Common Stock at a purchase price equal to fair market value on the Closing Date ("Warrants"). Executive's Warrants shall be evidenced by the Warrant Agreement dated January 31, 1997 which shall include, but not be limited to, the following provisions: vesting over a three year period with one third (1/3) of the Warrants vesting on the first, second and third anniversaries of the date of the Warrant Agreement and non-transferability provisions. For purposes of this issuance "fair market value" shall mean the closing price as quoted on the New York Stock Exchange at the end of the last business day preceding the date of the grant as reported in the New York edition of the Wall Street Journal. In accordance with the written direction of Executive as provided to Cali, Executive shall receive Warrants to purchase 170,000 shares of Common Stock and the Warrant Transferees shall receive Warrants to purchase an aggregate of 30,000 shares of Common Stock. Since Executive has directed Cali to issue the aforementioned Warrants to the Warrant Transferees, Executive shall receive in July 1997 and again in July 1998, options to purchase 15,000 shares of Common Stock on each such date at a purchase price of then current fair market value and subject to the provisions of the Plan.

For purposes of this Agreement, "Funds from Operations per Common Share" shall mean (i) net income (loss) before minority interest of unit holders, computed in accordance with generally accepted accounting principles ("GAAP"), excluding gains (or losses) from debt restructuring and sale of property, plus real estate return, depreciation and amortization as calculated in accordance with the National

6

Association of Real Estate Investment Trusts definition published in March 1995, as amended from time to time, and as applied in accordance with the accounting practices and policies of the Cali in effect from time to time on a consistent basis to the entire Employment Period, divided by (ii) the sum of (A) the primary weighted average number of outstanding shares of Common Stock as it appears in the Cali's financial statement for the applicable period and (B) the primary weighted average number of outstanding limited partnership units of CRLP, for the applicable period.

#### 4. Termination of Employment.

(a) In the event (i) Cali terminates Executive's employment for Cause (as hereinafter defined) or (ii) Executive terminates his employment without Good Reason (as hereinafter defined), Cali shall pay Executive any unpaid salary accrued through and including the date of termination (the "Accrued Amount"). In addition, in such event, Executive shall be entitled (i) to exercise any Warrants and/or options which have vested and are exercisable in accordance with the terms of this Agreement, the applicable Warrant Agreement, stock option agreement or the Plan, and (ii) to retain any shares awarded to Executive which are fully vested on the date of termination. Except for any rights which Executive may have to the Accrued Amount, vested Warrants and/or options and vested share awards, Cali shall have no further obligations



hereunder following such termination.

(b) In the event of termination of Executive's employment as a result of either (i) Executive's death or Disability (as hereinafter defined), (ii) termination by Cali for any reason other than Cause or (iii) termination by Executive of his employment for Good Reason, Cali shall pay to Executive (A) the Accrued Amount, (B) the unpaid

7

salary, at the rate then in effect without reduction, from the date of termination through the end of the Employment Period remaining (assuming no such termination occurred) and (C) a pro-rata portion, based upon the number of days in the period beginning with January 1 of the calendar year in which such termination occurred and ending with the date the Employment Period ends (assuming such termination did not occur), of the average annual amount of incentive compensation payments paid to Executive during each previous year of Executive's employment hereunder. The aforesaid amount shall be payable, at the option of Executive, his estate or his personal representative, either (i) in full immediately upon such termination or (ii) monthly over the remainder of the Employment Period. In addition, Executive shall be entitled, at the option of Executive, his estate or his personal representative, within ninety (90) days (one (1) year in the case of termination as a result of Executive's death or Disability) of the date of such termination, (i) to exercise any Warrants and/or options to purchase shares of Common Stock that have vested (including, without limitation, by acceleration in accordance with the terms of the Plan or Warrant Agreement) and are exercisable in accordance with the terms of this Agreement, any applicable Warrant Agreement, stock option agreement or the Plan, (ii) to retain any shares of Common Stock awarded to Executive which are vested on the date of termination, and (iii) to require Cali (upon written notice delivered within one hundred eighty (180) days following the date of Executive's termination) to repurchase all or any portion of Executive's vested Warrants or options (including without limitation Warrants and options, if any, which have vested by acceleration in accordance with the terms of the Plan or stock option agreement or Warrant Agreement) to purchase shares of Common Stock at a price equal to the

8

difference between the Fair Market Value (as hereinafter defined) of the shares of Common Stock for which the Warrants or options to be repurchased are exercisable and the exercise price of such Warrant or option as of the date of Executive's termination of employment.

(c) For purposes of this Agreement:

- (i) "Cause" shall mean (A) the willful and continued failure by Executive to substantially perform his duties hereunder (other than any such failure resulting from Executive's incapacity due to physical or mental illness) for a period of thirty (30) days after written demand for substantial performance is delivered by Cali specifically identifying the manner in which Cali believes Executive has not substantially performed his duties, or (B) willful misconduct by Executive which is materially injurious to Cali, monetarily or otherwise, or (C) the willful violation by Executive of the provisions of Paragraph 5 or 7 hereof. For purposes of this Paragraph 4(c)(i), no act, or failure to act, on Executive's part shall be considered "willful" unless done, or omitted to be done, by him not in good faith and without reasonable belief that his action or omission was in furtherance of the interests of Cali.
- (ii) "Disability" shall mean the determination by Cali, upon the advice of an independent qualified physician, reasonably acceptable to Executive, that Executive has become physically or mentally incapable of performing his duties under this Agreement and such disability has disabled Executive for a cumulative period of one hundred eighty (180) days within a twelve (12) month period.
- (iii) "Fair Market Value" shall mean the average of the closing price on the New York Stock Exchange of the Common Stock on each of the trading days within the thirty (30) days immediately preceding the date of termination of Executive's employment;
- (iv) "Good Reason" shall mean (A) any assignment to Executive of any duties materially different from those contemplated by Paragraph 2 hereof, or any limitation of the powers of Executive in any respect not contemplated

by Paragraph 2 hereof or other material breach of this Agreement by Cali,

9

(B) a material reduction in Executive's Annual Base Salary as in effect at the time in question, or any other material failure by Cali to comply with Paragraph 3 hereof, provided, however, that in the event Executive is not awarded a bonus or other discretionary payment or discretionary award described in Paragraph 3, it shall not be deemed a failure, (C) Cali shall have given notice pursuant to Paragraph 1 hereof that it does not wish to extend this Agreement, except in connection with termination of Executive's employment for Cause or by reason of death or Disability, or (D) failure of Cali to obtain the assumption of the obligation to perform this Agreement by any successor as contemplated in Paragraph 9(a) hereof.

(d) Any termination of Executive's employment by Cali or any such termination by Executive (other than on account of death) shall be communicated by written Notice of Termination to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated.

#### 5. Confidential Information.

(a) Executive understands and acknowledges that during his employment with Cali, he will be exposed to Confidential Information (as defined below), all of which is proprietary and which will rightfully belong to Cali. Executive shall hold in a fiduciary capacity for the benefit of Cali such Confidential Information obtained by Executive during his employment with RM and Cali and shall not, directly or indirectly, at any time, either during or after his employment with Cali, without Cali's prior written consent, use any of such Confidential Information or disclose any of such Confidential Information to any individual or entity other than Cali or its employees,

10

except as required in the performance of his duties for Cali or as otherwise required by law. Executive shall take all reasonable steps to safeguard such Confidential Information and to protect such Confidential Information against disclosure, misuse, loss or theft.

(b) The term "Confidential Information" shall mean any information not generally known in the relevant trade or industry or otherwise not generally available to the public, which was obtained from Cali or its predecessors or which was learned, discovered, developed, conceived, originated or prepared during or as a result of the performance of any services by Executive on behalf of Cali or its predecessors including without limitation RM. For purposes of this Paragraph 5, Cali shall be deemed to include any entity which is controlled, directly or indirectly, by Cali and any entity of which a majority of the economic interest is owned, directly or indirectly, by Cali.

#### 6. Return of Documents.

Except for such items which are of a personal nature to Executive (e.g., daily business planner), all writings, records, and other documents and things containing any Confidential Information shall be the exclusive property of Cali, shall not be copied, summarized, extracted from, or removed from the premises of Cali, except in pursuit of the business of Cali or at the direction of Cali, and shall be delivered to Cali, without retaining any copies, upon the termination of Executive's employment or at any time as requested by Cali.

11

#### 7. Noncompete.

Executive agrees that:

(a) During the Employment Period and, unless (i) Cali terminates Executive's employment hereunder without Cause, (ii) Executive terminates his employment hereunder with Good Reason or (iii) Cali shall have given notice pursuant to Paragraph 1 hereof that it does not wish to extend this Agreement (except in connection with termination of Executive's employment for Cause or by reason of death or Disability), for a one (1) year period thereafter, Executive shall not, directly or indirectly, within the State of New York, the State of New Jersey, the State of Connecticut or the State of Pennsylvania engage in, or

own, invest in, manage or control any venture or enterprise engaged in any development, acquisition or management activities with respect to office-service, office or industrial or flex property, without regard to whether or not such activities compete with Cali. Nothing herein shall prohibit Executive from being a passive owner of not more than five percent (5%) of the outstanding stock of any class of securities of a corporation or other entity engaged in such business which is publicly traded, so long as he has no active participation in the business of such corporation or other entity. Moreover the foregoing limitations shall not be deemed to restrict or otherwise limit Executive from (i) conducting real estate development, acquisition or management activities as and to the extent permitted pursuant to Section 26 of the Contribution and Exchange Agreement or (ii) acquiring and conducting real estate development and management activities with respect to properties which may be purchased by the RM Principal pursuant to Sections 8.3 or 27.5 of the Contribution and Exchange Agreement, provided that during the

12

Employment Period, the performance of such activities does not prevent Executive from devoting substantially all of his business time to Cali.

(b) If, at the time of enforcement of this Paragraph 7, a court shall hold that the duration, scope, area or other restrictions stated herein are unreasonable, the parties agree that reasonable maximum duration, scope, area or other restrictions may be substituted by such court for the stated duration, scope, area or other restrictions.

(c) For purposes of this Paragraph 7, Cali shall be deemed to include any entity which is controlled, directly or indirectly, by Cali and any entity of which a majority of the economic interest is owned, directly or indirectly, by Cali.

#### 8. Remedies.

The parties hereto agree that Cali would suffer irreparable harm from a breach by Executive of any of the covenants or agreements contained in Paragraph 5, 6 or 7 of this Agreement. Therefore, in the event of the actual or threatened breach by Executive of any of the provisions of Paragraph 5, 6 or 7 of this Agreement, Cali may, in addition and supplementary to other rights and remedies existing in its favor, apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce or prevent any violation of the provisions thereof.

#### 9. Successors and Assigns.

(a) Cali shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of Cali, by agreement in form and substance satisfactory to Executive, to

13

expressly assume and agree to perform this Agreement in the same manner and to the same extent that Cali would be required to perform it if no such succession had taken place. Failure of Cali to obtain such agreement prior to the effectiveness of an such succession shall be a breach of this Agreement and shall entitle Executive to compensation from Cali in the same amount and on the same terms as he would be entitled to hereunder if he terminated his employment for Good Reason, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the date of termination. In the event of such a breach of this Agreement, the Notice of Termination shall specify such date as the date of termination. As used in this Agreement, "Cali" shall mean Cali as hereinbefore defined and any successor to all or substantially all of its business and/or its assets as aforesaid which executes and delivers the agreement provided for in this Paragraph 9 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law. Any cash payments owed to Executive pursuant to this Paragraph 9 shall be paid to Executive in a single sum immediately prior to the consummation of the transaction with such successor.

(b) This Agreement and all rights of Executive hereunder shall inure to the benefit of and be enforceable by Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If Executive should die while any amounts would still be payable to him hereunder if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Executive's devisee, legatee, or other designee or, if there be no such designee, to Executive's estate.

14

#### 10. Timing of and No Duplication of Payments

All payments payable to Executive pursuant to this Agreement shall be paid as soon as practicable after such amounts have become fully vested and determinable. In addition, Executive shall not be entitled to receive duplicate payments under any of the provisions of this Agreement.

11. Modification or Waiver.

No amendment, modification, waiver, termination or cancellation of this Agreement shall be binding or effective for any purpose unless it is made in a writing signed by the party against whom enforcement of such amendment, modification, waiver, termination or cancellation is sought. No course of dealing between or among the parties to this Agreement shall be deemed to affect or to modify, amend or discharge any provision or term of this Agreement. No delay on the part of Cali or Executive in the exercise of any of their respective rights or remedies shall operate as a waiver thereof, and no single or partial exercise by Cali or Executive of any such right or remedy shall preclude other or further exercise thereof. A waiver of right or remedy on any one occasion shall not be construed as a bar to or waiver of any such right or remedy on any other occasion.

12. Notices.

All notices or other communications required or permitted hereunder shall be made in writing and shall be deemed to have been duly given if delivered by hand or delivered by a recognized delivery service or mailed, postage prepaid, by express, certified or registered mail, return receipt requested, and addressed to Cali or

15

Executive, as applicable, at the address set forth above (or to such other address as shall have been previously provided in accordance with this Paragraph 11).

13. Governing Law.

THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW JERSEY, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS THEREUNDER.

14. Severability.

Whenever possible, each provision and term of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision or term of this Agreement shall be held to be prohibited by or invalid under such applicable law, then, subject to the provisions of Paragraph 7(b) above, such provision or term shall be ineffective only to the extent of such prohibition or invalidity, without invalidating or affecting in any manner whatsoever the remainder of such provisions or term or the remaining provisions or terms of this Agreement.

15. Counterparts.

This Agreement may be executed in separate counterparts, each of which is deemed to be an original and both of which taken together shall constitute one and the same agreement.

16

16. Headings.

The headings of the Paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute a part hereof and shall not affect the construction or interpretation of this Agreement.

17. Entire Agreement.

This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all other prior agreements and undertakings, both written and oral, among the parties with respect to the subject matter hereof.

18. Survival of Agreements.

The covenants made in Paragraphs 4, 5, 6 and 7 each shall survive the termination of this Agreement.

THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK.

17

IN WITNESS WHEREOF, the undersigned have executed this Agreement as  
of the date first above written.

CALI REALTY CORPORATION

By: /s/ Roger W. Thomas  
-----  
Name: Roger W. Thomas  
Title: Vice President and  
General Counsel

EXECUTIVE

/s/ Brad W. Berger  
-----  
Brad W. Berger

NEITHER THIS WARRANT NOR THE COMMON STOCK ISSUABLE UPON EXERCISE OF THIS WARRANT HAS BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE LAWS AND NEITHER THIS WARRANT NOR THE COMMON STOCK ISSUABLE UPON EXERCISE OF THIS WARRANT MAY BE TRANSFERRED EXCEPT AS PROVIDED IN SECTION 4 OF THIS WARRANT.

WARRANT  
to Purchase Common Stock of  
CALI REALTY CORPORATION  
Expiring January 31, 2007

This Warrant certifies that Brad W. Berger, or registered and permitted assigns (the "Holder"), is entitled to, subject to the terms set forth below, subscribe for and purchase from Cali Realty Corporation, a Maryland corporation (the "Company"), One Hundred-Seventy Thousand (170,000) duly authorized, validly issued, fully paid and nonassessable shares of the Company's common stock, \$.01 par value per share (the common stock, including any stock into which it may be changed, reclassified, or converted, and as it may be adjusted pursuant to Section 4(B) below, is herein referred to as the "Common Stock"). This Warrant is one of a class of Warrants (the "RM Warrants") of the Company issued to purchase an aggregate of 400,000 shares of Common Stock pursuant to Section 12.1(h) of the Contribution and Exchange Agreement dated January 24, 1997 by and between the Company, Cali Realty, L.P., a Delaware limited partnership, Robert Martin Company, LLC ("RMC LLC"), a limited liability company organized under the laws of the State of New York, and Robert Martin-Eastview North Company, L.P., a New York limited partnership.

This Warrant is subject to the following provisions, terms and conditions:

Section 1. Exercise of Warrant.

To exercise this Warrant in whole or in part, the Holder shall deliver to the Company at its principal office in Cranford, New Jersey, (a) a written notice, in substantially the form of the Exercise Notice appearing at the end of this Warrant, of the Holder's election to exercise this Warrant, which notice shall specify the number of shares of Common Stock to be purchased, (b) cash or a certified check payable to the Company, or such other consideration as determined in accordance with Section 2(D) below, in an amount equal to the aggregate purchase price of the number of shares of Common Stock being purchased, and (c) this Warrant. The Company shall as promptly as practicable, and in any event within 15 days thereafter, execute and deliver or cause to be executed and delivered, in accordance with such notice, a stock certificate or certificates representing the aggregate number of shares of Common Stock specified in such notice. The stock certificate or certificates so delivered shall be in such denominations as may be specified in such notice and shall be issued in the name of the Holder or, subject to Sections 2(E) and (F) and Sections 4(H) and (I) below, such other name as shall be designated in such notice. Such stock certificate or certificates shall be deemed to have been issued and the Holder or any other person so designated to be named therein shall be deemed for all purposes to have become a holder of record of such shares immediately prior to the close of business on the date such

notice is received by the Company as aforesaid. If this Warrant shall have been exercised only in part, the Company shall, at the time of delivery of said stock certificate or certificates, deliver to the Holder a new Warrant evidencing the rights of the Holder to purchase the remaining shares of Common Stock called for by this Warrant, which new Warrant shall in all other respects be identical to this Warrant, or, at the request of the Holder, appropriate notation may be made on this Warrant and the same returned to the Holder. The Company shall pay all expenses, taxes and other charges payable in connection with the preparation, issue and delivery of such stock certificates and new Warrants, except that, in case such stock certificates or new Warrants shall be registered in a name or names other than the name of the Holder, funds sufficient to pay all stock transfer taxes that are payable upon the issuance of such stock certificates or new Warrants shall be paid by the Holder at the time of delivering the notice of exercise mentioned above.

All shares of Common Stock issued upon the exercise of this Warrant shall be validly issued, fully paid and nonassessable and, if the Common Stock is then listed on a national securities exchange or quoted on an automated quotation system, shall be duly listed or quoted thereon.

The Company shall not be required upon any exercise of this Warrant to issue a certificate representing any fraction of a share of Common Stock, but, in lieu thereof, shall pay to the Holder cash in an amount equal to a corresponding fraction (calculated to the nearest 1/100 of a share) of the purchase price of one share of Common Stock as of the date of receipt by the Company of notice of exercise of this Warrant.

Section 2. Terms and Conditions of Warrants.

(A) Exercise Period. Each Warrant shall vest over a three-year period (subject to acceleration in accordance with the terms of this Warrant), with

one-third of such Warrant vesting on the first anniversary of the date hereof, one-third vesting on the second anniversary of the date hereof, and one-third vesting on the third anniversary of the date hereof, and shall expire at 5:00 p.m., New York City time, on January 31, 2007, or in connection with the Holder's earlier termination of employment with the Company as provided in paragraph 2(E) below (the "Expiration Date").

(B) Purchase Price. The purchase price per share of Common Stock shall be equal to the fair market value of the Common Stock on the date hereof. For purposes of this paragraph 2(B), "fair market value" means the closing price as quoted on the New York Stock Exchange at the end of the last business day preceding the date hereof as reported in the New York edition of The Wall Street Journal. It is agreed that such purchase price is \$33.00 per share.

(C) Exercise of Warrant. No part of any Warrant may be exercised at the time of vesting unless the Holder shall have remained in the employ of the Company for such period as to which such portion of the Warrant has vested, except as otherwise provided in paragraph 2(E) below.

(D) Payment of Purchase Price upon Exercise. Subject to the terms of Section 2(F) hereof, the purchase price of the Common Stock as to which a Warrant is exercised shall be paid to the Company at the time of exercise either in cash or in such other consideration as the Executive Compensation Committee of the Board of Directors of the Company (the "Board of

2

Directors") or such other committee that the Board of Directors may appoint to administer the Warrants (the "Committee"), deems appropriate, including, but not limited to, loans from the Company or a third party, Common Stock already owned by the Holder having a total fair market value, as determined by the Committee, equal to the purchase price, or a combination of cash and Common Stock having a total fair market value, as so determined, equal to the purchase price. The Committee in its sole discretion may also provide that the purchase price may be paid by delivering a properly executed exercise notice in a form approved by the Committee, together with irrevocable instructions to a broker to promptly deliver to the Company the amount of applicable sale or loan proceeds to pay the purchase price.

(E) Exercise in the Event of Death, Disability, Retirement or Other Termination of Employment, or Change in Control.

(1) Death or Disability. If a Holder's employment by the Company shall terminate because of his or her death or permanent disability, the Committee may, in its sole discretion, accelerate in whole or in part, any or all Warrants which the Holder shall not then have been entitled to exercise. If a Holder shall die (i) while an employee of the Company, or (ii) within twelve (12) months after termination of his or her employment with the Company because of his or her permanent disability, such Holder's Warrants may be exercised, to the extent that such Holder shall have been entitled to do so on the date of his or her death or such termination of employment (including, without limitation, by acceleration or otherwise) by the Holder's Beneficiary (as defined below) or by the person or persons to whom the Holder's rights under the Warrants pass by will or applicable law, or if no such person has such right, by his or her executors or administrators, at any time, or from time to time, but not later than the Expiration Date or one year after the Holder's death, whichever date is earlier. If a Holder's employment by the Company shall terminate because of his or her permanent disability, such Holder may exercise his or her Warrants, to the extent that such Holder shall have been entitled to do so at the date of the termination of his or her employment (including, without limitation, by acceleration or otherwise), at any time, or from time to time, but not later than the Expiration Date or one year after termination of employment because of his or her permanent disability, whichever date is earlier.

(2) Change in Control. In the event a Holder's employment shall terminate within six (6) months following a Change in Control (as defined below), all Warrants which the Holder shall not then have been entitled to exercise shall be accelerated immediately prior to or concurrently with the occurrence of the Change in Control and the Holder shall have the right to exercise all such Warrants at any time or from time to time through the Expiration Date.

(3) Good Reason. If a Holder terminates his or her employment for Good Reason (as defined below), the Committee may, in its sole discretion, accelerate in whole or in part, any or all Warrants which the Holder shall not then have been entitled to exercise. If a Holder's employment by the Company shall terminate for Good Reason, such Holder may exercise his or her Warrants, to the extent that such Holder shall have been entitled to do so at the date of the termination of his or her employment (including, without limitation, by acceleration or otherwise), at any time, or from time to time, but not later

than the Expiration Date or ninety (90) days after termination of employment, whichever date is earlier.

"Good Reason" shall mean (A) any assignment to the Holder of any duties materially different from those contemplated by his or her employment agreement, or any limitation of the powers of the Holder in any respect not contemplated by his or her employment agreement or other material breach of his or her employment agreement by the Company, (B) a material reduction in the Holder's Annual Base Salary (as defined in the Holder's employment agreement) as in effect at the time in question, or any other material failure by the Company to comply with Paragraph 3 of the employment agreement; provided, however, that in the event Holder is not awarded a bonus or other discretionary payment or discretionary award described in Paragraph 3 of the employment agreement, it shall not be deemed a failure, (C) the Company shall have given notice pursuant to Paragraph 1 of the employment agreement that it does not wish to extend the employment agreement, except in connection with termination of the Holder's employment for Cause (as defined in Section 4(A) below) or by reason of death or Disability (as defined below), or (D) failure of the Company to obtain the assumption of the obligation to perform the employment agreement by any successor as contemplated in Paragraph 9(a) of the employment agreement.

(4) Subject to Section 4(A) below, if a Holder's employment shall terminate for any reason other than death, Disability, Good Reason or a Change in Control (each as defined below) as aforesaid, all rights to exercise his or her Warrant shall terminate at the Expiration Date or three (3) months after termination of employment, whichever date is earlier; provided, however, that the Committee may, in its sole discretion, grant new Warrants or modify outstanding Warrants to permit their exercise upon a Holder's termination of employment due to retirement with the consent of the Company until the earlier of the Expiration Date or twelve (12) months after termination of employment.

"Beneficiary" means the beneficiary or beneficiaries designated in accordance with Section 4(H) to receive the amount, if any, payable under the Warrant upon the death of a Holder.

"Change in Control" means that any of the following events has occurred:

- (i) any "person" or "group" of persons, as such terms are used in Sections 13 and 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), other than any employee benefit plan sponsored by the Company, becomes the "beneficial owner", as such term is used in Section 13 of the Exchange Act, of thirty percent (30%) or more of the Common Stock of the Company issued and outstanding immediately prior to such acquisition;
- (ii) any Common Stock of the Company is purchased pursuant to a tender or exchange offer other than an offer by the Company; or
- (iii) the dissolution or liquidation of the Company or the consummation of any merger or consolidation of the Company or any sale or other disposition of

all or substantially all of its assets, if the shareholders of the Company immediately before such transaction own, immediately after consummation of such transaction, equity securities (other than options and other rights to acquire equity securities) possessing less than thirty percent (30%) of the voting power of the surviving or acquiring Company.

provided, however, that notwithstanding anything herein to the contrary, no Change in Control shall be deemed to have occurred and no rights arising upon a Change in Control described in Section 2(E) shall exist unless the Board of Directors directs to the contrary by resolution adopted prior to the Change in Control. Any resolution of the Board of Directors adopted in accordance with the provisions of this Section directing that this Section 2(E) or any of such Section become ineffective may be rescinded or countermanded at any time with or without retroactive effect by such Board.

"Disability" means the determination by the Company, upon the advice of an independent qualified physician, reasonably acceptable to the Holder, that the Holder has become physically or mentally incapable of performing his duties under any employment agreement or otherwise and such disability has disabled the Holder for a cumulative period of one hundred eighty (180) days within a twelve (12) month period.

(F) Repurchase Right. In the event of termination of the Holder's employment as a result of either (i) death or Disability, (ii) termination by the Company for any reason other than Cause or (iii) termination by the Holder



of his employment for Good Reason, the Holder shall be entitled, at the option of the Holder, his estate or his personal representative, within ninety (90) days (one (1) year in the case of termination as a result of the Holder's death or Disability) of the date of such termination, to require the Company (upon written notice delivered within one hundred eighty (180) days following the date of termination) to repurchase all or any portion of the Holder's vested Warrants at a price equal to the difference between the fair market value (as defined below) of the shares of Common Stock for which the Warrants to be repurchased are exercisable and the exercise price of such Warrant as of the date of the Holder's termination of employment. For purposes of this paragraph 2(F), "fair market value" means the average of the closing price on the New York Stock Exchange of the Common Stock on each of the trading days within the thirty (30) days immediately preceding the date of termination of the Holder's employment.

(G) Transferability and Exercise of Warrants. Subject to the provisions of any registration rights agreement entered into in connection with the registration of shares of Common Stock underlying the RM Warrants, no Warrant shall be transferable other than by will or by the laws of descent and distribution. During the lifetime of the Holder, a Warrant shall be exercisable only by the Holder. This Warrant shall be exercisable or convertible (a) only under circumstances such that the issue of Common Stock issuable upon such exercise or conversion is exempt from the requirements of registration under the Securities Act of 1933, as amended (the "1933 Act"), and any applicable state securities law or (b) upon registration of such Common Stock in compliance therewith; provided, however, that the foregoing shall not apply if this Warrant is exercised by the original Holder hereof. This Warrant shall be transferable only under circumstances such that the transfer is exempt from the requirements of registration under the 1933 Act and any applicable state securities law. By acceptance hereof, the Holder agrees to

5

comply with such laws.

(H) Investment Representation. The Holder, by acceptance hereof, (i) hereby represents that he or she is an "Accredited Investor" under Rule 501(a) of Regulation D promulgated under Section 4(2) of the 1933 Act, and (ii) acknowledges that this Warrant and, to the extent not registered under the 1933 Act, any Common Stock purchased or acquired pursuant hereto is being or will be acquired solely for the Holder's own account and not as a nominee for any other party, and with a current investment intent and not with a view to distribution thereof. The Holder (or any person acting under Sections 2(E), (F) or (G) above) shall deliver to the Company, at the time of any exercise of a Warrant or portion thereof, a written representation that the shares to be acquired upon such exercise are to be acquired for investment and not for resale or with a view to the distribution thereof, and, if applicable, that he or she is the original Holder of this Warrant. Delivery of such representation prior to the delivery of any Common Stock issued upon exercise of a Warrant and prior to the expiration of the Warrant period shall be a condition precedent to the right of the Holder or such other person to purchase any Common Stock. In the event certificates for Common Stock are delivered upon the exercise of a Warrant with respect to which such an investment representation has been obtained, the Company may cause a legend or legends to be placed on such certificates to make appropriate reference to such representations and to restrict transfer in the absence of compliance with applicable federal or state securities laws.

### Section 3. Transfer, Division and Combination.

The Company agrees to maintain at its principal office in Cranford, New Jersey, books for the registration and transfer of this Warrant, and, subject to the provisions of Section 2(G) hereof, this Warrant and all rights hereunder are transferable, in whole or in part, on such books at such office, upon surrender of this Warrant at such office, together with a written assignment of this Warrant duly executed by the Holder or his agent or attorney and funds sufficient to pay any stock transfer taxes payable upon the making of such transfer. Upon such surrender and payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees and in the denominations specified in such instrument of assignment, and this Warrant shall promptly be canceled. A Warrant may be exercised by a new holder for the purchase of shares of Common Stock without having a new Warrant issued. All of the provisions of this Section 3 are subject to the provisions of Sections 2(E), (F) and (G) above.

### Section 4. General Provisions

(A) Termination for Cause. Notwithstanding anything herein contained to the contrary, if a Holder's employment is terminated for Cause, all Warrants, to the extent not vested on the date of termination, shall be forfeited. "Cause" shall mean (1) the willful and continued failure by the Holder to substantially perform his or her duties under his or her employment agreement with the Company, if any, or otherwise (other than any such failure resulting from the Holder's incapacity due to physical or mental illness) for a period of thirty (30) days after written demand for substantial performance is delivered by the Company specifically identifying the manner in which the Company believes the

Holder has not substantially performed his or her duties, or (2) willful misconduct by the Holder which is materially injurious to the Company, monetarily or otherwise, or (3) the willful violation by the Holder of the provisions of any covenant not to compete or breach of

6

confidential information with respect to the Company. For purposes of this Paragraph 4(A), no act, or failure to act, on the Holder's part shall be considered "willful" unless done, or omitted to be done, by him or her not in good faith and without reasonable belief that his or her action or omission was in furtherance of the interests of the Company.

(B) Certain Adjustments. In the event of any change in the Common Stock by reason of any stock dividend, recapitalization, reorganization, merger, consolidation, split-up, combination or exchange of shares, or any rights offering to purchase Common Stock at a price substantially below fair market value, or of any similar change affecting the Common Stock, the number and kind of shares subject to Warrants in and the purchase price per share thereof shall be appropriately adjusted consistent with such change in such manner as the Committee may deem equitable to prevent substantial dilution or enlargement of the rights granted to, or available for, the Holders hereunder. Any adjustment of a Warrant pursuant to this Section 4(B) shall be made only to the extent not constituting a "modification" within the meaning of Section 424(h)(3) of the Internal Revenue Code of 1986, as amended from time to time, unless the holder of such Warrant shall agree otherwise. The Committee shall give notice to each Holder of any adjustment made pursuant to this Section 4(B) and, upon notice, such adjustment shall be effective and binding for all purposes under this Warrant.

(C) Successor Company. The obligations of the Company under this Warrant shall be binding upon any successor Company or organization resulting from the merger, consolidation or other reorganization of the Company, or upon any successor Company or organization succeeding to substantially all of the assets and business of the Company. The Company agrees that it will make appropriate provision for the preservation of Holders' rights under this Warrant in any agreement or plan which it may enter into or adopt to effect any such merger, consolidation, reorganization or transfer of assets.

(D) No Claim or Right. Nothing contained herein nor any action taken hereunder shall be construed as giving any employee any right to be retained in the employ of the Company.

(E) Awards Not Treated as Compensation Under Benefit Plans. No Warrant shall be considered as compensation under any employee benefit plan of the Company, except as specifically provided in any such plan or as otherwise determined by the Board of Directors.

(F) Listing and Qualification of Common Stock. The Company, in its discretion, may postpone the issuance or delivery of Common Stock upon any exercise of a Warrant until completion of such stock exchange listing or other qualification of such shares under any state or federal law, rule or regulation as the Company may consider appropriate, and may require any Holder, Beneficiary or legal representative to make such representations and furnish such information as it may consider reasonably appropriate in connection with the issuance or delivery of the shares in compliance with applicable laws, rules and regulations. The Company covenants, however, to effect the listing of the Common Stock underlying the Warrants on the New York Stock Exchange prior to December 1997.

(G) Taxes. The Company may make such provisions and take such steps as it may deem necessary or appropriate for the withholding of all federal, state and local taxes required by law to be withheld with respect to Warrants exercised pursuant to this Agreement including, but not

7

limited to (i) deducting the amount required to be withheld from any other amount then or thereafter payable to a Holder, Beneficiary or legal representative, and (ii) requiring a Holder, Beneficiary or legal representative to pay to the Company the amount required to be withheld as a condition of releasing Common Stock. In addition, subject to such rules and regulations as the Committee shall from time to time establish, Holders shall be permitted to satisfy federal, state and local taxes, if any, imposed upon the issuance of Common Stock at a rate up to such Holder's maximum marginal tax rate with respect to each such tax by (i) irrevocably electing to have the Company deduct from the number of shares Common Stock otherwise deliverable upon exercise of a Warrant such number of shares of Common Stock as shall have a value equal to the amount of tax to be withheld, (ii) delivering to the Company such portion of the Common Stock delivered upon exercise of the Warrant as shall have a value equal to the amount of tax to be withheld, or (iii) delivering to the Company such Common Stock or combination of Common Stock and cash as shall have a value equal to the amount of tax to be withheld.

(H) Designation and Change of Beneficiary. Each Holder shall file with the Committee a written designation of one or more persons as the Beneficiary who shall be entitled to receive the amount, if any, payable under this Warrant upon his or her death. A Holder may, from time to time, revoke or change his or her Beneficiary designation without the consent of any prior Beneficiary by filing a new designation with the Committee. The last such designation received by the Committee shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Committee prior to the Holder's death, and in no event shall it be effective as of a date prior to such receipt.

(I) Payments to Persons Other Than A Holder. If the Committee shall find that any person to whom any amount is payable under this Warrant is unable to care for his or her affairs because of illness or accident, or is a minor, or has died, then any payment due to such person or his or her estate (unless a prior claim therefor has been made by a duly appointed legal representative), may, if the Committee so directs the Company, be paid to his or her spouse, a child, a relative, an institution maintaining or having custody of such person, or any other person deemed by the Committee to be a proper recipient on behalf of such person otherwise entitled to payment. Any such payment shall be a complete discharge of the liability of the Committee and the Company therefor.

(J) General Creditor Status. Holders shall have no right, title, or interest whatsoever in or to any investments which the Company may make to aid it in meeting its obligations hereunder. Nothing contained herein, and no action taken pursuant hereto, shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and any Holder, Beneficiary, legal representative or any other person. To the extent that any person acquires a right to receive payments from the Company hereunder, such right shall be no greater than the right of an unsecured general creditor of the Company. All payments to be made hereunder shall be paid from the general funds of the Company and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of such amounts except as expressly set forth herein; provided, however, that in its sole discretion, the Committee may authorize the creation of trusts or other arrangements to meet the obligations created hereunder to deliver Common Stock or pay cash; provided, further, however, that, unless the Committee otherwise determines with the consent of the affected Holder, the existence of such trusts or other arrangements shall be consistent with the "unfunded" status of the 1994 Employee Stock Option

8

Plan of Cali Realty Corporation.

(K) No Liability of Committee Members. The Holder of this Warrant agrees that no member of the Committee shall be personally liable by reason of any contract or other instrument executed by such member or on his or her behalf in his or her capacity as a member of the Committee nor for any mistake of judgment made in good faith.

Section 5. Covenant to Reserve Shares of Common Stock.

The Company covenants and agrees that it will at all times reserve and set apart and have, free from preemptive rights, a number of shares of authorized but unissued Common Stock, or other stock or securities deliverable pursuant to this Warrant, sufficient to enable it at any time to fulfill all its obligations hereunder.

Section 6. Notices.

In the event that:

(a) the Company proposes to pay any dividend payable in stock (of any class or classes) or any obligations or stock convertible into or exchangeable for shares of Common Stock upon its Common Stock or make any distribution (other than ordinary cash dividends) to the holders of its Common Stock,

(b) the Company proposes to grant to the holders of its Common Stock generally any rights or Warrants (excluding any Warrants granted to any employee, director, officer, contractor or consultant of the Company pursuant to any plan approved by the Board of Directors of the Company),

(c) the Company proposes to effect any capital reorganization or reclassification of capital stock of the Company,

(d) the Company proposes to consolidate with, or merge into, any other Company or to transfer its property as an entirety or substantially as an entirety, or

(e) the Company proposes to effect the liquidation, dissolution or winding up of the Company,

then the Company shall cause notice of any such intended action to be given to the holder of this Warrant not less than 30 days before the date on which the transfer books of the Company shall close or a record shall be taken for such stock dividend, distribution or granting of rights or Warrants, or the date when such capital reorganization, reclassification, consolidation, merger, transfer, liquidation, dissolution or winding up shall be effective, as the case may be.

Any notice or other document required or permitted to be given or delivered to the holder of this Warrant shall be delivered by facsimile transmission, reliable courier or first-class mail postage prepaid to the Holder at the last address shown on the books of the Company maintained for the registry and transfer of this Warrant. Any notice or other document required or permitted

9

to be given or delivered to holders of record of Common Stock issued pursuant to this Warrant shall be delivered by facsimile, reliable courier or first-class mail postage prepaid to Holder at Holder's address as the same appears on the stock records of the Company. Any notice or other document required or permitted to be given or delivered to the Company shall be delivered by facsimile transmission, reliable courier or first-class mail postage prepaid to the principal office of the Company in Cranford, New Jersey, or delivered to the office of one of the Company's executive officers at such address, or such other address as shall have been furnished by the Company to the holders of record of such Warrants and the holders of record of such Common Stock.

#### Section 7. Limitation of Liability; Not Shareholders.

No provision of this Warrant shall be construed as conferring upon the Holder the right to vote or to consent or to receive dividends or to receive notice as a shareholder in respect of meetings of shareholders for the election of directors of the Company or any other matter whatsoever as shareholders of the Company. No provision hereof, in the absence of affirmative action by the Holder to purchase shares of Common Stock, and no mere enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of Holder for the purchase price or as a shareholder of the Company, whether such liability is asserted by the Company, creditors of the Company or others.

#### Section 8. Loss, Destruction, etc, of Warrant.

Upon receipt of evidence satisfactory to the Company of the loss, theft, mutilation or destruction of any Warrant, and in the case of any such loss, theft or destruction upon delivery of a bond of indemnity in such form and amount as shall be reasonably satisfactory to the Company, or in the event of such mutilation upon surrender and cancellation of such Warrant, the Company will make and deliver a new Warrant, of like tenor, in lieu of such lost, stolen, destroyed or mutilated Warrant. Any Warrant issued under the provisions of this Section 8 in lieu of any Warrant alleged to be lost, destroyed or stolen, or of any mutilated Warrant, shall constitute an original contractual obligation on the part of the Company.

#### Section 9. Registration Rights.

As used in this Section 9, the term "Registrable Stock" shall mean (i) all shares of Common Stock that may be issued upon exercise of this Warrant (and all shares of Common Stock that may thereafter be issued in respect of such Warrant) that is from time to time outstanding.

References in this Warrant to rules, regulations and forms promulgated by the Securities and Exchange Commission shall include rules, regulations and forms succeeding to the functions thereof, whether or not bearing the same designation.

The rights and obligations of the Company and the Holder with respect to the Registrable Stock are set forth in a Registration Rights Agreement, dated January 31, 1997, between the Company, the Holder and the other signatories thereto, and shall supersede any registration rights and obligations of the Company and the Holder existing prior to the date

10

hereof with respect to the Registrable Stock.

#### Section 10. Amendments.

Neither this Warrant nor any term hereof may be changed, waived, discharged or terminated orally or in writing, provided that any term of this Warrant may be amended or the observance of such term may be waived (either generally or in a particular instance and either retroactively or prospectively) with, but only with, the written consent of the Company and the holders of the RM Warrants that are exercisable for a number of shares of Common Stock that

represent in the aggregate at least a majority of the total number of shares of Common Stock for which all of the RM Warrants are then exercisable (whether or not the holder of this Warrant consents).

Section 11. Governing Law and Consent to Jurisdiction.

This Warrant shall be governed by the laws of the State of New York without regard to its conflict of laws principles or rules. This Warrant shall be deemed to have been executed and delivered at and shall be deemed to have been made in New York, New York.

Any legal action, suit or proceeding arising out of or relating to this Warrant may only be instituted in any federal court of the Southern District of New York or any state court located in New York County, State of New York, and the Company agrees not to assert, by way of motion, as a defense or otherwise, in any action, suit or proceeding, any claim that it is not subject personally to the jurisdiction of such courts, that the action, suit or proceeding if brought in such courts, would be an inconvenient forum, that the venue of the action, suit or proceeding, if brought in any of such courts, is improper or that this Agreement or the subject matter may not be enforced in or by such courts on jurisdictional grounds.

11

IN WITNESS WHEREOF, the Company has caused this Warrant to be signed in its name by its duly authorized officer.

Dated: January 31, 1997

CALI REALTY CORPORATION

By: /s/ Roger W. Thomas

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Name: Roger W. Thomas  
Title: Vice President and  
General Counsel

12

EXERCISE NOTICE

The undersigned, the Holder, hereby elects to exercise purchase rights represented by such Warrant for, and to purchase thereunder, \_\_\_\_\_ shares of the Common Stock covered by such Warrant and herewith makes payment in full therefor of \$ \_\_\_\_\_ cash and/or by cancellation of \$ \_\_\_\_\_ of indebtedness of the Company to the Holder hereof and requests that, subject to the terms and conditions of the Warrant, certificates for such shares (and any securities or property deliverable upon such exercise) be issued in the name of and delivered to \_\_\_\_\_ whose address is \_\_\_\_\_, and whose social security or employer identification number is \_\_\_\_\_.

The undersigned agrees that, in the absence of an effective registration statement with respect to Common Stock issued upon this exercise, the undersigned is acquiring such Common Stock for the Holder's own account and not as a nominee for any other party, for investment and not with a view to distribution thereof and that the certificate or certificates representing such Common Stock may bear a legend substantially as follows:

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR QUALIFIED UNDER APPLICABLE STATE SECURITIES LAWS. UNLESS THEY ARE SOLD PURSUANT TO RULE 144 PROMULGATED BY THE SECURITIES AND EXCHANGE COMMISSION UNDER SAID ACT, THEY MAY NOT BE SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION AND QUALIFICATION WITHOUT AN OPINION OF COUNSEL FOR THE HOLDER, REASONABLY SATISFACTORY TO COUNSEL FOR THE COMPANY, THAT SUCH REGISTRATION AND QUALIFICATION ARE NOT REQUIRED.

In addition, the undersigned agrees that, in the absence of an effective registration statement with respect to Common Stock issued upon this exercise, stop transfer instructions will be entered on the Company's stock transfer records with respect to Common Stock issued upon this exercise.

Dated:

\_\_\_\_\_  
Signature guaranteed:

AMENDMENT NO. 1 TO THE

WARRANT

to Purchase Common Stock of

Cali Realty Corporation

This Amendment No. 1 is made, effective as of January 31, 1997, by and between Cali Realty Corporation, a Maryland corporation (the "Company") and Brad W. Berger, or registered and permitted assigns (the "Holder").

W I T N E S S E T H

WHEREAS, the Company granted the right to purchase 170,000 shares of Common Stock of the Company to the Holder pursuant to a warrant dated January 31, 1997 (the "Warrant"); and

WHEREAS, the Company and Holder have agreed to amend the terms of the Warrant to provide for full vesting upon a Change in Control; and

WHEREAS, the Holder and Timothy M. Jones together hold a majority of the RM Warrants and by executing this document consent to the foregoing amendment, as required by Section 10 of the Warrant.

NOW, THEREFORE, in consideration of the premises, the parties hereto hereby agree as follows:

1. Section 2(E) (2) of the Warrant, "Change in Control", shall be deleted in its entirety and amended to read as follows:

"Change in Control. In the event of a Change in Control (as defined below), all Warrants which the Holder shall not then have been entitled to exercise shall be accelerated immediately prior to or concurrently with the occurrence of the Change in Control and the Holder shall have the right to exercise all such Warrants at any time or from time to time through the Expiration Date."

2. Except as specifically amended above, the Warrant and all provisions thereof shall remain in full force and effect and are hereby ratified and confirmed.

3. Upon the effectiveness of this Amendment, on and after the date hereof, each reference in the Warrant to "this Warrant", "hereunder", "hereof", "herein" or words of like import, and each reference to the Warrant in any document relating to the Warrant shall mean and be a reference to the Warrant as amended hereby.

4. The execution, delivery, and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of the Holder under the Warrant nor constitute a waiver of any provision of the Warrant.

5. This Amendment may be executed in any number of counterparts, each of which, when so executed and delivered, shall be deemed to be an original and all of which taken together shall constitute one and the same instrument.

6. This Amendment shall be governed by and construed in accordance with the laws of the State of New York.

7. Capitalized terms used herein and not otherwise defined herein shall have the meanings specified, or ascribed thereto by reference, in the Warrant.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment effective as of the date first written above.

CALI REALTY CORPORATION

By: /s/ Roger W. Thomas

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Name: Roger W. Thomas  
Title: Vice President and  
General Counsel

/s/ Brad W. Berger

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Brad W. Berger

I hereby consent, as required by Section 10 of the RM Warrants, to the amendment of the aforementioned Warrant to provide for full vesting upon a Change in Control as set forth herein.

/s/ Timothy M. Jones

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Timothy M. Jones

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EMPLOYMENT AGREEMENT

FOR

TIMOTHY M. JONES

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TABLE OF CONTENTS

	PAGE
1. EMPLOYMENT.	2
2. SERVICES.	2
3. COMPENSATION AND BENEFITS.	4
4. TERMINATION OF EMPLOYMENT.	7
5. CONFIDENTIAL INFORMATION.	10
6. RETURN OF DOCUMENTS.	11
7. NONCOMPETE.	12
8. REMEDIES.	13
9. SUCCESSORS AND ASSIGNS.	13
10. TIMING OF AND NO DUPLICATION OF PAYMENTS	15
11. MODIFICATION OR WAIVER.	15
12. NOTICES.	15
13. GOVERNING LAW.	16
14. SEVERABILITY.	16
15. COUNTERPARTS.	16
16. HEADINGS.	17
17. ENTIRE AGREEMENT.	17
18. SURVIVAL OF AGREEMENTS.	17

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is entered into as of January 31, 1997 by and between Timothy M. Jones, an individual residing at 20 Church Street, Greenwich, Connecticut 06830 ("Executive"), and Cali Realty Corporation, a Maryland corporation with offices at 11 Commerce Drive, Cranford, New Jersey 07016 ("Cali").

RECITALS

WHEREAS, Robert Martin Company, LLC, a New York limited liability company and Robert Martin-Eastview North Company, L.P., a New York limited partnership (collectively "RM") and Cali Realty, L.P., a Delaware limited partnership ("CRLP") and Cali have determined that it is in the best interests of the parties' long term strategic growth to combine their respective properties and related assets;

WHEREAS, in order to effectuate this combination, RM has agreed to contribute certain properties and other assets located throughout southern New York and Connecticut and owned or controlled by RM (the "Property") to designees of CRLP, to cause certain key executives of RM to become part of the management of Cali, and through RM's existing structure to continue to manage and operate the properties being contributed by RM, all as of the closing (the "Closing Date");

WHEREAS, Executive has served as a key executive of RM and, through such service, has acquired special and unique knowledge, abilities and expertise; and

WHEREAS, Cali desires to employ Executive, and Executive desires to be

employed by Cali, pursuant to the terms set forth herein.

NOW, THEREFORE, in consideration of the promises and the mutual covenants and agreements set forth herein and for other good and valuable consideration, the adequacy and receipt of which are hereby acknowledged, the parties hereto agree as follows:

1. Employment.

Cali hereby agrees to employ Executive, and Executive hereby agrees to be employed by Cali, for a term commencing on the date hereof and expiring on January 31, 2000; provided, however, that commencing on January 31, 2000, and each January 31 thereafter, the term of this Agreement shall be extended automatically for one (1) additional year unless at least ninety (90) days prior to the applicable expiration date either Cali or Executive shall have given written notice that such party does not wish to extend this Agreement. The term of this Agreement, as it may be extended from time to time in accordance with this Paragraph 1, is referred to herein as the "Employment Period."

2. Services.

During the Employment Period, Executive shall hold the position of Executive Vice President, shall devote his best efforts and substantially all of his business time, skill and attention to the business of Cali, and shall be primarily responsible for the supervision of the operation of the Property contributed to Cali by RM and agrees to participate actively in devising and implementing Cali's corporate strategy. Specifically, Executive agrees to meet at both Cranford, New Jersey and Elmsford, New York at least twice a month with Cali's senior management to plan future

2

investments and geographical growth. Executive shall also perform such duties as are customarily performed by similar executive officers of Cali and as may be more specifically enumerated from time to time by the Board of Directors of Cali (the "Board") or the Executive Committee of the Board, if any; provided, however, that the foregoing is not intended to (a) preclude Executive from (i) owning and managing personal investments, including real estate investments, subject to the restrictions set forth in Paragraph 7 hereof or (ii) engaging in charitable activities and community affairs, or (b) restrict or otherwise limit Executive from (i) conducting the real estate development, acquisition or management activities as and to the extent permitted pursuant to Section 26 of the Contribution and Exchange Agreement dated January 24, 1997 by and between Cali, CRLP and RM (the "Contribution and Exchange Agreement"), or (ii) acquiring and conducting real estate development and management activities with respect to properties which may be purchased by the RM Principal pursuant to Sections 8.3 or 27.5 of the Contribution and Exchange Agreement, provided that the performance of these activities referred to in clauses (a) and (b) does not prevent Executive from devoting substantially all of his business time to Cali.

Executive shall be based in Elmsford, NY, subject to reasonable travel requirements, in an office comparable to the office previously provided to Executive by RM.

Subject to the approval of a general and administrative budget by CRLP and/or Cali and within the parameters of such budget, Executive jointly with Brad W. Berger shall select RM's property management and leasing teams and members of such management and leasing teams shall become employees of Cali on the Closing

3

Date. In addition, Executive jointly with Brad W. Berger shall, in June 1997 and again in June 1998, have the sole and absolute authority to allocate options to purchase 120,000 shares of Common Stock (as hereinafter defined) (i.e., 150,000 shares less 30,000 shares underlying the Warrants (as hereinafter defined) transferred to the Warrant Transferees (as hereinafter defined)) at then current fair market value and subject to the provisions of the Plan (as hereinafter defined) to Cali employees who are part of such management and leasing teams; provided, however, that Executive may not allocate any of such 120,000 options to himself or to Brad W. Berger. Any of the foregoing options which are not actually granted in 1997 may be granted in 1998 and any of the foregoing options not granted in 1998 may be granted in 1999, provided that all such options shall be granted at then current fair market value.

3. Compensation and Benefits.

During the Employment Period, Cali shall pay Executive a minimum annual base salary in the amount of \$225,000 (as adjusted from time to time, (the "Annual Base Salary")), payable in accordance with Cali's normal payroll practices. In addition, Executive shall be eligible for incentive compensation payable each year in such amounts as may be determined by the Compensation Committee of the Board (the "Compensation Committee") based upon, among other



factors, growth in Funds from Operations per Common Share (as hereinafter defined) for the year. Executive's Annual Base Salary shall be reviewed annually in accordance with the policy of Cali from time to time and may be subject to adjustment based on, among other things, Executive's performance, as determined in the sole discretion of the Compensation

4

Committee. Cali shall have the right to deduct and withhold from such compensation all social security and other federal, state and local taxes and charges which currently are or which hereafter may be required by law to be so deducted and withheld. In addition to the compensation specified above, Executive shall be entitled to the following benefits:

- (a) participation in the Employee Stock Option Plan of Cali Realty Corporation (the "Plan"), and other benefit plans (including without limitation Cali's Section 401(k) Savings/Retirement Plan) made generally available to executives of Cali;
- (b) during the 1997 calendar year, participation in any health insurance, disability insurance, group life insurance or other welfare benefit programs which were maintained by RM and which are assumed by Cali on the Closing Date (the "RM Plans") and other Cali welfare plans, if any, providing benefits of the type not provided under any of the RM Plans, and thereafter, participation in any health insurance, disability insurance, group life insurance or other welfare benefit programs made generally available to executives of Cali with respect to which Executive shall be granted credit for all service with RM and its affiliates and their respective predecessors prior to the Closing Date; and
- (c) reimbursement for reasonable business expenses incurred by Executive in furtherance of the interests of Cali.

In addition, Executive shall be entitled to receive such bonuses and options to purchase shares of common stock, par value \$0.01 per share, of Cali (the "Common Stock") as the Board shall approve, in its sole discretion, including, without limitation, options and bonuses contingent upon Executive's performance and the achievement of specified financial and operating objectives for Funds from Operations per Common Share.

As further consideration for Executive agreeing to serve as an officer and entering into this Agreement upon the terms set forth herein, including, without limitation, the terms relating to non-competition set forth in Paragraph 7 below, Cali is

5

issuing to Executive and certain members of the management and leasing teams designated by Executive (the "Warrant Transferees"), warrants to purchase an aggregate of 200,000 shares of Common Stock at a purchase price equal to fair market value on the Closing Date ("Warrants"). Executive's Warrants shall be evidenced by the Warrant Agreement dated January 31, 1997 which shall include, but not be limited to, the following provisions: vesting over a three year period with one third (1/3) of the Warrants vesting on the first, second and third anniversaries of the date of the Warrant Agreement and non-transferability provisions. For purposes of this issuance "fair market value" shall mean the closing price as quoted on the New York Stock Exchange at the end of the last business day preceding the date of the grant as reported in the New York edition of the Wall Street Journal. In accordance with the written direction of Executive as provided to Cali, Executive shall receive Warrants to purchase 170,000 shares of Common Stock and the Warrant Transferees shall receive Warrants to purchase an aggregate of 30,000 shares of Common Stock. Since Executive has directed Cali to issue the aforementioned Warrants to the Warrant Transferees, Executive shall receive in July 1997 and again in July 1998, options to purchase 15,000 shares of Common Stock on each such date at a purchase price of then current fair market value and subject to the provisions of the Plan.

For purposes of this Agreement, "Funds from Operations per Common Share" shall mean (i) net income (loss) before minority interest of unit holders, computed in accordance with generally accepted accounting principles ("GAAP"), excluding gains (or losses) from debt restructuring and sale of property, plus real estate return, depreciation and amortization as calculated in accordance with the National

6

Association of Real Estate Investment Trusts definition published in March 1995, as amended from time to time, and as applied in accordance with the accounting practices and policies of the Cali in effect from time to time on a consistent

basis to the entire Employment Period, divided by (ii) the sum of (A) the primary weighted average number of outstanding shares of Common Stock as it appears in the Cali's financial statement for the applicable period and (B) the primary weighted average number of outstanding limited partnership units of CRLP, for the applicable period.

#### 4. Termination of Employment.

(a) In the event (i) Cali terminates Executive's employment for Cause (as hereinafter defined) or (ii) Executive terminates his employment without Good Reason (as hereinafter defined), Cali shall pay Executive any unpaid salary accrued through and including the date of termination (the "Accrued Amount"). In addition, in such event, Executive shall be entitled (i) to exercise any Warrants and/or options which have vested and are exercisable in accordance with the terms of this Agreement, the applicable Warrant Agreement, stock option agreement or the Plan, and (ii) to retain any shares awarded to Executive which are fully vested on the date of termination. Except for any rights which Executive may have to the Accrued Amount, vested Warrants and/or options and vested share awards, Cali shall have no further obligations hereunder following such termination.

(b) In the event of termination of Executive's employment as a result of either (i) Executive's death or Disability (as hereinafter defined), (ii) termination by Cali for any reason other than Cause or (iii) termination by Executive of his employment for Good Reason, Cali shall pay to Executive (A) the Accrued Amount, (B) the unpaid

7

salary, at the rate then in effect without reduction, from the date of termination through the end of the Employment Period remaining (assuming no such termination occurred) and (C) a pro-rata portion, based upon the number of days in the period beginning with January 1 of the calendar year in which such termination occurred and ending with the date the Employment Period ends (assuming such termination did not occur), of the average annual amount of incentive compensation payments paid to Executive during each previous year of Executive's employment hereunder. The aforesaid amount shall be payable, at the option of Executive, his estate or his personal representative, either (i) in full immediately upon such termination or (ii) monthly over the remainder of the Employment Period. In addition, Executive shall be entitled, at the option of Executive, his estate or his personal representative, within ninety (90) days (one (1) year in the case of termination as a result of Executive's death or Disability) of the date of such termination, (i) to exercise any Warrants and/or options to purchase shares of Common Stock that have vested (including, without limitation, by acceleration in accordance with the terms of the Plan or Warrant Agreement) and are exercisable in accordance with the terms of this Agreement, any applicable Warrant Agreement, stock option agreement or the Plan, (ii) to retain any shares of Common Stock awarded to Executive which are vested on the date of termination, and (iii) to require Cali (upon written notice delivered within one hundred eighty (180) days following the date of Executive's termination) to repurchase all or any portion of Executive's vested Warrants or options (including without limitation Warrants and options, if any, which have vested by acceleration in accordance with the terms of the Plan or stock option agreement or Warrant Agreement) to purchase shares of Common Stock at a price equal to the

8

difference between the Fair Market Value (as hereinafter defined) of the shares of Common Stock for which the Warrants or options to be repurchased are exercisable and the exercise price of such Warrant or option as of the date of Executive's termination of employment.

(c) For purposes of this Agreement:

- (i) "Cause" shall mean (A) the willful and continued failure by Executive to substantially perform his duties hereunder (other than any such failure resulting from Executive's incapacity due to physical or mental illness) for a period of thirty (30) days after written demand for substantial performance is delivered by Cali specifically identifying the manner in which Cali believes Executive has not substantially performed his duties, or (B) willful misconduct by Executive which is materially injurious to Cali, monetarily or otherwise, or (C) the willful violation by Executive of the provisions of Paragraph 5 or 7 hereof. For purposes of this Paragraph 4(c) (i), no act, or failure to act, on Executive's part shall be considered "willful" unless done, or omitted to be done, by him not in good faith and without reasonable belief that his action or omission was in furtherance of the interests of Cali.

- (ii) "Disability" shall mean the determination by Cali, upon the advice of an independent qualified physician, reasonably acceptable to Executive, that Executive has become physically or mentally incapable of performing his duties under this Agreement and such disability has disabled Executive for a cumulative period of one hundred eighty (180) days within a twelve (12) month period.
- (iii) "Fair Market Value" shall mean the average of the closing price on the New York Stock Exchange of the Common Stock on each of the trading days within the thirty (30) days immediately preceding the date of termination of Executive's employment;
- (iv) "Good Reason" shall mean (A) any assignment to Executive of any duties materially different from those contemplated by Paragraph 2 hereof, or any limitation of the powers of Executive in any respect not contemplated by Paragraph 2 hereof or other material breach of this Agreement by Cali,

9

(B) a material reduction in Executive's Annual Base Salary as in effect at the time in question, or any other material failure by Cali to comply with Paragraph 3 hereof, provided, however, that in the event Executive is not awarded a bonus or other discretionary payment or discretionary award described in Paragraph 3, it shall not be deemed a failure, (C) Cali shall have given notice pursuant to Paragraph 1 hereof that it does not wish to extend this Agreement, except in connection with termination of Executive's employment for Cause or by reason of death or Disability, or (D) failure of Cali to obtain the assumption of the obligation to perform this Agreement by any successor as contemplated in Paragraph 9(a) hereof.

(d) Any termination of Executive's employment by Cali or any such termination by Executive (other than on account of death) shall be communicated by written Notice of Termination to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated.

#### 5. Confidential Information.

(a) Executive understands and acknowledges that during his employment with Cali, he will be exposed to Confidential Information (as defined below), all of which is proprietary and which will rightfully belong to Cali. Executive shall hold in a fiduciary capacity for the benefit of Cali such Confidential Information obtained by Executive during his employment with RM and Cali and shall not, directly or indirectly, at any time, either during or after his employment with Cali, without Cali's prior written consent, use any of such Confidential Information or disclose any of such Confidential Information to any individual or entity other than Cali or its employees,

10

except as required in the performance of his duties for Cali or as otherwise required by law. Executive shall take all reasonable steps to safeguard such Confidential Information and to protect such Confidential Information against disclosure, misuse, loss or theft.

(b) The term "Confidential Information" shall mean any information not generally known in the relevant trade or industry or otherwise not generally available to the public, which was obtained from Cali or its predecessors or which was learned, discovered, developed, conceived, originated or prepared during or as a result of the performance of any services by Executive on behalf of Cali or its predecessors including without limitation RM. For purposes of this Paragraph 5, Cali shall be deemed to include any entity which is controlled, directly or indirectly, by Cali and any entity of which a majority of the economic interest is owned, directly or indirectly, by Cali.

#### 6. Return of Documents.

Except for such items which are of a personal nature to Executive (e.g., daily business planner), all writings, records, and other documents and things containing any Confidential Information shall be the exclusive property of Cali, shall not be copied, summarized, extracted from, or removed from the

premises of Cali, except in pursuit of the business of Cali or at the direction of Cali, and shall be delivered to Cali, without retaining any copies, upon the termination of Executive's employment or at any time as requested by Cali.

11

#### 7. Noncompete.

Executive agrees that:

(a) During the Employment Period and, unless (i) Cali terminates Executive's employment hereunder without Cause, (ii) Executive terminates his employment hereunder with Good Reason or (iii) Cali shall have given notice pursuant to Paragraph 1 hereof that it does not wish to extend this Agreement (except in connection with termination of Executive's employment for Cause or by reason of death or Disability), for a one (1) year period thereafter, Executive shall not, directly or indirectly, within the State of New York, the State of New Jersey, the State of Connecticut or the State of Pennsylvania engage in, or own, invest in, manage or control any venture or enterprise engaged in any development, acquisition or management activities with respect to office-service, office or industrial or flex property, without regard to whether or not such activities compete with Cali. Nothing herein shall prohibit Executive from being a passive owner of not more than five percent (5%) of the outstanding stock of any class of securities of a corporation or other entity engaged in such business which is publicly traded, so long as he has no active participation in the business of such corporation or other entity. Moreover the foregoing limitations shall not be deemed to restrict or otherwise limit Executive from (i) conducting the real estate development, acquisition or management activities as and to the extent permitted pursuant to Section 26 of the Contribution and Exchange Agreement, or (ii) acquiring and conducting real estate development and management activities with respect to properties which may be purchased by the RM Principal pursuant to Sections 8.3 or 27.5 of the Contribution and Exchange Agreement, provided that during the

12

Employment Period, the performance of such activities does not prevent Executive from devoting substantially all of his business time to Cali.

(b) If, at the time of enforcement of this Paragraph 7, a court shall hold that the duration, scope, area or other restrictions stated herein are unreasonable, the parties agree that reasonable maximum duration, scope, area or other restrictions may be substituted by such court for the stated duration, scope, area or other restrictions.

(c) For purposes of this Paragraph 7, Cali shall be deemed to include any entity which is controlled, directly or indirectly, by Cali and any entity of which a majority of the economic interest is owned, directly or indirectly, by Cali.

#### 8. Remedies.

The parties hereto agree that Cali would suffer irreparable harm from a breach by Executive of any of the covenants or agreements contained in Paragraph 5, 6 or 7 of this Agreement. Therefore, in the event of the actual or threatened breach by Executive of any of the provisions of Paragraph 5, 6 or 7 of this Agreement, Cali may, in addition and supplementary to other rights and remedies existing in its favor, apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce or prevent any violation of the provisions thereof.

#### 9. Successors and Assigns.

(a) Cali shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of Cali, by agreement in form and substance satisfactory to Executive, to

13

expressly assume and agree to perform this Agreement in the same manner and to the same extent that Cali would be required to perform it if no such succession had taken place. Failure of Cali to obtain such agreement prior to the effectiveness of an such succession shall be a breach of this Agreement and shall entitle Executive to compensation from Cali in the same amount and on the same terms as he would be entitled to hereunder if he terminated his employment for Good Reason, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the date of termination. In the event of such a breach of this Agreement, the Notice of Termination shall specify such date as the date of termination. As used in this Agreement, "Cali" shall mean Cali as hereinbefore defined and any successor to all or substantially all of its business and/or its assets as aforesaid which

executes and delivers the agreement provided for in this Paragraph 9 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law. Any cash payments owed to Executive pursuant to this Paragraph 9 shall be paid to Executive in a single sum immediately prior to the consummation of the transaction with such successor.

(b) This Agreement and all rights of Executive hereunder shall inure to the benefit of and be enforceable by Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If Executive should die while any amounts would still be payable to him hereunder if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Executive's devisee, legatee, or other designee or, if there be no such designee, to Executive's estate.

14

#### 10. Timing of and No Duplication of Payments

All payments payable to Executive pursuant to this Agreement shall be paid as soon as practicable after such amounts have become fully vested and determinable. In addition, Executive shall not be entitled to receive duplicate payments under any of the provisions of this Agreement.

#### 11. Modification or Waiver.

No amendment, modification, waiver, termination or cancellation of this Agreement shall be binding or effective for any purpose unless it is made in a writing signed by the party against whom enforcement of such amendment, modification, waiver, termination or cancellation is sought. No course of dealing between or among the parties to this Agreement shall be deemed to affect or to modify, amend or discharge any provision or term of this Agreement. No delay on the part of Cali or Executive in the exercise of any of their respective rights or remedies shall operate as a waiver thereof, and no single or partial exercise by Cali or Executive of any such right or remedy shall preclude other or further exercise thereof. A waiver of right or remedy on any one occasion shall not be construed as a bar to or waiver of any such right or remedy on any other occasion.

#### 12. Notices.

All notices or other communications required or permitted hereunder shall be made in writing and shall be deemed to have been duly given if delivered by hand or delivered by a recognized delivery service or mailed, postage prepaid, by express, certified or registered mail, return receipt requested, and addressed to Cali or

15

Executive, as applicable, at the address set forth above (or to such other address as shall have been previously provided in accordance with this Paragraph 11).

#### 13. Governing Law.

THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW JERSEY, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS THEREUNDER.

#### 14. Severability.

Whenever possible, each provision and term of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision or term of this Agreement shall be held to be prohibited by or invalid under such applicable law, then, subject to the provisions of Paragraph 7(b) above, such provision or term shall be ineffective only to the extent of such prohibition or invalidity, without invalidating or affecting in any manner whatsoever the remainder of such provisions or term or the remaining provisions or terms of this Agreement.

#### 15. Counterparts.

This Agreement may be executed in separate counterparts, each of which is deemed to be an original and both of which taken together shall constitute one and the same agreement.

16

#### 16. Headings.

The headings of the Paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute a part hereof and shall

not affect the construction or interpretation of this Agreement.

17. Entire Agreement.

This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all other prior agreements and undertakings, both written and oral, among the parties with respect to the subject matter hereof.

18. Survival of Agreements.

The covenants made in Paragraphs 4, 5, 6 and 7 each shall survive the termination of this Agreement.

THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK.

17

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

CALI REALTY CORPORATION

By: /s/ Roger W. Thomas

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Name: Roger W. Thomas  
Title: Vice President and  
General Counsel

EXECUTIVE

/s/ Timothy M. Jones

-----  
Timothy M. Jones

18

NEITHER THIS WARRANT NOR THE COMMON STOCK ISSUABLE UPON EXERCISE OF THIS WARRANT HAS BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE LAWS AND NEITHER THIS WARRANT NOR THE COMMON STOCK ISSUABLE UPON EXERCISE OF THIS WARRANT MAY BE TRANSFERRED EXCEPT AS PROVIDED IN SECTION 4 OF THIS WARRANT.

WARRANT

to Purchase Common Stock of

CALI REALTY CORPORATION

Expiring January 31, 2007

This Warrant certifies that Timothy M. Jones, or registered and permitted assigns (the "Holder"), is entitled to, subject to the terms set forth below, subscribe for and purchase from Cali Realty Corporation, a Maryland corporation (the "Company"), One Hundred-Seventy Thousand (170,000) duly authorized, validly issued, fully paid and nonassessable shares of the Company's common stock, \$.01 par value per share (the common stock, including any stock into which it may be changed, reclassified, or converted, and as it may be adjusted pursuant to Section 4(B) below, is herein referred to as the "Common Stock"). This Warrant is one of a class of Warrants (the "RM Warrants") of the Company issued to purchase an aggregate of 400,000 shares of Common Stock pursuant to Section 12.1(h) of the Contribution and Exchange Agreement dated January 24, 1997 by and between the Company, Cali Realty, L.P., a Delaware limited partnership, Robert Martin Company, LLC ("RMC LLC"), a limited liability company organized under the laws of the State of New York, and Robert Martin-Eastview North Company, L.P., a New York limited partnership.

This Warrant is subject to the following provisions, terms and conditions:

Section 1. Exercise of Warrant.

To exercise this Warrant in whole or in part, the Holder shall deliver to the Company at its principal office in Cranford, New Jersey, (a) a written notice, in substantially the form of the Exercise Notice appearing at the end of this Warrant, of the Holder's election to exercise this Warrant, which notice shall specify the number of shares of Common Stock to be purchased, (b) cash or a certified check payable to the Company, or such other consideration as determined in accordance with Section 2(D) below, in an amount equal to the aggregate purchase price of the number of shares of Common Stock being purchased, and (c) this Warrant. The Company shall as promptly as practicable, and in any event within 15 days thereafter, execute and deliver or cause to be executed and delivered, in accordance with such notice, a stock certificate or certificates representing the aggregate number of shares of Common Stock specified in such notice. The stock certificate or certificates so delivered shall be in such denominations as may be specified in such notice and shall be issued in the name of the Holder or, subject to Sections 2(E) and (F) and Sections 4(H) and (I) below, such other name as shall be designated in such notice. Such stock certificate or certificates shall be deemed to have been issued and the Holder or any other person so designated to be named therein shall be deemed for all purposes to have become a holder of record of such shares immediately prior to the close of business on the date such

notice is received by the Company as aforesaid. If this Warrant shall have been exercised only in part, the Company shall, at the time of delivery of said stock certificate or certificates, deliver to the Holder a new Warrant evidencing the rights of the Holder to purchase the remaining shares of Common Stock called for by this Warrant, which new Warrant shall in all other respects be identical to this Warrant, or, at the request of the Holder, appropriate notation may be made on this Warrant and the same returned to the Holder. The Company shall pay all expenses, taxes and other charges payable in connection with the preparation, issue and delivery of such stock certificates and new Warrants, except that, in case such stock certificates or new Warrants shall be registered in a name or names other than the name of the Holder, funds sufficient to pay all stock transfer taxes that are payable upon the issuance of such stock certificates or new Warrants shall be paid by the Holder at the time of delivering the notice of exercise mentioned above.

All shares of Common Stock issued upon the exercise of this Warrant shall be validly issued, fully paid and nonassessable and, if the Common Stock is then listed on a national securities exchange or quoted on an automated quotation system, shall be duly listed or quoted thereon.

The Company shall not be required upon any exercise of this Warrant to issue a certificate representing any fraction of a share of Common Stock, but, in lieu thereof, shall pay to the Holder cash in an amount equal to a corresponding fraction (calculated to the nearest 1/100 of a share) of the purchase price of one share of Common Stock as of the date of receipt by the Company of notice of exercise of this Warrant.

Section 2. Terms and Conditions of Warrants.

(A) Exercise Period. Each Warrant shall vest over a three-year period (subject to acceleration in accordance with the terms of this Warrant), with one-third of such Warrant vesting on the first anniversary of the date hereof, one-third vesting on the second anniversary of the date hereof, and one-third vesting on the third anniversary of the date hereof, and shall expire at 5:00 p.m., New York City time, on January 31, 2007, or in connection with the Holder's earlier termination of employment with the Company as provided in paragraph 2(E) below (the "Expiration Date").

(B) Purchase Price. The purchase price per share of Common Stock shall be equal to the fair market value of the Common Stock on the date hereof. For purposes of this paragraph 2(B), "fair market value" means the closing price as quoted on the New York Stock Exchange at the end of the last business day preceding the date hereof as reported in the New York edition of The Wall Street Journal. It is agreed that such purchase price is \$33.00 per share.

(C) Exercise of Warrant. No part of any Warrant may be exercised at the time of vesting unless the Holder shall have remained in the employ of the Company for such period as to which such portion of the Warrant has vested, except as otherwise provided in paragraph 2(E) below.

(D) Payment of Purchase Price upon Exercise. Subject to the terms of Section 2(F) hereof, the purchase price of the Common Stock as to which a Warrant is exercised shall be paid to the Company at the time of exercise either in cash or in such other consideration as the Executive Compensation Committee of the Board of Directors of the Company (the "Board of

2

Directors") or such other committee that the Board of Directors may appoint to administer the Warrants (the "Committee"), deems appropriate, including, but not limited to, loans from the Company or a third party, Common Stock already owned by the Holder having a total fair market value, as determined by the Committee, equal to the purchase price, or a combination of cash and Common Stock having a total fair market value, as so determined, equal to the purchase price. The Committee in its sole discretion may also provide that the purchase price may be paid by delivering a properly executed exercise notice in a form approved by the Committee, together with irrevocable instructions to a broker to promptly deliver to the Company the amount of applicable sale or loan proceeds to pay the purchase price.

(E) Exercise in the Event of Death, Disability, Retirement or Other Termination of Employment, or Change in Control.

(1) Death or Disability. If a Holder's employment by the Company shall terminate because of his or her death or permanent disability, the Committee may, in its sole discretion, accelerate in whole or in part, any or all Warrants which the Holder shall not then have been entitled to exercise. If a Holder shall die (i) while an employee of the Company, or (ii) within twelve (12) months after termination of his or her employment with the Company because of his or her permanent disability, such Holder's Warrants may be exercised, to the extent that such Holder shall have been entitled to do so on the date of his or her death or such termination of employment (including, without limitation, by acceleration or otherwise) by the Holder's Beneficiary (as defined below) or by the person or persons to whom the Holder's rights under the Warrants pass by will or applicable law, or if no such person has such right, by his or her executors or administrators, at any time, or from time to time, but not later than the Expiration Date or one year after the Holder's death, whichever date is earlier. If a Holder's employment by the Company shall terminate because of his or her permanent disability, such Holder may exercise his or her Warrants, to the extent that such Holder shall have been entitled to do so at the date of the termination of his or her employment (including, without limitation, by acceleration or otherwise), at any time, or from time to time, but not later than the Expiration Date or one year after termination of employment because of his or her permanent disability, whichever date is earlier.

(2) Change in Control. In the event a Holder's employment shall terminate within six (6) months following a Change in Control (as defined below), all Warrants which the Holder shall not then have been entitled to exercise shall be accelerated immediately prior to or concurrently with the occurrence of the Change in Control and the Holder shall have the right to exercise all such Warrants at any time or from time to time through the Expiration Date.

(3) Good Reason. If a Holder terminates his or her employment for Good Reason (as defined below), the Committee may, in its sole discretion, accelerate in whole or in part, any or all Warrants which the Holder shall not then have been entitled to exercise. If a Holder's employment by the Company shall terminate for Good Reason, such Holder may exercise his or her Warrants, to the extent that such Holder shall have been entitled to do so at the date of the termination of his or her employment (including,



without limitation, by acceleration or otherwise), at any time, or from time to time, but not later

3

than the Expiration Date or ninety (90) days after termination of employment, whichever date is earlier.

"Good Reason" shall mean (A) any assignment to the Holder of any duties materially different from those contemplated by his or her employment agreement, or any limitation of the powers of the Holder in any respect not contemplated by his or her employment agreement or other material breach of his or her employment agreement by the Company, (B) a material reduction in the Holder's Annual Base Salary (as defined in the Holder's employment agreement) as in effect at the time in question, or any other material failure by the Company to comply with Paragraph 3 of the employment agreement; provided, however, that in the event Holder is not awarded a bonus or other discretionary payment or discretionary award described in Paragraph 3 of the employment agreement, it shall not be deemed a failure, (C) the Company shall have given notice pursuant to Paragraph 1 of the employment agreement that it does not wish to extend the employment agreement, except in connection with termination of the Holder's employment for Cause (as defined in Section 4(A) below) or by reason of death or Disability (as defined below), or (D) failure of the Company to obtain the assumption of the obligation to perform the employment agreement by any successor as contemplated in Paragraph 9(a) of the employment agreement.

(4) Subject to Section 4(A) below, if a Holder's employment shall terminate for any reason other than death, Disability, Good Reason or a Change in Control (each as defined below) as aforesaid, all rights to exercise his or her Warrant shall terminate at the Expiration Date or three (3) months after termination of employment, whichever date is earlier; provided, however, that the Committee may, in its sole discretion, grant new Warrants or modify outstanding Warrants to permit their exercise upon a Holder's termination of employment due to retirement with the consent of the Company until the earlier of the Expiration Date or twelve (12) months after termination of employment.

"Beneficiary" means the beneficiary or beneficiaries designated in accordance with Section 4(H) to receive the amount, if any, payable under the Warrant upon the death of a Holder.

"Change in Control" means that any of the following events has occurred:

(i) any "person" or "group" of persons, as such terms are used in Sections 13 and 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), other than any employee benefit plan sponsored by the Company, becomes the "beneficial owner", as such term is used in Section 13 of the Exchange Act, of thirty percent (30%) or more of the Common Stock of the Company issued and outstanding immediately prior to such acquisition;

(ii) any Common Stock of the Company is purchased pursuant to a tender or exchange offer other than an offer by the Company; or

(iii) the dissolution or liquidation of the Company or the consummation of any merger or consolidation of the Company or any sale or other disposition of

4

all or substantially all of its assets, if the shareholders of the Company immediately before such transaction own, immediately after consummation of such transaction, equity securities (other than options and other rights to acquire equity securities) possessing less than thirty percent (30%) of the voting power of the surviving or acquiring Company.

provided, however, that notwithstanding anything herein to the contrary, no Change in Control shall be deemed to have occurred and no rights arising upon a Change in Control described in Section 2(E) shall exist unless the Board of Directors directs to the contrary by resolution adopted prior to the Change in Control. Any resolution of the Board of Directors adopted in accordance with the provisions of this Section directing that this Section 2(E) or any of such Section become ineffective may be rescinded or countermanded at any time with or without retroactive effect by such Board.

"Disability" means the determination by the Company, upon the advice of an independent qualified physician, reasonably acceptable to the Holder, that the Holder has become physically or mentally incapable of performing his duties under any employment agreement or otherwise and such disability has disabled the Holder for a cumulative period of one hundred eighty (180) days within a twelve

(12) month period.

(F) Repurchase Right. In the event of termination of the Holder's employment as a result of either (i) death or Disability, (ii) termination by the Company for any reason other than Cause or (iii) termination by the Holder of his employment for Good Reason, the Holder shall be entitled, at the option of the Holder, his estate or his personal representative, within ninety (90) days (one (1) year in the case of termination as a result of the Holder's death or Disability) of the date of such termination, to require the Company (upon written notice delivered within one hundred eighty (180) days following the date of termination) to repurchase all or any portion of the Holder's vested Warrants at a price equal to the difference between the fair market value (as defined below) of the shares of Common Stock for which the Warrants to be repurchased are exercisable and the exercise price of such Warrant as of the date of the Holder's termination of employment. For purposes of this paragraph 2(F), "fair market value" means the average of the closing price on the New York Stock Exchange of the Common Stock on each of the trading days within the thirty (30) days immediately preceding the date of termination of the Holder's employment.

(G) Transferability and Exercise of Warrants. Subject to the provisions of any registration rights agreement entered into in connection with the registration of shares of Common Stock underlying the RM Warrants, no Warrant shall be transferable other than by will or by the laws of descent and distribution. During the lifetime of the Holder, a Warrant shall be exercisable only by the Holder. This Warrant shall be exercisable or convertible (a) only under circumstances such that the issue of Common Stock issuable upon such exercise or conversion is exempt from the requirements of registration under the Securities Act of 1933, as amended (the "1933 Act"), and any applicable state securities law or (b) upon registration of such Common Stock in compliance therewith; provided, however, that the foregoing shall not apply if this Warrant is exercised by the original Holder hereof. This Warrant shall be transferable only under circumstances such that the transfer is exempt from the requirements of registration under the 1933 Act and any applicable state securities law. By acceptance hereof, the Holder agrees to

5

comply with such laws.

(H) Investment Representation. The Holder, by acceptance hereof, (i) hereby represents that he or she is an "Accredited Investor" under Rule 501(a) of Regulation D promulgated under Section 4(2) of the 1933 Act, and (ii) acknowledges that this Warrant and, to the extent not registered under the 1933 Act, any Common Stock purchased or acquired pursuant hereto is being or will be acquired solely for the Holder's own account and not as a nominee for any other party, and with a current investment intent and not with a view to distribution thereof. The Holder (or any person acting under Sections 2(E), (F) or (G) above) shall deliver to the Company, at the time of any exercise of a Warrant or portion thereof, a written representation that the shares to be acquired upon such exercise are to be acquired for investment and not for resale or with a view to the distribution thereof, and, if applicable, that he or she is the original Holder of this Warrant. Delivery of such representation prior to the delivery of any Common Stock issued upon exercise of a Warrant and prior to the expiration of the Warrant period shall be a condition precedent to the right of the Holder or such other person to purchase any Common Stock. In the event certificates for Common Stock are delivered upon the exercise of a Warrant with respect to which such an investment representation has been obtained, the Company may cause a legend or legends to be placed on such certificates to make appropriate reference to such representations and to restrict transfer in the absence of compliance with applicable federal or state securities laws.

### Section 3. Transfer, Division and Combination.

The Company agrees to maintain at its principal office in Cranford, New Jersey, books for the registration and transfer of this Warrant, and, subject to the provisions of Section 2(G) hereof, this Warrant and all rights hereunder are transferable, in whole or in part, on such books at such office, upon surrender of this Warrant at such office, together with a written assignment of this Warrant duly executed by the Holder or his agent or attorney and funds sufficient to pay any stock transfer taxes payable upon the making of such transfer. Upon such surrender and payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees and in the denominations specified in such instrument of assignment, and this Warrant shall promptly be canceled. A Warrant may be exercised by a new holder for the purchase of shares of Common Stock without having a new Warrant issued. All of the provisions of this Section 3 are subject to the provisions of Sections 2(E), (F) and (G) above.

### Section 4. General Provisions

(A) Termination for Cause. Notwithstanding anything herein contained to the contrary, if a Holder's employment is terminated for Cause, all Warrants, to the extent not vested on the date of termination, shall be forfeited. "Cause" shall mean (1) the willful and continued failure by the Holder to substantially

perform his or her duties under his or her employment agreement with the Company, if any, or otherwise (other than any such failure resulting from the Holder's incapacity due to physical or mental illness) for a period of thirty (30) days after written demand for substantial performance is delivered by the Company specifically identifying the manner in which the Company believes the Holder has not substantially performed his or her duties, or (2) willful misconduct by the Holder which is materially injurious to the Company, monetarily or otherwise, or (3) the willful violation by the Holder of the provisions of any covenant not to compete or breach of

6

confidential information with respect to the Company. For purposes of this Paragraph 4(A), no act, or failure to act, on the Holder's part shall be considered "willful" unless done, or omitted to be done, by him or her not in good faith and without reasonable belief that his or her action or omission was in furtherance of the interests of the Company.

(B) Certain Adjustments. In the event of any change in the Common Stock by reason of any stock dividend, recapitalization, reorganization, merger, consolidation, split-up, combination or exchange of shares, or any rights offering to purchase Common Stock at a price substantially below fair market value, or of any similar change affecting the Common Stock, the number and kind of shares subject to Warrants in and the purchase price per share thereof shall be appropriately adjusted consistent with such change in such manner as the Committee may deem equitable to prevent substantial dilution or enlargement of the rights granted to, or available for, the Holders hereunder. Any adjustment of a Warrant pursuant to this Section 4(B) shall be made only to the extent not constituting a "modification" within the meaning of Section 424(h)(3) of the Internal Revenue Code of 1986, as amended from time to time, unless the holder of such Warrant shall agree otherwise. The Committee shall give notice to each Holder of any adjustment made pursuant to this Section 4(B) and, upon notice, such adjustment shall be effective and binding for all purposes under this Warrant.

(C) Successor Company. The obligations of the Company under this Warrant shall be binding upon any successor Company or organization resulting from the merger, consolidation or other reorganization of the Company, or upon any successor Company or organization succeeding to substantially all of the assets and business of the Company. The Company agrees that it will make appropriate provision for the preservation of Holders' rights under this Warrant in any agreement or plan which it may enter into or adopt to effect any such merger, consolidation, reorganization or transfer of assets.

(D) No Claim or Right. Nothing contained herein nor any action taken hereunder shall be construed as giving any employee any right to be retained in the employ of the Company.

(E) Awards Not Treated as Compensation Under Benefit Plans. No Warrant shall be considered as compensation under any employee benefit plan of the Company, except as specifically provided in any such plan or as otherwise determined by the Board of Directors.

(F) Listing and Qualification of Common Stock. The Company, in its discretion, may postpone the issuance or delivery of Common Stock upon any exercise of a Warrant until completion of such stock exchange listing or other qualification of such shares under any state or federal law, rule or regulation as the Company may consider appropriate, and may require any Holder, Beneficiary or legal representative to make such representations and furnish such information as it may consider reasonably appropriate in connection with the issuance or delivery of the shares in compliance with applicable laws, rules and regulations. The Company covenants, however, to effect the listing of the Common Stock underlying the Warrants on the New York Stock Exchange prior to December 1997.

(G) Taxes. The Company may make such provisions and take such steps as it may deem necessary or appropriate for the withholding of all federal, state and local taxes required by law to be withheld with respect to Warrants exercised pursuant to this Agreement including, but not

7

limited to (i) deducting the amount required to be withheld from any other amount then or thereafter payable to a Holder, Beneficiary or legal representative, and (ii) requiring a Holder, Beneficiary or legal representative to pay to the Company the amount required to be withheld as a condition of releasing Common Stock. In addition, subject to such rules and regulations as the Committee shall from time to time establish, Holders shall be permitted to satisfy federal, state and local taxes, if any, imposed upon the issuance of Common Stock at a rate up to such Holder's maximum marginal tax rate with respect to each such tax by (i) irrevocably electing to have the Company deduct from the number of shares Common Stock otherwise deliverable upon exercise of a Warrant such number of shares of Common Stock as shall have a value equal to the

amount of tax to be withheld, (ii) delivering to the Company such portion of the Common Stock delivered upon exercise of the Warrant as shall have a value equal to the amount of tax to be withheld, or (iii) delivering to the Company such Common Stock or combination of Common Stock and cash as shall have a value equal to the amount of tax to be withheld.

(H) Designation and Change of Beneficiary. Each Holder shall file with the Committee a written designation of one or more persons as the Beneficiary who shall be entitled to receive the amount, if any, payable under this Warrant upon his or her death. A Holder may, from time to time, revoke or change his or her Beneficiary designation without the consent of any prior Beneficiary by filing a new designation with the Committee. The last such designation received by the Committee shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Committee prior to the Holder's death, and in no event shall it be effective as of a date prior to such receipt.

(I) Payments to Persons Other Than A Holder. If the Committee shall find that any person to whom any amount is payable under this Warrant is unable to care for his or her affairs because of illness or accident, or is a minor, or has died, then any payment due to such person or his or her estate (unless a prior claim therefor has been made by a duly appointed legal representative), may, if the Committee so directs the Company, be paid to his or her spouse, a child, a relative, an institution maintaining or having custody of such person, or any other person deemed by the Committee to be a proper recipient on behalf of such person otherwise entitled to payment. Any such payment shall be a complete discharge of the liability of the Committee and the Company therefor.

(J) General Creditor Status. Holders shall have no right, title, or interest whatsoever in or to any investments which the Company may make to aid it in meeting its obligations hereunder. Nothing contained herein, and no action taken pursuant hereto, shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and any Holder, Beneficiary, legal representative or any other person. To the extent that any person acquires a right to receive payments from the Company hereunder, such right shall be no greater than the right of an unsecured general creditor of the Company. All payments to be made hereunder shall be paid from the general funds of the Company and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of such amounts except as expressly set forth herein; provided, however, that in its sole discretion, the Committee may authorize the creation of trusts or other arrangements to meet the obligations created hereunder to deliver Common Stock or pay cash; provided, further, however, that, unless the Committee otherwise determines with the consent of the affected Holder, the existence of such trusts or other arrangements shall be consistent with the "unfunded" status of the 1994 Employee Stock Option

8

Plan of Cali Realty Corporation.

(K) No Liability of Committee Members. The Holder of this Warrant agrees that no member of the Committee shall be personally liable by reason of any contract or other instrument executed by such member or on his or her behalf in his or her capacity as a member of the Committee nor for any mistake of judgment made in good faith.

Section 5. Covenant to Reserve Shares of Common Stock.

The Company covenants and agrees that it will at all times reserve and set apart and have, free from preemptive rights, a number of shares of authorized but unissued Common Stock, or other stock or securities deliverable pursuant to this Warrant, sufficient to enable it at any time to fulfill all its obligations hereunder.

Section 6. Notices.

In the event that:

(a) the Company proposes to pay any dividend payable in stock (of any class or classes) or any obligations or stock convertible into or exchangeable for shares of Common Stock upon its Common Stock or make any distribution (other than ordinary cash dividends) to the holders of its Common Stock,

(b) the Company proposes to grant to the holders of its Common Stock generally any rights or Warrants (excluding any Warrants granted to any employee, director, officer, contractor or consultant of the Company pursuant to any plan approved by the Board of Directors of the Company),

(c) the Company proposes to effect any capital reorganization or reclassification of capital stock of the Company,

(d) the Company proposes to consolidate with, or merge into, any

other Company or to transfer its property as an entirety or substantially as an entirety, or

(e) the Company proposes to effect the liquidation, dissolution or winding up of the Company,

then the Company shall cause notice of any such intended action to be given to the holder of this Warrant not less than 30 days before the date on which the transfer books of the Company shall close or a record shall be taken for such stock dividend, distribution or granting of rights or Warrants, or the date when such capital reorganization, reclassification, consolidation, merger, transfer, liquidation, dissolution or winding up shall be effective, as the case may be.

Any notice or other document required or permitted to be given or delivered to the holder of this Warrant shall be delivered by facsimile transmission, reliable courier or first-class mail postage prepaid to the Holder at the last address shown on the books of the Company maintained for the registry and transfer of this Warrant. Any notice or other document required or permitted

9

to be given or delivered to holders of record of Common Stock issued pursuant to this Warrant shall be delivered by facsimile, reliable courier or first-class mail postage prepaid to Holder at Holder's address as the same appears on the stock records of the Company. Any notice or other document required or permitted to be given or delivered to the Company shall be delivered by facsimile transmission, reliable courier or first-class mail postage prepaid to the principal office of the Company in Cranford, New Jersey, or delivered to the office of one of the Company's executive officers at such address, or such other address as shall have been furnished by the Company to the holders of record of such Warrants and the holders of record of such Common Stock.

#### Section 7. Limitation of Liability; Not Shareholders.

No provision of this Warrant shall be construed as conferring upon the Holder the right to vote or to consent or to receive dividends or to receive notice as a shareholder in respect of meetings of shareholders for the election of directors of the Company or any other matter whatsoever as shareholders of the Company. No provision hereof, in the absence of affirmative action by the Holder to purchase shares of Common Stock, and no mere enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of Holder for the purchase price or as a shareholder of the Company, whether such liability is asserted by the Company, creditors of the Company or others.

#### Section 8. Loss, Destruction, etc, of Warrant.

Upon receipt of evidence satisfactory to the Company of the loss, theft, mutilation or destruction of any Warrant, and in the case of any such loss, theft or destruction upon delivery of a bond of indemnity in such form and amount as shall be reasonably satisfactory to the Company, or in the event of such mutilation upon surrender and cancellation of such Warrant, the Company will make and deliver a new Warrant, of like tenor, in lieu of such lost, stolen, destroyed or mutilated Warrant. Any Warrant issued under the provisions of this Section 8 in lieu of any Warrant alleged to be lost, destroyed or stolen, or of any mutilated Warrant, shall constitute an original contractual obligation on the part of the Company.

#### Section 9. Registration Rights.

As used in this Section 9, the term "Registrable Stock" shall mean (i) all shares of Common Stock that may be issued upon exercise of this Warrant (and all shares of Common Stock that may thereafter be issued in respect of such Warrant) that is from time to time outstanding.

References in this Warrant to rules, regulations and forms promulgated by the Securities and Exchange Commission shall include rules, regulations and forms succeeding to the functions thereof, whether or not bearing the same designation.

The rights and obligations of the Company and the Holder with respect to the Registrable Stock are set forth in a Registration Rights Agreement, dated January 31, 1997, between the Company, the Holder and the other signatories thereto, and shall supersede any registration rights and obligations of the Company and the Holder existing prior to the date

10

hereof with respect to the Registrable Stock.

#### Section 10. Amendments.

Neither this Warrant nor any term hereof may be changed, waived, discharged or terminated orally or in writing, provided that any term of this Warrant may

be amended or the observance of such term may be waived (either generally or in a particular instance and either retroactively or prospectively) with, but only with, the written consent of the Company and the holders of the RM Warrants that are exercisable for a number of shares of Common Stock that represent in the aggregate at least a majority of the total number of shares of Common Stock for which all of the RM Warrants are then exercisable (whether or not the holder of this Warrant consents).

Section 11. Governing Law and Consent to Jurisdiction.

This Warrant shall be governed by the laws of the State of New York without regard to its conflict of laws principles or rules. This Warrant shall be deemed to have been executed and delivered at and shall be deemed to have been made in New York, New York.

Any legal action, suit or proceeding arising out of or relating to this Warrant may only be instituted in any federal court of the Southern District of New York or any state court located in New York County, State of New York, and the Company agrees not to assert, by way of motion, as a defense or otherwise, in any action, suit or proceeding, any claim that it is not subject personally to the jurisdiction of such courts, that the action, suit or proceeding if brought in such courts, would be an inconvenient forum, that the venue of the action, suit or proceeding, if brought in any of such courts, is improper or that this Agreement or the subject matter may not be enforced in or by such courts on jurisdictional grounds.

11

IN WITNESS WHEREOF, the Company has caused this Warrant to be signed in its name by its duly authorized officer.

Dated: January 31, 1997

CALI REALTY CORPORATION

By: /s/ Roger W. Thomas

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Name: Roger W. Thomas  
Title: Vice President and  
General Counsel

12

EXERCISE NOTICE

The undersigned, the Holder, hereby elects to exercise purchase rights represented by such Warrant for, and to purchase thereunder, \_\_\_\_\_ shares of the Common Stock covered by such Warrant and herewith makes payment in full therefor of \$\_\_\_\_\_ cash and/or by cancellation of \$\_\_\_\_\_ of indebtedness of the Company to the Holder hereof and requests that, subject to the terms and conditions of the Warrant, certificates for such shares (and any securities or property deliverable upon such exercise) be issued in the name of and delivered to \_\_\_\_\_ whose address is \_\_\_\_\_, and whose social security or employer identification number is \_\_\_\_\_.

The undersigned agrees that, in the absence of an effective registration statement with respect to Common Stock issued upon this exercise, the undersigned is acquiring such Common Stock for the Holder's own account and not as a nominee for any other party, for investment and not with a view to distribution thereof and that the certificate or certificates representing such Common Stock may bear a legend substantially as follows:

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR QUALIFIED UNDER APPLICABLE STATE SECURITIES LAWS. UNLESS THEY ARE SOLD PURSUANT TO RULE 144 PROMULGATED BY THE SECURITIES AND EXCHANGE COMMISSION UNDER SAID ACT, THEY MAY NOT BE SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION AND QUALIFICATION WITHOUT AN OPINION OF COUNSEL FOR THE HOLDER, REASONABLY SATISFACTORY TO COUNSEL FOR THE COMPANY, THAT SUCH REGISTRATION AND QUALIFICATION ARE NOT REQUIRED.

In addition, the undersigned agrees that, in the absence of an effective registration statement with respect to Common Stock issued upon this exercise, stop transfer instructions will be entered on the Company's stock transfer records with respect to Common Stock issued upon this exercise.

Dated:

\_\_\_\_\_  
Signature guaranteed:

AMENDMENT NO. 1 TO THE

WARRANT

to Purchase Common Stock of

Cali Realty Corporation

This Amendment No. 1 is made, effective as of January 31, 1997, by and between Cali Realty Corporation, a Maryland corporation (the "Company") and Timothy M. Jones, or registered and permitted assigns (the "Holder").

W I T N E S S E T H

WHEREAS, the Company granted the right to purchase 170,000 shares of Common Stock of the Company to the Holder pursuant to a warrant dated January 31, 1997 (the "Warrant"); and

WHEREAS, the Company and Holder have agreed to amend the terms of the Warrant to provide for full vesting upon a Change in Control; and

WHEREAS, the Holder and Brad W. Berger together hold a majority of the RM Warrants and by executing this document consent to the foregoing amendment, as required by Section 10 of the Warrant.

NOW, THEREFORE, in consideration of the premises, the parties hereto hereby agree as follows:

1. Section 2(E) (2) of the Warrant, "Change in Control", shall be deleted in its entirety and amended to read as follows:

"Change in Control. In the event of a Change in Control (as defined below), all Warrants which the Holder shall not then have been entitled to exercise shall be accelerated immediately prior to or concurrently with the occurrence of the Change in Control and the Holder shall have the right to exercise all such Warrants at any time or from time to time through the Expiration Date."

2. Except as specifically amended above, the Warrant and all provisions thereof shall remain in full force and effect and are hereby ratified and confirmed.

3. Upon the effectiveness of this Amendment, on and after the date hereof, each reference in the Warrant to "this Warrant", "hereunder", "hereof", "herein" or words of like import, and each reference to the Warrant in any document relating to the Warrant shall mean and be a reference to the Warrant as amended hereby.

4. The execution, delivery, and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of the Holder under the Warrant nor constitute a waiver of any provision of the Warrant.

5. This Amendment may be executed in any number of counterparts, each of which, when so executed and delivered, shall be deemed to be an original and all of which taken together shall constitute one and the same instrument.

6. This Amendment shall be governed by and construed in accordance with the laws of the State of New York.

7. Capitalized terms used herein and not otherwise defined herein shall have the meanings specified, or ascribed thereto by reference, in the Warrant.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment effective as of the date first written above.

CALI REALTY CORPORATION

By: /s/ Roger W. Thomas

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Name: Roger W. Thomas  
Title: Vice President and  
General Counsel

/s/ Timothy M. Jones

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Timothy M. Jones

I hereby consent, as required by Section 10 of the RM Warrants, to the amendment of the aforementioned Warrant to provide for full vesting upon a Change in Control as set forth herein.

/s/ Brad W. Berger

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Brad W. Berger

NEITHER THIS WARRANT NOR THE COMMON STOCK ISSUABLE UPON EXERCISE OF THIS WARRANT HAS BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE LAWS AND NEITHER THIS WARRANT NOR THE COMMON STOCK ISSUABLE UPON EXERCISE OF THIS WARRANT MAY BE TRANSFERRED EXCEPT AS PROVIDED IN SECTION 4 OF THIS WARRANT.

WARRANT  
to Purchase Common Stock of  
CALI REALTY CORPORATION  
Expiring January 31, 2007

This Warrant certifies that Greg Berger, or registered and permitted assigns (the "Holder"), is entitled to, subject to the terms set forth below, subscribe for and purchase from Cali Realty Corporation, a Maryland corporation (the "Company"), Twenty Thousand (20,000) duly authorized, validly issued, fully paid and nonassessable shares of the Company's common stock, \$.01 par value per share (the common stock, including any stock into which it may be changed, reclassified, or converted, and as it may be adjusted pursuant to Section 4(B) below, is herein referred to as the "Common Stock"). This Warrant is one of a class of Warrants (the "RM Warrants") of the Company issued to purchase an aggregate of 400,000 shares of Common Stock pursuant to Section 12.1(h) of the Contribution and Exchange Agreement dated January 24, 1997 by and between the Company, Cali Realty, L.P., a Delaware limited partnership, Robert Martin Company, LLC ("RMC LLC"), a limited liability company organized under the laws of the State of New York, and Robert Martin-Eastview North Company, L.P., a New York limited partnership.

This Warrant is subject to the following provisions, terms and conditions:

Section 1. Exercise of Warrant.

To exercise this Warrant in whole or in part, the Holder shall deliver to the Company at its principal office in Cranford, New Jersey, (a) a written notice, in substantially the form of the Exercise Notice appearing at the end of this Warrant, of the Holder's election to exercise this Warrant, which notice shall specify the number of shares of Common Stock to be purchased, (b) cash or a certified check payable to the Company, or such other consideration as determined in accordance with Section 2(D) below, in an amount equal to the aggregate purchase price of the number of shares of Common Stock being purchased, and (c) this Warrant. The Company shall as promptly as practicable, and in any event within 15 days thereafter, execute and deliver or cause to be executed and delivered, in accordance with such notice, a stock certificate or certificates representing the aggregate number of shares of Common Stock specified in such notice. The stock certificate or certificates so delivered shall be in such denominations as may be specified in such notice and shall be issued in the name of the Holder or, subject to Sections 2(E) and (F) and Sections 4(H) and (I) below, such other name as shall be designated in such notice. Such stock certificate or certificates shall be deemed to have been issued and the Holder or any other person so designated to be named therein shall be deemed for all purposes to have become a holder of record of such shares immediately prior to the close of business on the date such

notice is received by the Company as aforesaid. If this Warrant shall have been exercised only in part, the Company shall, at the time of delivery of said stock certificate or certificates, deliver to the Holder a new Warrant evidencing the rights of the Holder to purchase the remaining shares of Common Stock called for by this Warrant, which new Warrant shall in all other respects be identical to this Warrant, or, at the request of the Holder, appropriate notation may be made on this Warrant and the same returned to the Holder. The Company shall pay all expenses, taxes and other charges payable in connection with the preparation, issue and delivery of such stock certificates and new Warrants, except that, in case such stock certificates or new Warrants shall be registered in a name or names other than the name of the Holder, funds sufficient to pay all stock transfer taxes that are payable upon the issuance of such stock certificates or new Warrants shall be paid by the Holder at the time of delivering the notice of exercise mentioned above.

All shares of Common Stock issued upon the exercise of this Warrant shall be validly issued, fully paid and nonassessable and, if the Common Stock is then listed on a national securities exchange or quoted on an automated quotation system, shall be duly listed or quoted thereon.

The Company shall not be required upon any exercise of this Warrant to issue a certificate representing any fraction of a share of Common Stock, but, in lieu thereof, shall pay to the Holder cash in an amount equal to a corresponding fraction (calculated to the nearest 1/100 of a share) of the purchase price of one share of Common Stock as of the date of receipt by the Company of notice of exercise of this Warrant.

Section 2. Terms and Conditions of Warrants.

(A) Exercise Period. Each Warrant shall vest over a three-year period (subject to acceleration in accordance with the terms of this Warrant), with



one-third of such Warrant vesting on the first anniversary of the date hereof, one-third vesting on the second anniversary of the date hereof, and one-third vesting on the third anniversary of the date hereof, and shall expire at 5:00 p.m., New York City time, on January 31, 2007, or in connection with the Holder's earlier termination of employment with the Company as provided in paragraph 2(E) below (the "Expiration Date").

(B) Purchase Price. The purchase price per share of Common Stock shall be equal to the fair market value of the Common Stock on the date hereof. For purposes of this paragraph 2(B), "fair market value" means the closing price as quoted on the New York Stock Exchange at the end of the last business day preceding the date hereof as reported in the New York edition of The Wall Street Journal. It is agreed that such purchase price is \$33.00 per share.

(C) Exercise of Warrant. No part of any Warrant may be exercised at the time of vesting unless the Holder shall have remained in the employ of the Company for such period as to which such portion of the Warrant has vested, except as otherwise provided in paragraph 2(E) below.

(D) Payment of Purchase Price upon Exercise. The purchase price of the Common Stock as to which a Warrant is exercised shall be paid to the Company at the time of exercise either in cash or in such other consideration as the Executive Compensation Committee of the Board of Directors of the Company (the "Board of Directors") or such other committee that the

2

Board of Directors may appoint to administer the Warrants (the "Committee"), deems appropriate, including, but not limited to, loans from the Company or a third party, Common Stock already owned by the Holder having a total fair market value, as determined by the Committee, equal to the purchase price, or a combination of cash and Common Stock having a total fair market value, as so determined, equal to the purchase price. The Committee in its sole discretion may also provide that the purchase price may be paid by delivering a properly executed exercise notice in a form approved by the Committee, together with irrevocable instructions to a broker to promptly deliver to the Company the amount of applicable sale or loan proceeds to pay the purchase price.

(E) Exercise in the Event of Death, Disability, Retirement or Other Termination of Employment, or Change in Control.

(1) Death or Disability. If a Holder's employment by the Company shall terminate because of his or her death or permanent disability, the Committee may, in its sole discretion, accelerate in whole or in part, any or all Warrants which the Holder shall not then have been entitled to exercise. If a Holder shall die (i) while an employee of the Company, or (ii) within twelve (12) months after termination of his or her employment with the Company because of his or her permanent disability, such Holder's Warrants may be exercised, to the extent that such Holder shall have been entitled to do so on the date of his or her death or such termination of employment (including, without limitation, by acceleration or otherwise) by the Holder's Beneficiary (as defined below) or by the person or persons to whom the Holder's rights under the Warrants pass by will or applicable law, or if no such person has such right, by his or her executors or administrators, at any time, or from time to time, but not later than the Expiration Date or one year after the Holder's death, whichever date is earlier. If a Holder's employment by the Company shall terminate because of his or her permanent disability, such Holder may exercise his or her Warrants, to the extent that such Holder shall have been entitled to do so at the date of the termination of his or her employment (including, without limitation, by acceleration or otherwise), at any time, or from time to time, but not later than the Expiration Date or one year after termination of employment because of his or her permanent disability, whichever date is earlier.

(2) Change in Control. In the event a Holder's employment shall terminate within six (6) months following a Change in Control (as defined below), all Warrants which the Holder shall not then have been entitled to exercise shall be accelerated immediately prior to or concurrently with the occurrence of the Change in Control and the Holder shall have the right to exercise all such Warrants at any time or from time to time through the Expiration Date.

(3) Good Reason. If a Holder terminates his or her employment for Good Reason (as defined below), the Committee may, in its sole discretion, accelerate in whole or in part, any or all Warrants which the Holder shall not then have been entitled to exercise. If a Holder's employment by the Company shall terminate for Good Reason, such Holder may exercise his or her Warrants, to the extent that such Holder shall have been entitled to do so at the date of the termination of his or her employment (including, without limitation, by acceleration or otherwise), at any time, or from time to time, but not later

than the Expiration Date or ninety (90) days after termination of employment, whichever date is earlier.

"Good Reason" shall mean a material reduction in the Holder's annual base salary or other benefits (except for bonuses or similar discretionary payments) as in effect at the time in question.

(4) Subject to Section 4(A) below, if a Holder's employment shall terminate for any reason other than death, Disability, Good Reason or a Change in Control (each as defined below) as aforesaid, all rights to exercise his or her Warrant shall terminate at the Expiration Date or three (3) months after termination of employment, whichever date is earlier; provided, however, that the Committee may, in its sole discretion, grant new Warrants or modify outstanding Warrants to permit their exercise upon a Holder's termination of employment due to retirement with the consent of the Company until the earlier of the Expiration Date or twelve (12) months after termination of employment.

"Beneficiary" means the beneficiary or beneficiaries designated in accordance with Section 4(H) to receive the amount, if any, payable under the Warrant upon the death of a Holder.

"Change in Control" means that any of the following events has occurred:

- (i) any "person" or "group" of persons, as such terms are used in Sections 13 and 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), other than any employee benefit plan sponsored by the Company, becomes the "beneficial owner", as such term is used in Section 13 of the Exchange Act, of thirty percent (30%) or more of the Common Stock of the Company issued and outstanding immediately prior to such acquisition;
- (ii) any Common Stock of the Company is purchased pursuant to a tender or exchange offer other than an offer by the Company; or
- (iii) the dissolution or liquidation of the Company or the consummation of any merger or consolidation of the Company or any sale or other disposition of all or substantially all of its assets, if the shareholders of the Company immediately before such transaction own, immediately after consummation of such transaction, equity securities (other than options and other rights to acquire equity securities) possessing less than thirty percent (30%) of the voting power of the surviving or acquiring Company.

provided, however, that notwithstanding anything herein to the contrary, no Change in Control shall be deemed to have occurred and no rights arising upon a Change in Control described in Section 2(E) shall exist unless the Board of Directors directs to the contrary by resolution adopted prior to the Change in Control. Any resolution of the Board of Directors adopted in accordance with the provisions of this Section directing that this Section 2(E) or any of such Section become ineffective may be rescinded or countermanded at any time with or without

retroactive effect by such Board.

"Disability" means the determination by the Company, upon the advice of an independent qualified physician, that the Holder has become physically or mentally incapable of performing his duties under any employment agreement or otherwise and such disability has disabled the Holder for a cumulative period of one hundred eighty (180) days within a twelve (12) month period.

(F) Transferability and Exercise of Warrants. Subject to the provisions of any registration rights agreement entered into in connection with the registration of shares of Common Stock underlying the RM Warrants, no Warrant shall be transferable other than by will or by the laws of descent and distribution. During the lifetime of the Holder, a Warrant shall be exercisable only by the Holder. This Warrant shall be exercisable or convertible (a) only under circumstances such that the issue of Common Stock issuable upon such exercise or conversion is exempt from the requirements of registration under the Securities Act of 1933, as amended (the "1933 Act"), and any applicable state securities law or (b) upon registration of such Common Stock in compliance therewith; provided, however, that the foregoing shall not apply if this Warrant is exercised by the original Holder hereof. This Warrant shall be transferable only under circumstances such that the transfer is exempt from the requirements of registration under the 1933 Act and any applicable state securities law. By acceptance hereof, the Holder agrees to comply with such laws.

(G) Investment Representation. The Holder, by acceptance hereof, (i) hereby represents that he or she is an "Accredited Investor" under Rule 501(a) of Regulation D promulgated under Section 4(2) of the 1933 Act, and (ii)

acknowledges that this Warrant and, to the extent not registered under the 1933 Act, any Common Stock purchased or acquired pursuant hereto is being or will be acquired solely for the Holder's own account and not as a nominee for any other party, and with a current investment intent and not with a view to distribution thereof. The Holder (or any person acting under Sections 2(E) or (F) above) shall deliver to the Company, at the time of any exercise of a Warrant or portion thereof, a written representation that the shares to be acquired upon such exercise are to be acquired for investment and not for resale or with a view to the distribution thereof, and, if applicable, that he or she is the original Holder of this Warrant. Delivery of such representation prior to the delivery of any Common Stock issued upon exercise of a Warrant and prior to the expiration of the Warrant period shall be a condition precedent to the right of the Holder or such other person to purchase any Common Stock. In the event certificates for Common Stock are delivered upon the exercise of a Warrant with respect to which such an investment representation has been obtained, the Company may cause a legend or legends to be placed on such certificates to make appropriate reference to such representations and to restrict transfer in the absence of compliance with applicable federal or state securities laws.

### Section 3. Transfer, Division and Combination.

The Company agrees to maintain at its principal office in Cranford, New Jersey, books for the registration and transfer of this Warrant, and, subject to the provisions of Section 2(F) hereof, this Warrant and all rights hereunder are transferable, in whole or in part, on such books at such office, upon surrender of this Warrant at such office, together with a written assignment

5

of this Warrant duly executed by the Holder or his agent or attorney and funds sufficient to pay any stock transfer taxes payable upon the making of such transfer. Upon such surrender and payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees and in the denominations specified in such instrument of assignment, and this Warrant shall promptly be canceled. A Warrant may be exercised by a new holder for the purchase of shares of Common Stock without having a new Warrant issued. All of the provisions of this Section 3 are subject to the provisions of Sections 2(E) and (F) above.

### Section 4. General Provisions

(A) Termination for Cause. Notwithstanding anything herein contained to the contrary, if a Holder's employment is terminated for Cause, all Warrants, to the extent not vested on the date of termination, shall be forfeited. "Cause" shall mean (1) the willful and continued failure by the Holder to substantially perform his or her duties under his or her employment agreement with the Company, if any, or otherwise (other than any such failure resulting from the Holder's incapacity due to physical or mental illness) for a period of thirty (30) days after written demand for substantial performance is delivered by the Company specifically identifying the manner in which the Company believes the Holder has not substantially performed his or her duties, or (2) willful misconduct by the Holder which is materially injurious to the Company, monetarily or otherwise, or (3) the willful violation by the Holder of the provisions of any covenant not to compete or breach of confidential information with respect to the Company. For purposes of this Paragraph 4(A), no act, or failure to act, on the Holder's part shall be considered "willful" unless done, or omitted to be done, by him or her not in good faith and without reasonable belief that his or her action or omission was in the best interests of the Company.

(B) Certain Adjustments. In the event of any change in the Common Stock by reason of any stock dividend, recapitalization, reorganization, merger, consolidation, split-up, combination or exchange of shares, or any rights offering to purchase Common Stock at a price substantially below fair market value, or of any similar change affecting the Common Stock, the number and kind of shares subject to Warrants in and the purchase price per share thereof shall be appropriately adjusted consistent with such change in such manner as the Committee may deem equitable to prevent substantial dilution or enlargement of the rights granted to, or available for, the Holders hereunder. Any adjustment of a Warrant pursuant to this Section 4(B) shall be made only to the extent not constituting a "modification" within the meaning of Section 424(h)(3) of the Internal Revenue Code of 1986, as amended from time to time, unless the holder of such Warrant shall agree otherwise. The Committee shall give notice to each Holder of any adjustment made pursuant to this Section 4(B) and, upon notice, such adjustment shall be effective and binding for all purposes under this Warrant.

(C) Successor Company. The obligations of the Company under this Warrant shall be binding upon any successor Company or organization resulting from the merger, consolidation or other reorganization of the Company, or upon any successor Company or organization succeeding to substantially all of the assets and business of the Company. The Company agrees that it will make appropriate provision for the preservation of Holders' rights under this Warrant in any agreement or plan which it may enter into or adopt to effect any such merger,

consolidation, reorganization or transfer of assets.

6

(D) No Claim or Right. Nothing contained herein nor any action taken hereunder shall be construed as giving any employee any right to be retained in the employ of the Company.

(E) Awards Not Treated as Compensation Under Benefit Plans. No Warrant shall be considered as compensation under any employee benefit plan of the Company, except as specifically provided in any such plan or as otherwise determined by the Board of Directors.

(F) Listing and Qualification of Common Stock. The Company, in its discretion, may postpone the issuance or delivery of Common Stock upon any exercise of a Warrant until completion of such stock exchange listing or other qualification of such shares under any state or federal law, rule or regulation as the Company may consider appropriate, and may require any Holder, Beneficiary or legal representative to make such representations and furnish such information as it may consider reasonably appropriate in connection with the issuance or delivery of the shares in compliance with applicable laws, rules and regulations. The Company covenants, however, to effect the listing of the Common Stock underlying the Warrants on the New York Stock Exchange prior to December 1997.

(G) Taxes. The Company may make such provisions and take such steps as it may deem necessary or appropriate for the withholding of all federal, state and local taxes required by law to be withheld with respect to Warrants exercised pursuant to this Agreement including, but not limited to (i) deducting the amount required to be withheld from any other amount then or thereafter payable to a Holder, Beneficiary or legal representative, and (ii) requiring a Holder, Beneficiary or legal representative to pay to the Company the amount required to be withheld as a condition of releasing Common Stock. In addition, subject to such rules and regulations as the Committee shall from time to time establish, Holders shall be permitted to satisfy federal, state and local taxes, if any, imposed upon the issuance of Common Stock at a rate up to such Holder's maximum marginal tax rate with respect to each such tax by (i) irrevocably electing to have the Company deduct from the number of shares Common Stock otherwise deliverable upon exercise of a Warrant such number of shares of Common Stock as shall have a value equal to the amount of tax to be withheld, (ii) delivering to the Company such portion of the Common Stock delivered upon exercise of the Warrant as shall have a value equal to the amount of tax to be withheld, or (iii) delivering to the Company such Common Stock or combination of Common Stock and cash as shall have a value equal to the amount of tax to be withheld.

(H) Designation and Change of Beneficiary. Each Holder shall file with the Committee a written designation of one or more persons as the Beneficiary who shall be entitled to receive the amount, if any, payable under this Warrant upon his or her death. A Holder may, from time to time, revoke or change his or her Beneficiary designation without the consent of any prior Beneficiary by filing a new designation with the Committee. The last such designation received by the Committee shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Committee prior to the Holder's death, and in no event shall it be effective as of a date prior to such receipt.

(I) Payments to Persons Other Than A Holder. If the Committee shall find that any person to whom any amount is payable under this Warrant is unable to care for his or her affairs because of illness or accident, or is a minor, or has died, then any payment due to such person or his or her estate (unless a prior claim therefor has been made by a duly appointed legal

7

representative), may, if the Committee so directs the Company, be paid to his or her spouse, a child, a relative, an institution maintaining or having custody of such person, or any other person deemed by the Committee to be a proper recipient on behalf of such person otherwise entitled to payment. Any such payment shall be a complete discharge of the liability of the Committee and the Company therefor.

(J) General Creditor Status. Holders shall have no right, title, or interest whatsoever in or to any investments which the Company may make to aid it in meeting its obligations hereunder. Nothing contained herein, and no action taken pursuant hereto, shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and any Holder, Beneficiary, legal representative or any other person. To the extent that any person acquires a right to receive payments from the Company hereunder, such right shall be no greater than the right of an unsecured general creditor of the Company. All payments to be made hereunder shall be paid from the general funds of the Company and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of such amounts except as expressly set forth herein; provided, however, that in its sole discretion, the

Committee may authorize the creation of trusts or other arrangements to meet the obligations created hereunder to deliver Common Stock or pay cash; provided, further, however, that, unless the Committee otherwise determines with the consent of the affected Holder, the existence of such trusts or other arrangements shall be consistent with the "unfunded" status of the 1994 Employee Stock Option Plan of Cali Realty Corporation.

(K) No Liability of Committee Members. The Holder of this Warrant agrees that no member of the Committee shall be personally liable by reason of any contract or other instrument executed by such member or on his or her behalf in his or her capacity as a member of the Committee nor for any mistake of judgment made in good faith.

#### Section 5. Covenant to Reserve Shares of Common Stock.

The Company covenants and agrees that it will at all times reserve and set apart and have, free from preemptive rights, a number of shares of authorized but unissued Common Stock, or other stock or securities deliverable pursuant to this Warrant, sufficient to enable it at any time to fulfill all its obligations hereunder.

#### Section 6. Notices.

In the event that:

(a) the Company proposes to pay any dividend payable in stock (of any class or classes) or any obligations or stock convertible into or exchangeable for shares of Common Stock upon its Common Stock or make any distribution (other than ordinary cash dividends) to the holders of its Common Stock,

(b) the Company proposes to grant to the holders of its Common Stock generally any rights or Warrants (excluding any Warrants granted to any employee, director, officer, contractor or consultant of the Company pursuant to any plan approved by the Board of Directors of the Company),

8

(c) the Company proposes to effect any capital reorganization or reclassification of capital stock of the Company,

(d) the Company proposes to consolidate with, or merge into, any other Company or to transfer its property as an entirety or substantially as an entirety, or

(e) the Company proposes to effect the liquidation, dissolution or winding up of the Company,

then the Company shall cause notice of any such intended action to be given to the holder of this Warrant not less than 30 days before the date on which the transfer books of the Company shall close or a record shall be taken for such stock dividend, distribution or granting of rights or Warrants, or the date when such capital reorganization, reclassification, consolidation, merger, transfer, liquidation, dissolution or winding up shall be effective, as the case may be.

Any notice or other document required or permitted to be given or delivered to the holder of this Warrant shall be delivered by facsimile transmission, reliable courier or first-class mail postage prepaid to the Holder at the last address shown on the books of the Company maintained for the registry and transfer of this Warrant. Any notice or other document required or permitted to be given or delivered to holders of record of Common Stock issued pursuant to this Warrant shall be delivered by facsimile, reliable courier or first-class mail postage prepaid to Holder at Holder's address as the same appears on the stock records of the Company. Any notice or other document required or permitted to be given or delivered to the Company shall be delivered by facsimile transmission, reliable courier or first-class mail postage prepaid to the principal office of the Company in Cranford, New Jersey, or delivered to the office of one of the Company's executive officers at such address, or such other address as shall have been furnished by the Company to the holders of record of such Warrants and the holders of record of such Common Stock.

#### Section 7. Limitation of Liability; Not Shareholders.

No provision of this Warrant shall be construed as conferring upon the Holder the right to vote or to consent or to receive dividends or to receive notice as a shareholder in respect of meetings of shareholders for the election of directors of the Company or any other matter whatsoever as shareholders of the Company. No provision hereof, in the absence of affirmative action by the Holder to purchase shares of Common Stock, and no mere enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of Holder for the purchase price or as a shareholder of the Company, whether such liability is asserted by the Company, creditors of the Company or others.

#### Section 8. Loss, Destruction, etc, of Warrant.

Upon receipt of evidence satisfactory to the Company of the loss, theft, mutilation or destruction of any Warrant, and in the case of any such loss, theft or destruction upon delivery of a bond of indemnity in such form and amount as shall be reasonably satisfactory to the Company, or in the event of such mutilation upon surrender and cancellation of such Warrant,

9

the Company will make and deliver a new Warrant, of like tenor, in lieu of such lost, stolen, destroyed or mutilated Warrant. Any Warrant issued under the provisions of this Section 8 in lieu of any Warrant alleged to be lost, destroyed or stolen, or of any mutilated Warrant, shall constitute an original contractual obligation on the part of the Company.

#### Section 9. Registration Rights.

As used in this Section 9, the term "Registrable Stock" shall mean (i) all shares of Common Stock that may be issued upon exercise of this Warrant (and all shares of Common Stock that may thereafter be issued in respect of such Warrant) that is from time to time outstanding.

References in this Warrant to rules, regulations and forms promulgated by the Securities and Exchange Commission shall include rules, regulations and forms succeeding to the functions thereof, whether or not bearing the same designation.

The rights and obligations of the Company and the Holder with respect to the Registrable Stock are set forth in a Registration Rights Agreement, dated January 31, 1997, between the Company, the Holder and the other signatories thereto, and shall supersede any registration rights and obligations of the Company and the Holder existing prior to the date hereof with respect to the Registrable Stock.

#### Section 10. Amendments.

Neither this Warrant nor any term hereof may be changed, waived, discharged or terminated orally or in writing, provided that any term of this Warrant may be amended or the observance of such term may be waived (either generally or in a particular instance and either retroactively or prospectively) with, but only with, the written consent of the Company and the holders of the RM Warrants that are exercisable for a number of shares of Common Stock that represent in the aggregate at least a majority of the total number of shares of Common Stock for which all of the RM Warrants are then exercisable (whether or not the holder of this Warrant consents).

#### Section 11. Governing Law and Consent to Jurisdiction.

This Warrant shall be governed by the laws of the State of New York without regard to its conflict of laws principles or rules. This Warrant shall be deemed to have been executed and delivered at and shall be deemed to have been made in New York, New York.

Any legal action, suit or proceeding arising out of or relating to this Warrant may only be instituted in any federal court of the Southern District of New York or any state court located in New York County, State of New York, and the Company agrees not to assert, by way of motion, as a defense or otherwise, in any action, suit or proceeding, any claim that it is not subject personally to the jurisdiction of such courts, that the action, suit or proceeding if brought in such courts, would be an inconvenient forum, that the venue of the action, suit or proceeding, if brought in any of such courts, is improper or that this Agreement or the subject matter may not be enforced in or by such courts on jurisdictional grounds.

10

IN WITNESS WHEREOF, the Company has caused this Warrant to be signed in its name by its duly authorized officer.

Dated: January 31, 1997

CALI REALTY CORPORATION

By: /s/ Roger W. Thomas

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Name: Roger W. Thomas  
Title: Vice President and  
General Counsel

11

The undersigned, the Holder, hereby elects to exercise purchase rights represented by such Warrant for, and to purchase thereunder, \_\_\_\_\_ shares of the Common Stock covered by such Warrant and herewith makes payment in full therefor of \$\_\_\_\_\_ cash and/or by cancellation of \$\_\_\_\_\_ of indebtedness of the Company to the Holder hereof and requests that, subject to the terms and conditions of the Warrant, certificates for such shares (and any securities or property deliverable upon such exercise) be issued in the name of and delivered to \_\_\_\_\_ whose address is \_\_\_\_\_, and whose social security or employer identification number is \_\_\_\_\_.

The undersigned agrees that, in the absence of an effective registration statement with respect to Common Stock issued upon this exercise, the undersigned is acquiring such Common Stock for the Holder's own account and not as a nominee for any other party, for investment and not with a view to distribution thereof and that the certificate or certificates representing such Common Stock may bear a legend substantially as follows:

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR QUALIFIED UNDER APPLICABLE STATE SECURITIES LAWS. UNLESS THEY ARE SOLD PURSUANT TO RULE 144 PROMULGATED BY THE SECURITIES AND EXCHANGE COMMISSION UNDER SAID ACT, THEY MAY NOT BE SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION AND QUALIFICATION WITHOUT AN OPINION OF COUNSEL FOR THE HOLDER, REASONABLY SATISFACTORY TO COUNSEL FOR THE COMPANY, THAT SUCH REGISTRATION AND QUALIFICATION ARE NOT REQUIRED.

In addition, the undersigned agrees that, in the absence of an effective registration statement with respect to Common Stock issued upon this exercise, stop transfer instructions will be entered on the Company's stock transfer records with respect to Common Stock issued upon this exercise.

Dated:

\_\_\_\_\_  
Signature guaranteed:

NEITHER THIS WARRANT NOR THE COMMON STOCK ISSUABLE UPON EXERCISE OF THIS WARRANT HAS BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE LAWS AND NEITHER THIS WARRANT NOR THE COMMON STOCK ISSUABLE UPON EXERCISE OF THIS WARRANT MAY BE TRANSFERRED EXCEPT AS PROVIDED IN SECTION 4 OF THIS WARRANT.

WARRANT  
to Purchase Common Stock of  
CALI REALTY CORPORATION  
Expiring January 31, 2007

This Warrant certifies that Andrew Greenspan, or registered and permitted assigns (the "Holder"), is entitled to, subject to the terms set forth below, subscribe for and purchase from Cali Realty Corporation, a Maryland corporation (the "Company"), Twenty Thousand (20,000) duly authorized, validly issued, fully paid and nonassessable shares of the Company's common stock, \$.01 par value per share (the common stock, including any stock into which it may be changed, reclassified, or converted, and as it may be adjusted pursuant to Section 4(B) below, is herein referred to as the "Common Stock"). This Warrant is one of a class of Warrants (the "RM Warrants") of the Company issued to purchase an aggregate of 400,000 shares of Common Stock pursuant to Section 12.1(h) of the Contribution and Exchange Agreement dated January 24, 1997 by and between the Company, Cali Realty, L.P., a Delaware limited partnership, Robert Martin Company, LLC ("RMC LLC"), a limited liability company organized under the laws of the State of New York, and Robert Martin-Eastview North Company, L.P., a New York limited partnership.

This Warrant is subject to the following provisions, terms and conditions:

Section 1. Exercise of Warrant.

To exercise this Warrant in whole or in part, the Holder shall deliver to the Company at its principal office in Cranford, New Jersey, (a) a written notice, in substantially the form of the Exercise Notice appearing at the end of this Warrant, of the Holder's election to exercise this Warrant, which notice shall specify the number of shares of Common Stock to be purchased, (b) cash or a certified check payable to the Company, or such other consideration as determined in accordance with Section 2(D) below, in an amount equal to the aggregate purchase price of the number of shares of Common Stock being purchased, and (c) this Warrant. The Company shall as promptly as practicable, and in any event within 15 days thereafter, execute and deliver or cause to be executed and delivered, in accordance with such notice, a stock certificate or certificates representing the aggregate number of shares of Common Stock specified in such notice. The stock certificate or certificates so delivered shall be in such denominations as may be specified in such notice and shall be issued in the name of the Holder or, subject to Sections 2(E) and (F) and Sections 4(H) and (I) below, such other name as shall be designated in such notice. Such stock certificate or certificates shall be deemed to have been issued and the Holder or any other person so designated to be named therein shall be deemed for all purposes to have become a holder of record of such shares immediately prior to the close of business on the date such

notice is received by the Company as aforesaid. If this Warrant shall have been exercised only in part, the Company shall, at the time of delivery of said stock certificate or certificates, deliver to the Holder a new Warrant evidencing the rights of the Holder to purchase the remaining shares of Common Stock called for by this Warrant, which new Warrant shall in all other respects be identical to this Warrant, or, at the request of the Holder, appropriate notation may be made on this Warrant and the same returned to the Holder. The Company shall pay all expenses, taxes and other charges payable in connection with the preparation, issue and delivery of such stock certificates and new Warrants, except that, in case such stock certificates or new Warrants shall be registered in a name or names other than the name of the Holder, funds sufficient to pay all stock transfer taxes that are payable upon the issuance of such stock certificates or new Warrants shall be paid by the Holder at the time of delivering the notice of exercise mentioned above.

All shares of Common Stock issued upon the exercise of this Warrant shall be validly issued, fully paid and nonassessable and, if the Common Stock is then listed on a national securities exchange or quoted on an automated quotation system, shall be duly listed or quoted thereon.

The Company shall not be required upon any exercise of this Warrant to issue a certificate representing any fraction of a share of Common Stock, but, in lieu thereof, shall pay to the Holder cash in an amount equal to a corresponding fraction (calculated to the nearest 1/100 of a share) of the purchase price of one share of Common Stock as of the date of receipt by the Company of notice of exercise of this Warrant.

Section 2. Terms and Conditions of Warrants.

(A) Exercise Period. Each Warrant shall vest over a three-year period (subject to acceleration in accordance with the terms of this Warrant), with



one-third of such Warrant vesting on the first anniversary of the date hereof, one-third vesting on the second anniversary of the date hereof, and one-third vesting on the third anniversary of the date hereof, and shall expire at 5:00 p.m., New York City time, on January 31, 2007, or in connection with the Holder's earlier termination of employment with the Company as provided in paragraph 2(E) below (the "Expiration Date").

(B) Purchase Price. The purchase price per share of Common Stock shall be equal to the fair market value of the Common Stock on the date hereof. For purposes of this paragraph 2(B), "fair market value" means the closing price as quoted on the New York Stock Exchange at the end of the last business day preceding the date hereof as reported in the New York edition of The Wall Street Journal. It is agreed that such purchase price is \$33.00 per share.

(C) Exercise of Warrant. No part of any Warrant may be exercised at the time of vesting unless the Holder shall have remained in the employ of the Company for such period as to which such portion of the Warrant has vested, except as otherwise provided in paragraph 2(E) below.

(D) Payment of Purchase Price upon Exercise. The purchase price of the Common Stock as to which a Warrant is exercised shall be paid to the Company at the time of exercise either in cash or in such other consideration as the Executive Compensation Committee of the Board of Directors of the Company (the "Board of Directors") or such other committee that the

2

Board of Directors may appoint to administer the Warrants (the "Committee"), deems appropriate, including, but not limited to, loans from the Company or a third party, Common Stock already owned by the Holder having a total fair market value, as determined by the Committee, equal to the purchase price, or a combination of cash and Common Stock having a total fair market value, as so determined, equal to the purchase price. The Committee in its sole discretion may also provide that the purchase price may be paid by delivering a properly executed exercise notice in a form approved by the Committee, together with irrevocable instructions to a broker to promptly deliver to the Company the amount of applicable sale or loan proceeds to pay the purchase price.

(E) Exercise in the Event of Death, Disability, Retirement or Other Termination of Employment, or Change in Control.

(1) Death or Disability. If a Holder's employment by the Company shall terminate because of his or her death or permanent disability, the Committee may, in its sole discretion, accelerate in whole or in part, any or all Warrants which the Holder shall not then have been entitled to exercise. If a Holder shall die (i) while an employee of the Company, or (ii) within twelve (12) months after termination of his or her employment with the Company because of his or her permanent disability, such Holder's Warrants may be exercised, to the extent that such Holder shall have been entitled to do so on the date of his or her death or such termination of employment (including, without limitation, by acceleration or otherwise) by the Holder's Beneficiary (as defined below) or by the person or persons to whom the Holder's rights under the Warrants pass by will or applicable law, or if no such person has such right, by his or her executors or administrators, at any time, or from time to time, but not later than the Expiration Date or one year after the Holder's death, whichever date is earlier. If a Holder's employment by the Company shall terminate because of his or her permanent disability, such Holder may exercise his or her Warrants, to the extent that such Holder shall have been entitled to do so at the date of the termination of his or her employment (including, without limitation, by acceleration or otherwise), at any time, or from time to time, but not later than the Expiration Date or one year after termination of employment because of his or her permanent disability, whichever date is earlier.

(2) Change in Control. In the event a Holder's employment shall terminate within six (6) months following a Change in Control (as defined below), all Warrants which the Holder shall not then have been entitled to exercise shall be accelerated immediately prior to or concurrently with the occurrence of the Change in Control and the Holder shall have the right to exercise all such Warrants at any time or from time to time through the Expiration Date.

(3) Good Reason. If a Holder terminates his or her employment for Good Reason (as defined below), the Committee may, in its sole discretion, accelerate in whole or in part, any or all Warrants which the Holder shall not then have been entitled to exercise. If a Holder's employment by the Company shall terminate for Good Reason, such Holder may exercise his or her Warrants, to the extent that such Holder shall have been entitled to do so at the date of the termination of his or her employment (including, without limitation, by acceleration or otherwise), at any time, or from time to time, but not later

than the Expiration Date or ninety (90) days after termination of employment, whichever date is earlier.

"Good Reason" shall mean a material reduction in the Holder's annual base salary or other benefits (except for bonuses or similar discretionary payments) as in effect at the time in question.

(4) Subject to Section 4(A) below, if a Holder's employment shall terminate for any reason other than death, Disability, Good Reason or a Change in Control (each as defined below) as aforesaid, all rights to exercise his or her Warrant shall terminate at the Expiration Date or three (3) months after termination of employment, whichever date is earlier; provided, however, that the Committee may, in its sole discretion, grant new Warrants or modify outstanding Warrants to permit their exercise upon a Holder's termination of employment due to retirement with the consent of the Company until the earlier of the Expiration Date or twelve (12) months after termination of employment.

"Beneficiary" means the beneficiary or beneficiaries designated in accordance with Section 4(H) to receive the amount, if any, payable under the Warrant upon the death of a Holder.

"Change in Control" means that any of the following events has occurred:

- (i) any "person" or "group" of persons, as such terms are used in Sections 13 and 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), other than any employee benefit plan sponsored by the Company, becomes the "beneficial owner", as such term is used in Section 13 of the Exchange Act, of thirty percent (30%) or more of the Common Stock of the Company issued and outstanding immediately prior to such acquisition;
- (ii) any Common Stock of the Company is purchased pursuant to a tender or exchange offer other than an offer by the Company; or
- (iii) the dissolution or liquidation of the Company or the consummation of any merger or consolidation of the Company or any sale or other disposition of all or substantially all of its assets, if the shareholders of the Company immediately before such transaction own, immediately after consummation of such transaction, equity securities (other than options and other rights to acquire equity securities) possessing less than thirty percent (30%) of the voting power of the surviving or acquiring Company.

provided, however, that notwithstanding anything herein to the contrary, no Change in Control shall be deemed to have occurred and no rights arising upon a Change in Control described in Section 2(E) shall exist unless the Board of Directors directs to the contrary by resolution adopted prior to the Change in Control. Any resolution of the Board of Directors adopted in accordance with the provisions of this Section directing that this Section 2(E) or any of such Section become ineffective may be rescinded or countermanded at any time with or without

retroactive effect by such Board.

"Disability" means the determination by the Company, upon the advice of an independent qualified physician, that the Holder has become physically or mentally incapable of performing his duties under any employment agreement or otherwise and such disability has disabled the Holder for a cumulative period of one hundred eighty (180) days within a twelve (12) month period.

(F) Transferability and Exercise of Warrants. Subject to the provisions of any registration rights agreement entered into in connection with the registration of shares of Common Stock underlying the RM Warrants, no Warrant shall be transferable other than by will or by the laws of descent and distribution. During the lifetime of the Holder, a Warrant shall be exercisable only by the Holder. This Warrant shall be exercisable or convertible (a) only under circumstances such that the issue of Common Stock issuable upon such exercise or conversion is exempt from the requirements of registration under the Securities Act of 1933, as amended (the "1933 Act"), and any applicable state securities law or (b) upon registration of such Common Stock in compliance therewith; provided, however, that the foregoing shall not apply if this Warrant is exercised by the original Holder hereof. This Warrant shall be transferable only under circumstances such that the transfer is exempt from the requirements of registration under the 1933 Act and any applicable state securities law. By acceptance hereof, the Holder agrees to comply with such laws.

(G) Investment Representation. The Holder, by acceptance hereof, (i) hereby represents that he or she is an "Accredited Investor" under Rule 501(a) of Regulation D promulgated under Section 4(2) of the 1933 Act, and (ii)

acknowledges that this Warrant and, to the extent not registered under the 1933 Act, any Common Stock purchased or acquired pursuant hereto is being or will be acquired solely for the Holder's own account and not as a nominee for any other party, and with a current investment intent and not with a view to distribution thereof. The Holder (or any person acting under Sections 2(E) or (F) above) shall deliver to the Company, at the time of any exercise of a Warrant or portion thereof, a written representation that the shares to be acquired upon such exercise are to be acquired for investment and not for resale or with a view to the distribution thereof, and, if applicable, that he or she is the original Holder of this Warrant. Delivery of such representation prior to the delivery of any Common Stock issued upon exercise of a Warrant and prior to the expiration of the Warrant period shall be a condition precedent to the right of the Holder or such other person to purchase any Common Stock. In the event certificates for Common Stock are delivered upon the exercise of a Warrant with respect to which such an investment representation has been obtained, the Company may cause a legend or legends to be placed on such certificates to make appropriate reference to such representations and to restrict transfer in the absence of compliance with applicable federal or state securities laws.

### Section 3. Transfer, Division and Combination.

The Company agrees to maintain at its principal office in Cranford, New Jersey, books for the registration and transfer of this Warrant, and, subject to the provisions of Section 2(F) hereof, this Warrant and all rights hereunder are transferable, in whole or in part, on such books at such office, upon surrender of this Warrant at such office, together with a written assignment

5

of this Warrant duly executed by the Holder or his agent or attorney and funds sufficient to pay any stock transfer taxes payable upon the making of such transfer. Upon such surrender and payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees and in the denominations specified in such instrument of assignment, and this Warrant shall promptly be canceled. A Warrant may be exercised by a new holder for the purchase of shares of Common Stock without having a new Warrant issued. All of the provisions of this Section 3 are subject to the provisions of Sections 2(E) and (F) above.

### Section 4. General Provisions

(A) Termination for Cause. Notwithstanding anything herein contained to the contrary, if a Holder's employment is terminated for Cause, all Warrants, to the extent not vested on the date of termination, shall be forfeited. "Cause" shall mean (1) the willful and continued failure by the Holder to substantially perform his or her duties under his or her employment agreement with the Company, if any, or otherwise (other than any such failure resulting from the Holder's incapacity due to physical or mental illness) for a period of thirty (30) days after written demand for substantial performance is delivered by the Company specifically identifying the manner in which the Company believes the Holder has not substantially performed his or her duties, or (2) willful misconduct by the Holder which is materially injurious to the Company, monetarily or otherwise, or (3) the willful violation by the Holder of the provisions of any covenant not to compete or breach of confidential information with respect to the Company. For purposes of this Paragraph 4(A), no act, or failure to act, on the Holder's part shall be considered "willful" unless done, or omitted to be done, by him or her not in good faith and without reasonable belief that his or her action or omission was in the best interests of the Company.

(B) Certain Adjustments. In the event of any change in the Common Stock by reason of any stock dividend, recapitalization, reorganization, merger, consolidation, split-up, combination or exchange of shares, or any rights offering to purchase Common Stock at a price substantially below fair market value, or of any similar change affecting the Common Stock, the number and kind of shares subject to Warrants in and the purchase price per share thereof shall be appropriately adjusted consistent with such change in such manner as the Committee may deem equitable to prevent substantial dilution or enlargement of the rights granted to, or available for, the Holders hereunder. Any adjustment of a Warrant pursuant to this Section 4(B) shall be made only to the extent not constituting a "modification" within the meaning of Section 424(h)(3) of the Internal Revenue Code of 1986, as amended from time to time, unless the holder of such Warrant shall agree otherwise. The Committee shall give notice to each Holder of any adjustment made pursuant to this Section 4(B) and, upon notice, such adjustment shall be effective and binding for all purposes under this Warrant.

(C) Successor Company. The obligations of the Company under this Warrant shall be binding upon any successor Company or organization resulting from the merger, consolidation or other reorganization of the Company, or upon any successor Company or organization succeeding to substantially all of the assets and business of the Company. The Company agrees that it will make appropriate provision for the preservation of Holders' rights under this Warrant in any agreement or plan which it may enter into or adopt to effect any such merger,

consolidation, reorganization or transfer of assets.

6

(D) No Claim or Right. Nothing contained herein nor any action taken hereunder shall be construed as giving any employee any right to be retained in the employ of the Company.

(E) Awards Not Treated as Compensation Under Benefit Plans. No Warrant shall be considered as compensation under any employee benefit plan of the Company, except as specifically provided in any such plan or as otherwise determined by the Board of Directors.

(F) Listing and Qualification of Common Stock. The Company, in its discretion, may postpone the issuance or delivery of Common Stock upon any exercise of a Warrant until completion of such stock exchange listing or other qualification of such shares under any state or federal law, rule or regulation as the Company may consider appropriate, and may require any Holder, Beneficiary or legal representative to make such representations and furnish such information as it may consider reasonably appropriate in connection with the issuance or delivery of the shares in compliance with applicable laws, rules and regulations. The Company covenants, however, to effect the listing of the Common Stock underlying the Warrants on the New York Stock Exchange prior to December 1997.

(G) Taxes. The Company may make such provisions and take such steps as it may deem necessary or appropriate for the withholding of all federal, state and local taxes required by law to be withheld with respect to Warrants exercised pursuant to this Agreement including, but not limited to (i) deducting the amount required to be withheld from any other amount then or thereafter payable to a Holder, Beneficiary or legal representative, and (ii) requiring a Holder, Beneficiary or legal representative to pay to the Company the amount required to be withheld as a condition of releasing Common Stock. In addition, subject to such rules and regulations as the Committee shall from time to time establish, Holders shall be permitted to satisfy federal, state and local taxes, if any, imposed upon the issuance of Common Stock at a rate up to such Holder's maximum marginal tax rate with respect to each such tax by (i) irrevocably electing to have the Company deduct from the number of shares Common Stock otherwise deliverable upon exercise of a Warrant such number of shares of Common Stock as shall have a value equal to the amount of tax to be withheld, (ii) delivering to the Company such portion of the Common Stock delivered upon exercise of the Warrant as shall have a value equal to the amount of tax to be withheld, or (iii) delivering to the Company such Common Stock or combination of Common Stock and cash as shall have a value equal to the amount of tax to be withheld.

(H) Designation and Change of Beneficiary. Each Holder shall file with the Committee a written designation of one or more persons as the Beneficiary who shall be entitled to receive the amount, if any, payable under this Warrant upon his or her death. A Holder may, from time to time, revoke or change his or her Beneficiary designation without the consent of any prior Beneficiary by filing a new designation with the Committee. The last such designation received by the Committee shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Committee prior to the Holder's death, and in no event shall it be effective as of a date prior to such receipt.

(I) Payments to Persons Other Than A Holder. If the Committee shall find that any person to whom any amount is payable under this Warrant is unable to care for his or her affairs because of illness or accident, or is a minor, or has died, then any payment due to such person or his or her estate (unless a prior claim therefor has been made by a duly appointed legal

7

representative), may, if the Committee so directs the Company, be paid to his or her spouse, a child, a relative, an institution maintaining or having custody of such person, or any other person deemed by the Committee to be a proper recipient on behalf of such person otherwise entitled to payment. Any such payment shall be a complete discharge of the liability of the Committee and the Company therefor.

(J) General Creditor Status. Holders shall have no right, title, or interest whatsoever in or to any investments which the Company may make to aid it in meeting its obligations hereunder. Nothing contained herein, and no action taken pursuant hereto, shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and any Holder, Beneficiary, legal representative or any other person. To the extent that any person acquires a right to receive payments from the Company hereunder, such right shall be no greater than the right of an unsecured general creditor of the Company. All payments to be made hereunder shall be paid from the general funds of the Company and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of such amounts except as expressly set forth herein; provided, however, that in its sole discretion, the

Committee may authorize the creation of trusts or other arrangements to meet the obligations created hereunder to deliver Common Stock or pay cash; provided, further, however, that, unless the Committee otherwise determines with the consent of the affected Holder, the existence of such trusts or other arrangements shall be consistent with the "unfunded" status of the 1994 Employee Stock Option Plan of Cali Realty Corporation.

(K) No Liability of Committee Members. The Holder of this Warrant agrees that no member of the Committee shall be personally liable by reason of any contract or other instrument executed by such member or on his or her behalf in his or her capacity as a member of the Committee nor for any mistake of judgment made in good faith.

#### Section 5. Covenant to Reserve Shares of Common Stock.

The Company covenants and agrees that it will at all times reserve and set apart and have, free from preemptive rights, a number of shares of authorized but unissued Common Stock, or other stock or securities deliverable pursuant to this Warrant, sufficient to enable it at any time to fulfill all its obligations hereunder.

#### Section 6. Notices.

In the event that:

(a) the Company proposes to pay any dividend payable in stock (of any class or classes) or any obligations or stock convertible into or exchangeable for shares of Common Stock upon its Common Stock or make any distribution (other than ordinary cash dividends) to the holders of its Common Stock,

(b) the Company proposes to grant to the holders of its Common Stock generally any rights or Warrants (excluding any Warrants granted to any employee, director, officer, contractor or consultant of the Company pursuant to any plan approved by the Board of Directors of the Company),

8

(c) the Company proposes to effect any capital reorganization or reclassification of capital stock of the Company,

(d) the Company proposes to consolidate with, or merge into, any other Company or to transfer its property as an entirety or substantially as an entirety, or

(e) the Company proposes to effect the liquidation, dissolution or winding up of the Company,

then the Company shall cause notice of any such intended action to be given to the holder of this Warrant not less than 30 days before the date on which the transfer books of the Company shall close or a record shall be taken for such stock dividend, distribution or granting of rights or Warrants, or the date when such capital reorganization, reclassification, consolidation, merger, transfer, liquidation, dissolution or winding up shall be effective, as the case may be.

Any notice or other document required or permitted to be given or delivered to the holder of this Warrant shall be delivered by facsimile transmission, reliable courier or first-class mail postage prepaid to the Holder at the last address shown on the books of the Company maintained for the registry and transfer of this Warrant. Any notice or other document required or permitted to be given or delivered to holders of record of Common Stock issued pursuant to this Warrant shall be delivered by facsimile, reliable courier or first-class mail postage prepaid to Holder at Holder's address as the same appears on the stock records of the Company. Any notice or other document required or permitted to be given or delivered to the Company shall be delivered by facsimile transmission, reliable courier or first-class mail postage prepaid to the principal office of the Company in Cranford, New Jersey, or delivered to the office of one of the Company's executive officers at such address, or such other address as shall have been furnished by the Company to the holders of record of such Warrants and the holders of record of such Common Stock.

#### Section 7. Limitation of Liability; Not Shareholders.

No provision of this Warrant shall be construed as conferring upon the Holder the right to vote or to consent or to receive dividends or to receive notice as a shareholder in respect of meetings of shareholders for the election of directors of the Company or any other matter whatsoever as shareholders of the Company. No provision hereof, in the absence of affirmative action by the Holder to purchase shares of Common Stock, and no mere enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of Holder for the purchase price or as a shareholder of the Company, whether such liability is asserted by the Company, creditors of the Company or others.

#### Section 8. Loss, Destruction, etc, of Warrant.

Upon receipt of evidence satisfactory to the Company of the loss, theft, mutilation or destruction of any Warrant, and in the case of any such loss, theft or destruction upon delivery of a bond of indemnity in such form and amount as shall be reasonably satisfactory to the Company, or in the event of such mutilation upon surrender and cancellation of such Warrant,

9

the Company will make and deliver a new Warrant, of like tenor, in lieu of such lost, stolen, destroyed or mutilated Warrant. Any Warrant issued under the provisions of this Section 8 in lieu of any Warrant alleged to be lost, destroyed or stolen, or of any mutilated Warrant, shall constitute an original contractual obligation on the part of the Company.

Section 9. Registration Rights.

As used in this Section 9, the term "Registrable Stock" shall mean (i) all shares of Common Stock that may be issued upon exercise of this Warrant (and all shares of Common Stock that may thereafter be issued in respect of such Warrant) that is from time to time outstanding.

References in this Warrant to rules, regulations and forms promulgated by the Securities and Exchange Commission shall include rules, regulations and forms succeeding to the functions thereof, whether or not bearing the same designation.

The rights and obligations of the Company and the Holder with respect to the Registrable Stock are set forth in a Registration Rights Agreement, dated January 31, 1997, between the Company, the Holder and the other signatories thereto, and shall supersede any registration rights and obligations of the Company and the Holder existing prior to the date hereof with respect to the Registrable Stock.

Section 10. Amendments.

Neither this Warrant nor any term hereof may be changed, waived, discharged or terminated orally or in writing, provided that any term of this Warrant may be amended or the observance of such term may be waived (either generally or in a particular instance and either retroactively or prospectively) with, but only with, the written consent of the Company and the holders of the RM Warrants that are exercisable for a number of shares of Common Stock that represent in the aggregate at least a majority of the total number of shares of Common Stock for which all of the RM Warrants are then exercisable (whether or not the holder of this Warrant consents).

Section 11. Governing Law and Consent to Jurisdiction.

This Warrant shall be governed by the laws of the State of New York without regard to its conflict of laws principles or rules. This Warrant shall be deemed to have been executed and delivered at and shall be deemed to have been made in New York, New York.

Any legal action, suit or proceeding arising out of or relating to this Warrant may only be instituted in any federal court of the Southern District of New York or any state court located in New York County, State of New York, and the Company agrees not to assert, by way of motion, as a defense or otherwise, in any action, suit or proceeding, any claim that it is not subject personally to the jurisdiction of such courts, that the action, suit or proceeding if brought in such courts, would be an inconvenient forum, that the venue of the action, suit or proceeding, if brought in any of such courts, is improper or that this Agreement or the subject matter may not be enforced in or by such courts on jurisdictional grounds.

10

IN WITNESS WHEREOF, the Company has caused this Warrant to be signed in its name by its duly authorized officer.

Dated: January 31, 1997

CALI REALTY CORPORATION

By: /s/ Roger W. Thomas

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Name: Roger W. Thomas  
Title: Vice President and  
General Counsel

11

The undersigned, the Holder, hereby elects to exercise purchase rights represented by such Warrant for, and to purchase thereunder, \_\_\_\_\_ shares of the Common Stock covered by such Warrant and herewith makes payment in full therefor of \$\_\_\_\_\_ cash and/or by cancellation of \$\_\_\_\_\_ of indebtedness of the Company to the Holder hereof and requests that, subject to the terms and conditions of the Warrant, certificates for such shares (and any securities or property deliverable upon such exercise) be issued in the name of and delivered to \_\_\_\_\_ whose address is \_\_\_\_\_, and whose social security or employer identification number is \_\_\_\_\_.

The undersigned agrees that, in the absence of an effective registration statement with respect to Common Stock issued upon this exercise, the undersigned is acquiring such Common Stock for the Holder's own account and not as a nominee for any other party, for investment and not with a view to distribution thereof and that the certificate or certificates representing such Common Stock may bear a legend substantially as follows:

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR QUALIFIED UNDER APPLICABLE STATE SECURITIES LAWS. UNLESS THEY ARE SOLD PURSUANT TO RULE 144 PROMULGATED BY THE SECURITIES AND EXCHANGE COMMISSION UNDER SAID ACT, THEY MAY NOT BE SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION AND QUALIFICATION WITHOUT AN OPINION OF COUNSEL FOR THE HOLDER, REASONABLY SATISFACTORY TO COUNSEL FOR THE COMPANY, THAT SUCH REGISTRATION AND QUALIFICATION ARE NOT REQUIRED.

In addition, the undersigned agrees that, in the absence of an effective registration statement with respect to Common Stock issued upon this exercise, stop transfer instructions will be entered on the Company's stock transfer records with respect to Common Stock issued upon this exercise.

Dated:

\_\_\_\_\_  
Signature guaranteed:

NEITHER THIS WARRANT NOR THE COMMON STOCK ISSUABLE UPON EXERCISE OF THIS WARRANT HAS BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE LAWS AND NEITHER THIS WARRANT NOR THE COMMON STOCK ISSUABLE UPON EXERCISE OF THIS WARRANT MAY BE TRANSFERRED EXCEPT AS PROVIDED IN SECTION 4 OF THIS WARRANT.

WARRANT  
to Purchase Common Stock of  
CALI REALTY CORPORATION  
Expiring January 31, 2007

This Warrant certifies that Michael Grossman, or registered and permitted assigns (the "Holder"), is entitled to, subject to the terms set forth below, subscribe for and purchase from Cali Realty Corporation, a Maryland corporation (the "Company"), Twenty Thousand (20,000) duly authorized, validly issued, fully paid and nonassessable shares of the Company's common stock, \$.01 par value per share (the common stock, including any stock into which it may be changed, reclassified, or converted, and as it may be adjusted pursuant to Section 4(B) below, is herein referred to as the "Common Stock"). This Warrant is one of a class of Warrants (the "RM Warrants") of the Company issued to purchase an aggregate of 400,000 shares of Common Stock pursuant to Section 12.1(h) of the Contribution and Exchange Agreement dated January 24, 1997 by and between the Company, Cali Realty, L.P., a Delaware limited partnership, Robert Martin Company, LLC ("RMC LLC"), a limited liability company organized under the laws of the State of New York, and Robert Martin-Eastview North Company, L.P., a New York limited partnership.

This Warrant is subject to the following provisions, terms and conditions:

Section 1. Exercise of Warrant.

To exercise this Warrant in whole or in part, the Holder shall deliver to the Company at its principal office in Cranford, New Jersey, (a) a written notice, in substantially the form of the Exercise Notice appearing at the end of this Warrant, of the Holder's election to exercise this Warrant, which notice shall specify the number of shares of Common Stock to be purchased, (b) cash or a certified check payable to the Company, or such other consideration as determined in accordance with Section 2(D) below, in an amount equal to the aggregate purchase price of the number of shares of Common Stock being purchased, and (c) this Warrant. The Company shall as promptly as practicable, and in any event within 15 days thereafter, execute and deliver or cause to be executed and delivered, in accordance with such notice, a stock certificate or certificates representing the aggregate number of shares of Common Stock specified in such notice. The stock certificate or certificates so delivered shall be in such denominations as may be specified in such notice and shall be issued in the name of the Holder or, subject to Sections 2(E) and (F) and Sections 4(H) and (I) below, such other name as shall be designated in such notice. Such stock certificate or certificates shall be deemed to have been issued and the Holder or any other person so designated to be named therein shall be deemed for all purposes to have become a holder of record of such shares immediately prior to the close of business on the date such

notice is received by the Company as aforesaid. If this Warrant shall have been exercised only in part, the Company shall, at the time of delivery of said stock certificate or certificates, deliver to the Holder a new Warrant evidencing the rights of the Holder to purchase the remaining shares of Common Stock called for by this Warrant, which new Warrant shall in all other respects be identical to this Warrant, or, at the request of the Holder, appropriate notation may be made on this Warrant and the same returned to the Holder. The Company shall pay all expenses, taxes and other charges payable in connection with the preparation, issue and delivery of such stock certificates and new Warrants, except that, in case such stock certificates or new Warrants shall be registered in a name or names other than the name of the Holder, funds sufficient to pay all stock transfer taxes that are payable upon the issuance of such stock certificates or new Warrants shall be paid by the Holder at the time of delivering the notice of exercise mentioned above.

All shares of Common Stock issued upon the exercise of this Warrant shall be validly issued, fully paid and nonassessable and, if the Common Stock is then listed on a national securities exchange or quoted on an automated quotation system, shall be duly listed or quoted thereon.

The Company shall not be required upon any exercise of this Warrant to issue a certificate representing any fraction of a share of Common Stock, but, in lieu thereof, shall pay to the Holder cash in an amount equal to a corresponding fraction (calculated to the nearest 1/100 of a share) of the purchase price of one share of Common Stock as of the date of receipt by the Company of notice of exercise of this Warrant.

Section 2. Terms and Conditions of Warrants.

(A) Exercise Period. Each Warrant shall vest over a three-year period (subject to acceleration in accordance with the terms of this Warrant), with



one-third of such Warrant vesting on the first anniversary of the date hereof, one-third vesting on the second anniversary of the date hereof, and one-third vesting on the third anniversary of the date hereof, and shall expire at 5:00 p.m., New York City time, on January 31, 2007, or in connection with the Holder's earlier termination of employment with the Company as provided in paragraph 2(E) below (the "Expiration Date").

(B) Purchase Price. The purchase price per share of Common Stock shall be equal to the fair market value of the Common Stock on the date hereof. For purposes of this paragraph 2(B), "fair market value" means the closing price as quoted on the New York Stock Exchange at the end of the last business day preceding the date hereof as reported in the New York edition of The Wall Street Journal. It is agreed that such purchase price is \$33.00 per share.

(C) Exercise of Warrant. No part of any Warrant may be exercised at the time of vesting unless the Holder shall have remained in the employ of the Company for such period as to which such portion of the Warrant has vested, except as otherwise provided in paragraph 2(E) below.

(D) Payment of Purchase Price upon Exercise. The purchase price of the Common Stock as to which a Warrant is exercised shall be paid to the Company at the time of exercise either in cash or in such other consideration as the Executive Compensation Committee of the Board of Directors of the Company (the "Board of Directors") or such other committee that the

2

Board of Directors may appoint to administer the Warrants (the "Committee"), deems appropriate, including, but not limited to, loans from the Company or a third party, Common Stock already owned by the Holder having a total fair market value, as determined by the Committee, equal to the purchase price, or a combination of cash and Common Stock having a total fair market value, as so determined, equal to the purchase price. The Committee in its sole discretion may also provide that the purchase price may be paid by delivering a properly executed exercise notice in a form approved by the Committee, together with irrevocable instructions to a broker to promptly deliver to the Company the amount of applicable sale or loan proceeds to pay the purchase price.

(E) Exercise in the Event of Death, Disability, Retirement or Other Termination of Employment, or Change in Control.

(1) Death or Disability. If a Holder's employment by the Company shall terminate because of his or her death or permanent disability, the Committee may, in its sole discretion, accelerate in whole or in part, any or all Warrants which the Holder shall not then have been entitled to exercise. If a Holder shall die (i) while an employee of the Company, or (ii) within twelve (12) months after termination of his or her employment with the Company because of his or her permanent disability, such Holder's Warrants may be exercised, to the extent that such Holder shall have been entitled to do so on the date of his or her death or such termination of employment (including, without limitation, by acceleration or otherwise) by the Holder's Beneficiary (as defined below) or by the person or persons to whom the Holder's rights under the Warrants pass by will or applicable law, or if no such person has such right, by his or her executors or administrators, at any time, or from time to time, but not later than the Expiration Date or one year after the Holder's death, whichever date is earlier. If a Holder's employment by the Company shall terminate because of his or her permanent disability, such Holder may exercise his or her Warrants, to the extent that such Holder shall have been entitled to do so at the date of the termination of his or her employment (including, without limitation, by acceleration or otherwise), at any time, or from time to time, but not later than the Expiration Date or one year after termination of employment because of his or her permanent disability, whichever date is earlier.

(2) Change in Control. In the event a Holder's employment shall terminate within six (6) months following a Change in Control (as defined below), all Warrants which the Holder shall not then have been entitled to exercise shall be accelerated immediately prior to or concurrently with the occurrence of the Change in Control and the Holder shall have the right to exercise all such Warrants at any time or from time to time through the Expiration Date.

(3) Good Reason. If a Holder terminates his or her employment for Good Reason (as defined below), the Committee may, in its sole discretion, accelerate in whole or in part, any or all Warrants which the Holder shall not then have been entitled to exercise. If a Holder's employment by the Company shall terminate for Good Reason, such Holder may exercise his or her Warrants, to the extent that such Holder shall have been entitled to do so at the date of the termination of his or her employment (including, without limitation, by acceleration or otherwise), at any time, or from time to time, but not later

than the Expiration Date or ninety (90) days after termination of employment, whichever date is earlier.

"Good Reason" shall mean a material reduction in the Holder's annual base salary or other benefits (except for bonuses or similar discretionary payments) as in effect at the time in question.

(4) Subject to Section 4(A) below, if a Holder's employment shall terminate for any reason other than death, Disability, Good Reason or a Change in Control (each as defined below) as aforesaid, all rights to exercise his or her Warrant shall terminate at the Expiration Date or three (3) months after termination of employment, whichever date is earlier; provided, however, that the Committee may, in its sole discretion, grant new Warrants or modify outstanding Warrants to permit their exercise upon a Holder's termination of employment due to retirement with the consent of the Company until the earlier of the Expiration Date or twelve (12) months after termination of employment.

"Beneficiary" means the beneficiary or beneficiaries designated in accordance with Section 4(H) to receive the amount, if any, payable under the Warrant upon the death of a Holder.

"Change in Control" means that any of the following events has occurred:

- (i) any "person" or "group" of persons, as such terms are used in Sections 13 and 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), other than any employee benefit plan sponsored by the Company, becomes the "beneficial owner", as such term is used in Section 13 of the Exchange Act, of thirty percent (30%) or more of the Common Stock of the Company issued and outstanding immediately prior to such acquisition;
- (ii) any Common Stock of the Company is purchased pursuant to a tender or exchange offer other than an offer by the Company; or
- (iii) the dissolution or liquidation of the Company or the consummation of any merger or consolidation of the Company or any sale or other disposition of all or substantially all of its assets, if the shareholders of the Company immediately before such transaction own, immediately after consummation of such transaction, equity securities (other than options and other rights to acquire equity securities) possessing less than thirty percent (30%) of the voting power of the surviving or acquiring Company.

provided, however, that notwithstanding anything herein to the contrary, no Change in Control shall be deemed to have occurred and no rights arising upon a Change in Control described in Section 2(E) shall exist unless the Board of Directors directs to the contrary by resolution adopted prior to the Change in Control. Any resolution of the Board of Directors adopted in accordance with the provisions of this Section directing that this Section 2(E) or any of such Section become ineffective may be rescinded or countermanded at any time with or without

retroactive effect by such Board.

"Disability" means the determination by the Company, upon the advice of an independent qualified physician, that the Holder has become physically or mentally incapable of performing his duties under any employment agreement or otherwise and such disability has disabled the Holder for a cumulative period of one hundred eighty (180) days within a twelve (12) month period.

(F) Transferability and Exercise of Warrants. Subject to the provisions of any registration rights agreement entered into in connection with the registration of shares of Common Stock underlying the RM Warrants, no Warrant shall be transferable other than by will or by the laws of descent and distribution. During the lifetime of the Holder, a Warrant shall be exercisable only by the Holder. This Warrant shall be exercisable or convertible (a) only under circumstances such that the issue of Common Stock issuable upon such exercise or conversion is exempt from the requirements of registration under the Securities Act of 1933, as amended (the "1933 Act"), and any applicable state securities law or (b) upon registration of such Common Stock in compliance therewith; provided, however, that the foregoing shall not apply if this Warrant is exercised by the original Holder hereof. This Warrant shall be transferable only under circumstances such that the transfer is exempt from the requirements of registration under the 1933 Act and any applicable state securities law. By acceptance hereof, the Holder agrees to comply with such laws.

(G) Investment Representation. The Holder, by acceptance hereof, (i) hereby represents that he or she is an "Accredited Investor" under Rule 501(a) of Regulation D promulgated under Section 4(2) of the 1933 Act, and (ii)

acknowledges that this Warrant and, to the extent not registered under the 1933 Act, any Common Stock purchased or acquired pursuant hereto is being or will be acquired solely for the Holder's own account and not as a nominee for any other party, and with a current investment intent and not with a view to distribution thereof. The Holder (or any person acting under Sections 2(E) or (F) above) shall deliver to the Company, at the time of any exercise of a Warrant or portion thereof, a written representation that the shares to be acquired upon such exercise are to be acquired for investment and not for resale or with a view to the distribution thereof, and, if applicable, that he or she is the original Holder of this Warrant. Delivery of such representation prior to the delivery of any Common Stock issued upon exercise of a Warrant and prior to the expiration of the Warrant period shall be a condition precedent to the right of the Holder or such other person to purchase any Common Stock. In the event certificates for Common Stock are delivered upon the exercise of a Warrant with respect to which such an investment representation has been obtained, the Company may cause a legend or legends to be placed on such certificates to make appropriate reference to such representations and to restrict transfer in the absence of compliance with applicable federal or state securities laws.

### Section 3. Transfer, Division and Combination.

The Company agrees to maintain at its principal office in Cranford, New Jersey, books for the registration and transfer of this Warrant, and, subject to the provisions of Section 2(F) hereof, this Warrant and all rights hereunder are transferable, in whole or in part, on such books at such office, upon surrender of this Warrant at such office, together with a written assignment

5

of this Warrant duly executed by the Holder or his agent or attorney and funds sufficient to pay any stock transfer taxes payable upon the making of such transfer. Upon such surrender and payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees and in the denominations specified in such instrument of assignment, and this Warrant shall promptly be canceled. A Warrant may be exercised by a new holder for the purchase of shares of Common Stock without having a new Warrant issued. All of the provisions of this Section 3 are subject to the provisions of Sections 2(E) and (F) above.

### Section 4. General Provisions

(A) Termination for Cause. Notwithstanding anything herein contained to the contrary, if a Holder's employment is terminated for Cause, all Warrants, to the extent not vested on the date of termination, shall be forfeited. "Cause" shall mean (1) the willful and continued failure by the Holder to substantially perform his or her duties under his or her employment agreement with the Company, if any, or otherwise (other than any such failure resulting from the Holder's incapacity due to physical or mental illness) for a period of thirty (30) days after written demand for substantial performance is delivered by the Company specifically identifying the manner in which the Company believes the Holder has not substantially performed his or her duties, or (2) willful misconduct by the Holder which is materially injurious to the Company, monetarily or otherwise, or (3) the willful violation by the Holder of the provisions of any covenant not to compete or breach of confidential information with respect to the Company. For purposes of this Paragraph 4(A), no act, or failure to act, on the Holder's part shall be considered "willful" unless done, or omitted to be done, by him or her not in good faith and without reasonable belief that his or her action or omission was in the best interests of the Company.

(B) Certain Adjustments. In the event of any change in the Common Stock by reason of any stock dividend, recapitalization, reorganization, merger, consolidation, split-up, combination or exchange of shares, or any rights offering to purchase Common Stock at a price substantially below fair market value, or of any similar change affecting the Common Stock, the number and kind of shares subject to Warrants in and the purchase price per share thereof shall be appropriately adjusted consistent with such change in such manner as the Committee may deem equitable to prevent substantial dilution or enlargement of the rights granted to, or available for, the Holders hereunder. Any adjustment of a Warrant pursuant to this Section 4(B) shall be made only to the extent not constituting a "modification" within the meaning of Section 424(h)(3) of the Internal Revenue Code of 1986, as amended from time to time, unless the holder of such Warrant shall agree otherwise. The Committee shall give notice to each Holder of any adjustment made pursuant to this Section 4(B) and, upon notice, such adjustment shall be effective and binding for all purposes under this Warrant.

(C) Successor Company. The obligations of the Company under this Warrant shall be binding upon any successor Company or organization resulting from the merger, consolidation or other reorganization of the Company, or upon any successor Company or organization succeeding to substantially all of the assets and business of the Company. The Company agrees that it will make appropriate provision for the preservation of Holders' rights under this Warrant in any agreement or plan which it may enter into or adopt to effect any such merger,

consolidation, reorganization or transfer of assets.

6

(D) No Claim or Right. Nothing contained herein nor any action taken hereunder shall be construed as giving any employee any right to be retained in the employ of the Company.

(E) Awards Not Treated as Compensation Under Benefit Plans. No Warrant shall be considered as compensation under any employee benefit plan of the Company, except as specifically provided in any such plan or as otherwise determined by the Board of Directors.

(F) Listing and Qualification of Common Stock. The Company, in its discretion, may postpone the issuance or delivery of Common Stock upon any exercise of a Warrant until completion of such stock exchange listing or other qualification of such shares under any state or federal law, rule or regulation as the Company may consider appropriate, and may require any Holder, Beneficiary or legal representative to make such representations and furnish such information as it may consider reasonably appropriate in connection with the issuance or delivery of the shares in compliance with applicable laws, rules and regulations. The Company covenants, however, to effect the listing of the Common Stock underlying the Warrants on the New York Stock Exchange prior to December 1997.

(G) Taxes. The Company may make such provisions and take such steps as it may deem necessary or appropriate for the withholding of all federal, state and local taxes required by law to be withheld with respect to Warrants exercised pursuant to this Agreement including, but not limited to (i) deducting the amount required to be withheld from any other amount then or thereafter payable to a Holder, Beneficiary or legal representative, and (ii) requiring a Holder, Beneficiary or legal representative to pay to the Company the amount required to be withheld as a condition of releasing Common Stock. In addition, subject to such rules and regulations as the Committee shall from time to time establish, Holders shall be permitted to satisfy federal, state and local taxes, if any, imposed upon the issuance of Common Stock at a rate up to such Holder's maximum marginal tax rate with respect to each such tax by (i) irrevocably electing to have the Company deduct from the number of shares Common Stock otherwise deliverable upon exercise of a Warrant such number of shares of Common Stock as shall have a value equal to the amount of tax to be withheld, (ii) delivering to the Company such portion of the Common Stock delivered upon exercise of the Warrant as shall have a value equal to the amount of tax to be withheld, or (iii) delivering to the Company such Common Stock or combination of Common Stock and cash as shall have a value equal to the amount of tax to be withheld.

(H) Designation and Change of Beneficiary. Each Holder shall file with the Committee a written designation of one or more persons as the Beneficiary who shall be entitled to receive the amount, if any, payable under this Warrant upon his or her death. A Holder may, from time to time, revoke or change his or her Beneficiary designation without the consent of any prior Beneficiary by filing a new designation with the Committee. The last such designation received by the Committee shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Committee prior to the Holder's death, and in no event shall it be effective as of a date prior to such receipt.

(I) Payments to Persons Other Than A Holder. If the Committee shall find that any person to whom any amount is payable under this Warrant is unable to care for his or her affairs because of illness or accident, or is a minor, or has died, then any payment due to such person or his or her estate (unless a prior claim therefor has been made by a duly appointed legal

7

representative), may, if the Committee so directs the Company, be paid to his or her spouse, a child, a relative, an institution maintaining or having custody of such person, or any other person deemed by the Committee to be a proper recipient on behalf of such person otherwise entitled to payment. Any such payment shall be a complete discharge of the liability of the Committee and the Company therefor.

(J) General Creditor Status. Holders shall have no right, title, or interest whatsoever in or to any investments which the Company may make to aid it in meeting its obligations hereunder. Nothing contained herein, and no action taken pursuant hereto, shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and any Holder, Beneficiary, legal representative or any other person. To the extent that any person acquires a right to receive payments from the Company hereunder, such right shall be no greater than the right of an unsecured general creditor of the Company. All payments to be made hereunder shall be paid from the general funds of the Company and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of such amounts except as expressly set forth herein; provided, however, that in its sole discretion, the

Committee may authorize the creation of trusts or other arrangements to meet the obligations created hereunder to deliver Common Stock or pay cash; provided, further, however, that, unless the Committee otherwise determines with the consent of the affected Holder, the existence of such trusts or other arrangements shall be consistent with the "unfunded" status of the 1994 Employee Stock Option Plan of Cali Realty Corporation.

(K) No Liability of Committee Members. The Holder of this Warrant agrees that no member of the Committee shall be personally liable by reason of any contract or other instrument executed by such member or on his or her behalf in his or her capacity as a member of the Committee nor for any mistake of judgment made in good faith.

#### Section 5. Covenant to Reserve Shares of Common Stock.

The Company covenants and agrees that it will at all times reserve and set apart and have, free from preemptive rights, a number of shares of authorized but unissued Common Stock, or other stock or securities deliverable pursuant to this Warrant, sufficient to enable it at any time to fulfill all its obligations hereunder.

#### Section 6. Notices.

In the event that:

(a) the Company proposes to pay any dividend payable in stock (of any class or classes) or any obligations or stock convertible into or exchangeable for shares of Common Stock upon its Common Stock or make any distribution (other than ordinary cash dividends) to the holders of its Common Stock,

(b) the Company proposes to grant to the holders of its Common Stock generally any rights or Warrants (excluding any Warrants granted to any employee, director, officer, contractor or consultant of the Company pursuant to any plan approved by the Board of Directors of the Company),

8

(c) the Company proposes to effect any capital reorganization or reclassification of capital stock of the Company,

(d) the Company proposes to consolidate with, or merge into, any other Company or to transfer its property as an entirety or substantially as an entirety, or

(e) the Company proposes to effect the liquidation, dissolution or winding up of the Company,

then the Company shall cause notice of any such intended action to be given to the holder of this Warrant not less than 30 days before the date on which the transfer books of the Company shall close or a record shall be taken for such stock dividend, distribution or granting of rights or Warrants, or the date when such capital reorganization, reclassification, consolidation, merger, transfer, liquidation, dissolution or winding up shall be effective, as the case may be.

Any notice or other document required or permitted to be given or delivered to the holder of this Warrant shall be delivered by facsimile transmission, reliable courier or first-class mail postage prepaid to the Holder at the last address shown on the books of the Company maintained for the registry and transfer of this Warrant. Any notice or other document required or permitted to be given or delivered to holders of record of Common Stock issued pursuant to this Warrant shall be delivered by facsimile, reliable courier or first-class mail postage prepaid to Holder at Holder's address as the same appears on the stock records of the Company. Any notice or other document required or permitted to be given or delivered to the Company shall be delivered by facsimile transmission, reliable courier or first-class mail postage prepaid to the principal office of the Company in Cranford, New Jersey, or delivered to the office of one of the Company's executive officers at such address, or such other address as shall have been furnished by the Company to the holders of record of such Warrants and the holders of record of such Common Stock.

#### Section 7. Limitation of Liability; Not Shareholders.

No provision of this Warrant shall be construed as conferring upon the Holder the right to vote or to consent or to receive dividends or to receive notice as a shareholder in respect of meetings of shareholders for the election of directors of the Company or any other matter whatsoever as shareholders of the Company. No provision hereof, in the absence of affirmative action by the Holder to purchase shares of Common Stock, and no mere enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of Holder for the purchase price or as a shareholder of the Company, whether such liability is asserted by the Company, creditors of the Company or others.

#### Section 8. Loss, Destruction, etc, of Warrant.

Upon receipt of evidence satisfactory to the Company of the loss, theft, mutilation or destruction of any Warrant, and in the case of any such loss, theft or destruction upon delivery of a bond of indemnity in such form and amount as shall be reasonably satisfactory to the Company, or in the event of such mutilation upon surrender and cancellation of such Warrant,

9

the Company will make and deliver a new Warrant, of like tenor, in lieu of such lost, stolen, destroyed or mutilated Warrant. Any Warrant issued under the provisions of this Section 8 in lieu of any Warrant alleged to be lost, destroyed or stolen, or of any mutilated Warrant, shall constitute an original contractual obligation on the part of the Company.

Section 9. Registration Rights.

As used in this Section 9, the term "Registrable Stock" shall mean (i) all shares of Common Stock that may be issued upon exercise of this Warrant (and all shares of Common Stock that may thereafter be issued in respect of such Warrant) that is from time to time outstanding.

References in this Warrant to rules, regulations and forms promulgated by the Securities and Exchange Commission shall include rules, regulations and forms succeeding to the functions thereof, whether or not bearing the same designation.

The rights and obligations of the Company and the Holder with respect to the Registrable Stock are set forth in a Registration Rights Agreement, dated January 31, 1997, between the Company, the Holder and the other signatories thereto, and shall supersede any registration rights and obligations of the Company and the Holder existing prior to the date hereof with respect to the Registrable Stock.

Section 10. Amendments.

Neither this Warrant nor any term hereof may be changed, waived, discharged or terminated orally or in writing, provided that any term of this Warrant may be amended or the observance of such term may be waived (either generally or in a particular instance and either retroactively or prospectively) with, but only with, the written consent of the Company and the holders of the RM Warrants that are exercisable for a number of shares of Common Stock that represent in the aggregate at least a majority of the total number of shares of Common Stock for which all of the RM Warrants are then exercisable (whether or not the holder of this Warrant consents).

Section 11. Governing Law and Consent to Jurisdiction.

This Warrant shall be governed by the laws of the State of New York without regard to its conflict of laws principles or rules. This Warrant shall be deemed to have been executed and delivered at and shall be deemed to have been made in New York, New York.

Any legal action, suit or proceeding arising out of or relating to this Warrant may only be instituted in any federal court of the Southern District of New York or any state court located in New York County, State of New York, and the Company agrees not to assert, by way of motion, as a defense or otherwise, in any action, suit or proceeding, any claim that it is not subject personally to the jurisdiction of such courts, that the action, suit or proceeding if brought in such courts, would be an inconvenient forum, that the venue of the action, suit or proceeding, if brought in any of such courts, is improper or that this Agreement or the subject matter may not be enforced in or by such courts on jurisdictional grounds.

10

IN WITNESS WHEREOF, the Company has caused this Warrant to be signed in its name by its duly authorized officer.

Dated: January 31, 1997

CALI REALTY CORPORATION

By: /s/ Roger W. Thomas

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Name: Roger W. Thomas  
Title: Vice President and  
General Counsel

11

EXERCISE NOTICE

The undersigned, the Holder, hereby elects to exercise purchase rights represented by such Warrant for, and to purchase thereunder, \_\_\_\_\_ shares of the Common Stock covered by such Warrant and herewith makes payment in full therefor of \$ \_\_\_\_\_ cash and/or by cancellation of \$ \_\_\_\_\_ of indebtedness of the Company to the Holder hereof and requests that, subject to the terms and conditions of the Warrant, certificates for such shares (and any securities or property deliverable upon such exercise) be issued in the name of and delivered to \_\_\_\_\_ whose address is \_\_\_\_\_, and whose social security or employer identification number is \_\_\_\_\_.

The undersigned agrees that, in the absence of an effective registration statement with respect to Common Stock issued upon this exercise, the undersigned is acquiring such Common Stock for the Holder's own account and not as a nominee for any other party, for investment and not with a view to distribution thereof and that the certificate or certificates representing such Common Stock may bear a legend substantially as follows:

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR QUALIFIED UNDER APPLICABLE STATE SECURITIES LAWS. UNLESS THEY ARE SOLD PURSUANT TO RULE 144 PROMULGATED BY THE SECURITIES AND EXCHANGE COMMISSION UNDER SAID ACT, THEY MAY NOT BE SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION AND QUALIFICATION WITHOUT AN OPINION OF COUNSEL FOR THE HOLDER, REASONABLY SATISFACTORY TO COUNSEL FOR THE COMPANY, THAT SUCH REGISTRATION AND QUALIFICATION ARE NOT REQUIRED.

In addition, the undersigned agrees that, in the absence of an effective registration statement with respect to Common Stock issued upon this exercise, stop transfer instructions will be entered on the Company's stock transfer records with respect to Common Stock issued upon this exercise.

Dated:

\_\_\_\_\_  
Signature guaranteed:

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NON COMPETITION AGREEMENT

FOR

ROBERT F. WEINBERG

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NON-COMPETITION AGREEMENT

THIS NON-COMPETITION AGREEMENT (this "Agreement") is entered into as of January 31, 1997, by and between Robert F. Weinberg, an individual residing at 5 Barker Avenue, White Plains, New York 10601 ("Director"), and Cali Realty Corporation, a Maryland corporation with offices at 11 Commerce Drive, Cranford, New Jersey 07016 ("Cali").

R E C I T A L S

WHEREAS, Robert Martin Company, LLC, a New York limited liability company and Robert Martin-Eastview North Company, L.P., a New York limited partnership (collectively "RM") and Cali Realty, L.P., a Delaware limited partnership ("CRLP") and Cali have determined that it is in the best interests of the parties' long term strategic growth to combine their respective properties and related assets;

WHEREAS, in order to effectuate this combination, RM has agreed to contribute certain properties and other assets located throughout southern New York and Connecticut owned or controlled by RM (the "Property") to designees of CRLP, to cause certain key executives of RM to become part of the management of Cali, and through RM's existing structure to continue to manage and operate the properties being contributed by RM, all as of the closing (the "Closing Date") and RM has also been granted certain rights with respect to appointing members of the Board of Directors of Cali (the "Board") which is the sole general partner of CRLP, pursuant to which Director has been designated to serve as a member of the Board;

WHEREAS, the Director has served as a principal of RM and, through such service, has acquired special and unique knowledge, abilities and expertise; and

WHEREAS, the Director desires to be associated with Cali, as a member of the Board and in such capacity the Director will have access to Cali's business plans, financial data and other confidential matters;

WHEREAS, in connection with the Director's desires to be a member of the Board, the Director has agreed to be bound by the non-competition restrictions provided below; and

WHEREAS, Cali desires to have the Director enter into this Agreement in order to protect Cali from unfair competition.

NOW, THEREFORE, in consideration of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Non-Competition. The Director hereby agrees that:

(a) For the period commencing on the Closing Date and terminating on the later of (i) the date which is one year following the date on which the Director shall no longer be a member of the Board and (ii) January 31, 2000 the Director shall not, directly or indirectly, within the State of New York, the State of New Jersey, the State of Connecticut or the State of Pennsylvania engage in, or own, invest in, manage or control any venture or enterprise engaged in any development, acquisition or management activities with respect to office-service, office or industrial or flex property without regard to whether or not such activities compete with Cali.

Nothing herein shall prohibit the Director from being a passive owner of not more than five percent (5%) of the outstanding stock of any class of securities of a corporation or other entity engaged in such business which is publicly traded, so long as he has no active participation in the business of such corporation or other entity. Moreover, the foregoing limitations shall not be deemed to restrict or otherwise limit the Director from: (i) conducting real estate development, acquisition, or management activities as and to the extent permitted pursuant to Section 26 of the Contribution and Exchange Agreement dated January 24, 1997 by and between Cali, CRLP and RM (the "Contribution and Exchange Agreement"), (ii) acquiring and conducting real estate development and management activities with respect to properties which may be purchased by Director pursuant to Sections 8.3 or 27.5 of the Contribution and Exchange Agreement, and (iii) conducting activities



within the ordinary course of business as a stockholder, director, member or manager of City & Suburban Federal Savings Bank (the "Bank") or any entity controlling, controlled by or under common control with the Bank, their successors or assigns, provided that the performance of the activities set forth in (i), (ii) and (iii) above does not materially impair the Director's performance of his obligations as a member of the Board of Cali.

(b) If, at the time of enforcement of this Paragraph 1, a court shall hold that the duration, scope, area or other restriction stated herein is unreasonable, the parties hereto agree that reasonable maximum duration, scope, area or other restriction may be substituted by such court for the stated duration, scope, area or other restriction.

(c) For purposes of this Agreement, Cali shall be deemed to include any entity which is controlled, directly or indirectly, by Cali and any entity

2

of which a majority of the economic interest is owned, directly or indirectly, by Cali.

2. Remedies. The parties hereto agree that Cali would suffer irreparable harm from a breach by the Director of any of the covenants or agreements contained herein. Therefore, in the event of the actual or threatened breach by the Director of any of the provisions of this Agreement, Cali may, in addition and supplementary to any other rights and remedies existing in its favor, apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce or prevent any violation of the provisions hereof.

3. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

4. Modification or Waiver. No amendment, modification, waiver, termination or cancellation of this Agreement shall be binding or effective for any purpose unless it is made in writing signed by the party against whom enforcement of such amendment, modification, waiver, termination or cancellation is sought. No course of dealing between or among the parties to this Agreement shall be deemed to affect or to modify, amend or discharge any provisions or terms of this Agreement. No delay on the part of Cali or the Director in the exercise of any of their respective rights or remedies shall operate as a waiver thereof, and no single or partial exercise by Cali or the Director of any such right or remedy shall preclude other or further exercise thereof. A waiver of right or remedy on any one occasion shall not be construed as a bar to or waiver of any such right or remedy on any other occasion.

5. Notices. All notices or other communications required or permitted hereunder shall be made in writing and shall be deemed to have been duly given if delivered by hand or delivered by a recognized delivery service or mailed, postage prepaid, by express, certified or registered mail, return receipt requested, and addressed to Cali or the Director, as applicable, at the address set forth above (or to such other address as shall have been previously provided in accordance with this section).

6. Governing Law. THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW JERSEY, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS THEREUNDER.

7. Severability. Whenever possible, each provision and term of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision or term of this Agreement shall be held to be

3

prohibited by or invalid under such applicable law, then, subject to the provisions of Paragraph 1 (b) above, such provision or term shall be ineffective only to the extent of such prohibition or invalidity, without invalidating or affecting in any manner whatsoever the remainder of such provision or term or the remaining provisions or terms of this Agreement.

8. Counterparts. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and both of which when taken together shall constitute one and the same Agreement.

9. Headings. The headings of the Paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute a part hereof and shall not affect the construction or interpretation of this Agreement.

10. Entire Agreement. This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all other prior agreements and undertakings, both written and oral, among the parties with

respect to the subject matter hereof.

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4

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

CALI REALTY CORPORATION

By: /s/ Roger W. Thomas

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Name: Roger W. Thomas  
Title: Vice President and  
General Counsel

DIRECTOR

/s/ Robert F. Weinberg

-----  
Robert F. Weinberg

5

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NON COMPETITION AGREEMENT

FOR

MARTIN S. BERGER

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NON-COMPETITION AGREEMENT

THIS NON-COMPETITION AGREEMENT (this "Agreement") is entered into as of January 31, 1997, by and between Martin S. Berger, an individual residing at 630 Park Avenue, #8A, New York, New York 10021 (the "RM Principal"), and Cali Realty Corporation, a Maryland corporation with offices at 11 Commerce Drive, Cranford, New Jersey 07016 ("Cali").

R E C I T A L S

WHEREAS, Robert Martin Company, LLC, a New York limited liability company and Robert Martin-Eastview North Company, L.P., a New York limited partnership (collectively "RM") and Cali Realty, L.P., a Delaware limited partnership ("CRLP") and Cali have determined that it is in the best interests of the parties' long term strategic growth to combine their respective properties and related assets;

WHEREAS, in order to effectuate this combination, RM has agreed to contribute certain properties and other assets located throughout southern New York and Connecticut owned or controlled by RM (the "Property") to designees of CRLP, to cause certain key executives of RM to become part of the management of Cali, and through RM's existing structure to continue to manage and operate the properties being contributed by RM, all as of the closing (the "Closing Date") and RM has also been granted certain rights with respect to appointing members of the Board of Directors of Cali (the "Board") which is the sole general partner of CRLP;

WHEREAS, the RM Principal has served as a principal of RM and, through such service, has acquired special and unique knowledge, abilities and expertise; and

WHEREAS, Cali is the recipient of some or all of the Property, and in connection with the contribution of the Property to Cali, the RM Principal had access to RM's and Cali's business plans, financial data and other confidential matters;

WHEREAS, as a condition of the contribution of the Property to Cali, the RM Principal has agreed to be bound by the non-competition restrictions provided below; and

WHEREAS, Cali desires to have the RM Principal enter into this Agreement in order to protect Cali from unfair competition.

NOW, THEREFORE, in consideration of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Non-Competition. The RM Principal hereby agrees that:

(a) For the period commencing on the Closing Date and terminating on January 31, 2000 the RM Principal shall not, directly or indirectly, within the State of New York, the State of New Jersey, the State of Connecticut or the State of Pennsylvania engage in, or own, invest in, manage or control any venture or enterprise engaged in any development, acquisition or management activities with respect to office-service, office or industrial or flex property without regard to whether or not such activities compete with Cali.

Nothing herein shall prohibit the RM Principal from being a passive owner of not more than five percent (5%) of the outstanding stock of any class of securities of a corporation or other entity engaged in such business which is publicly traded, so long as he has no active participation in the business of such corporation or other entity. Moreover, the foregoing limitations shall not be deemed to restrict or otherwise limit the RM Principal from: (i) conducting real estate development, acquisition, or management activities as and to the extent permitted pursuant to Section 26 of the Contribution and Exchange Agreement dated January 24, 1997 by and between Cali, CRLP and RM (the "Contribution and Exchange Agreement"), (ii) acquiring and conducting real estate development and management activities with respect to properties which may be purchased by the RM Principal pursuant to Sections 8.3 or 27.5 of the Contribution and Exchange Agreement, and (iii) conducting activities within the ordinary course of business as a stockholder, director, member or manager of

City & Suburban Federal Savings Bank (the "Bank") or any entity controlling, controlled by or under common control with the Bank, their successors or assigns.

(b) If, at the time of enforcement of this Paragraph 1, a court shall hold that the duration, scope, area or other restriction stated herein is unreasonable, the parties hereto agree that reasonable maximum duration, scope, area or other restriction may be substituted by such court for the stated duration, scope, area or other restriction.

(c) For purposes of this Agreement, Cali shall be deemed to include any entity which is controlled, directly or indirectly, by Cali and any entity of which a majority of the economic interest is owned, directly or indirectly, by Cali.

2

2. Remedies. The parties hereto agree that Cali would suffer irreparable harm from a breach by the RM Principal of any of the covenants or agreements contained herein. Therefore, in the event of the actual or threatened breach by the RM Principal of any of the provisions of this Agreement, Cali may, in addition and supplementary to any other rights and remedies existing in its favor, apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce or prevent any violation of the provisions hereof.

3. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

4. Modification or Waiver. No amendment, modification, waiver, termination or cancellation of this Agreement shall be binding or effective for any purpose unless it is made in writing signed by the party against whom enforcement of such amendment, modification, waiver, termination or cancellation is sought. No course of dealing between or among the parties to this Agreement shall be deemed to affect or to modify, amend or discharge any provisions or terms of this Agreement. No delay on the part of Cali or the RM Principal in the exercise of any of their respective rights or remedies shall operate as a waiver thereof, and no single or partial exercise by Cali or the RM Principal of any such right or remedy shall preclude other or further exercise thereof. A waiver of right or remedy on any one occasion shall not be construed as a bar to or waiver of any such right or remedy on any other occasion.

5. Notices. All notices or other communications required or permitted hereunder shall be made in writing and shall be deemed to have been duly given if delivered by hand or delivered by a recognized delivery service or mailed, postage prepaid, by express, certified or registered mail, return receipt requested, and addressed to Cali or the RM Principal, as applicable, at the address set forth above (or to such other address as shall have been previously provided in accordance with this section).

6. Governing Law. THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW JERSEY, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS THEREUNDER.

7. Severability. Whenever possible, each provision and term of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision or term of this Agreement shall be held to be prohibited by or invalid under such applicable law, then, subject to the provisions of Paragraph 1 (b) above, such provision or term shall be ineffective only to the extent of such prohibition or invalidity, without invalidating or affecting in any

3

manner whatsoever the remainder of such provision or term or the remaining provisions or terms of this Agreement.

8. Counterparts. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and both of which when taken together shall constitute one and the same Agreement.

9. Headings. The headings of the Paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute a part hereof and shall not affect the construction or interpretation of this Agreement.

10. Entire Agreement. This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all other prior agreements and undertakings, both written and oral, among the parties with respect to the subject matter hereof.

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IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

CALI REALTY CORPORATION

By: /s/ Roger W. Thomas

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Name: Roger W. Thomas  
Title: Vice President and  
General Counsel

RM PRINCIPAL

/s/ Martin S. Berger

-----  
Martin S. Berger

Consent of Independent Accountants

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-3 (Nos. 333-19101, 333-09081 and 33-96538) and the Registration Statement on Form S-8 (No. 33-91822) of Cali Realty Corporation of our report dated February 18, 1997, appearing in this Form 10-K.

Price Waterhouse LLP  
New York, New York  
March 28, 1997

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